

**SMARTECH DIGITAL MANUFACTURING HOLDINGS LTD :  
LITTLE FISHES CAN BE SWEET-TASTING**

For a pleasant change, the latest addition to the ranks of The GEM, The Growth Enterprise Market of The Stock Exchange of Hongkong Ltd, is a fairly decent little business enterprise – with a more than fairly solid business base.

Smartech Digital Manufacturing Holdings Ltd (Code: 8068) is not a hi-tech company, as its name may imply to some, it is in the business of designing and manufacturing tools and molds for international names in consumer retailing: Black and Decker (US) Incorporated, Tandy Electronics (China) Ltd (more popularly known by its US parent company, as, simply, 'Radio Shack', in both the US and Canada), Sanyo Electric (Hongkong) Ltd, part of the giant Sanyo Electric Group of Japan, and Matsushita Electric Works (Hongkong) Ltd, part of giant Matsushita Group of companies of Japan, the electronics group, which is more popularly known for its 'National' and 'Panasonic' electronic and electrical products.

Smartech is Placing a total of 50 million new shares of a Par Value of 10 cents each, at a Premium of 90 cents per share.

The Net Proceeds of this Placement, amounting to about \$HK39 million, is earmarked for use as follows:

1. \$HK3 million to be used to purchase accessories for the Plastic Injection Molding Division;
2. \$HK4 million to be used to expand the Bottle Blow Molding Division;
3. \$HK11 million to be used to establish a Magnesium Casting Mold Division;
4. \$HK3 million to be used to upgrade some of the Company's existing equipment;
5. \$HK4 million to be used to buy some new equipment;
6. \$HK5 million to be used to beef up some computer software;
7. \$HK5 million to be used to establish some offices in the USA; and,
8. \$HK4 million to be used to bolster the Working Capital Account.

In regard to the aforementioned, the Company has made it very clear that some of the money will not be applied until the year 2002.

Also, the use of the proceeds of this cash-raising exercise is dependent on consummation of certain future plans.

The history of this Company appears to indicate that its roots go back to 1987 when Chairman Law Man Ming, the 44-year-old Founder, established '*the business in the production of mold tooling and plastic injection molding*', according to the Prospectus at Page 44.

As such, it would appear that there should be more than 2 Financial Years' Results, available to prospective shareholders.

But that is all that is being offered in this Prospectus:

	<i>Financial Year ended December 31</i>	
	<i>1998</i>	<i>1999</i>
	<i>All Figures are Denominated in \$HK'000</i>	
Turnover	84,616	132,980
Cost of Goods Sold	(46,200)	(74,350)
Gross Profit	38,416	58,630
Other Revenue	959	3,126

Distribution Costs	(804)	(3,219)
Administrative Expenses	(17,123)	(24,587)
Other Operating Expenses	(7,611)	(6,360)
Profit from Operating Activities	13,837	27,590
Finance Costs	(1,638)	(2,355)
Profit Before Tax	12,199	25,235
Taxation	(1,524)	(4,952)
Net Profit Attributable to Shareholders	10,675	20,250

On the basis on the aforementioned, the Prospectus states that the Price-Earnings Multiple is 9 times, fully diluted pro forma.

While the Company paid a dividend, equal to about 53.40 percent of the Profits Attributable to Shareholders in the 1998 Financial Year, and about 34.68 percent in the 1999 Financial Year, there is no indication as to future dividends, other than a statement to the effect that it will be up to the Company to decide whether or not any dividends should be paid, based on future earnings, the future financial condition of the Company, cash requirements and availability of cash, and the provisions in respect of the relevant laws of the People's Republic of China (PRC).

The Adjusted Net Tangible Assets, as at December 31, 1999, are said to be about \$HK97.11 million.

This figure has incorporated the Net Proceeds of this flotation, amounting to about \$HK39 million, however, as well as a figure of about \$HK769,000, being the Unaudited Results for the 2 months, January 1, 2000 to February 29, 2000.

On the basis of there being 200 million shares in issue, the Net Tangible Asset Value Per Share (NAV) is said to be about 48.60 cents.

This means that the shares are being pitched in this Placement at a Premium of about 106 percent to the NAV.

As for indebtedness, according to Page 78, as at February 29, 2000, the Smartech Group was exposed to the extent of about \$HK14.60 million as follows:

1. \$HK200,000      Secured Bank Loans
2. \$HK900,000      Secured Trust Receipt Loan
3. \$HK3.10 million      An Unsecured Shareholder's Loan
4. \$HK10.40 million      Finance Lease Obligations

In respect of Item Number 3, the unsecured shareholder's loan, that appears to have been retired by the Company, borrowing \$HK3 million from its bankers and repaying Chairman Law Man Ming (TARGET assumes that it was he who made the loan to the Company).

The loans, made to the Company by the Director(s), must have been very necessary because, as at December 31, 1999, Current Assets exceeded Current Liabilities ... [CLICK TO ORDER FULL ARTICLE](#)

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