

**GREENFIELD CHEMICAL HOLDINGS LTD :
NEVER HAVE SO MANY WORDS MEANT SO LITTLE**

It is difficult to believe such twaddle, coming out of the mouths of mature and experienced businessmen, but it is there, for all to see in the Prospectus of Greenfield Chemical Holdings Ltd (Code: 582, Main Board, The Stock Exchange of Hongkong Ltd).

This Company, which is in the business of manufacturing and selling industrial coatings, such as stoving enamels, etc, and that has been its principal line of business for the past 15 years or so, has the temerity to suggest that it will become the largest in the field in the Greater China Area.

Page 65 of the Public Offer and Placing Prospectus makes this statement:

'The Directors believe that increasing demand for industrial coatings due to improving living standards in the PRC creates opportunities for the Group's products. With its experienced management team and the adoption of proactive strategic policies, the Directors believe that the Group has and will capitalise from the emerging PRC economy and will become one of the largest manufacturers of industrial coating within the Greater China Region. The Directors consider that the Group is well-positioned to benefit from this promising future in the PRC. The Directors intend to (i) strengthen the production capacity of the Group; (ii) diversify the Group's productions; (iii) develop the PRC market; and (iv) strengthen the research and development of the Group.'

In a country, which is the size of the PRC (the People's Republic of China), with its population of somewhere in the region of 1.30 billion people, it is difficult to believe that, literally, hundreds – if not thousands – of companies, doing similar things to Greenfield Chemical, are not actively operational in the country.

Further, because the length of time that they have been active in the PRC, it is difficult to believe that Greenfield Chemical could successfully compete against them.

What makes the statement on Page 65 of the Prospectus so ludicrous is the lack of growth of this Company, over the past 3 Financial Years, and, perhaps, even more surprising than that is the fact that, just prior to going public on the Main Board of The Stock Exchange of Hongkong Ltd, its major shareholders cleaned out a great deal of the money in the till.

Greenfield Chemical is a 75-percent owned subsidiary of Mulpha International Berhad, a public company that is listed on The Kuala Lumpur Stock Exchange.

Mulpha International took the opportunity to cash in part of its shareholdings in this Company by Placing 18.75 million, 10-cent Shares at a Premium of 70 cents per share, pocketing about \$HK15 million, gross.

Greenfield Chemical Offered another tranche of 43.75 million, 10-cent New Shares, also at a Premium of 70 cents per share, allowing the Company to bag \$HK35 million, gross.

When all was said and done, Greenfield Chemical had \$HK28 million, net, which, the Prospectus claims, will be used as follows:

1. \$HK8 million to purchase new machinery;

2. \$HK2 million to be used for marketing purposes;
3. \$HK8 million to expand the Company's PRC factory;
4. \$HK4 million for research and development; and,
5. \$HK6 million to be used a General Working Capital.

As TARGET has, already, commented, just before this Company went to the market, it was cleaned out of a great deal of money in the till, about \$HK40 million, in fact.

That took place on April 9, 2002, just 9 days before the Prospectus was published.

As readers can easily appreciate, \$HK40 million is not an inconsiderable sum of money: It is about 43 percent greater than the amount of money, raised in this exercise.

Under the section of the Prospectus, marked, 'Reason for the Offer and Use of Proceeds', it is stated at Page 66:

'The Directors consider that the proceeds from the New Issue will enhance the Group's financial strength. A public listing status on the Stock Exchange (of Hongkong Ltd) will offer the Group access to capital markets for corporate finance exercises to assist in its future business development, enhance the Group's corporate profile and strengthen its competitiveness ...'.

What twaddle!

If the Malaysians wanted to 'enhance the Group's financial strength' of Greenfield Chemical, then, for what reason did Mulpha International, the company that, clearly, controls Greenfield Chemical, that is only too apparent, declare that Special Dividend on April 9, dragging \$HK40 million out of the Company?

As for 'access to capital markets', Mulpha International has long been publicly listed on The Kuala Lumpur Stock Exchange.

For what reason did it not 'enhance the Group's financial strength' by raising money through that bourse?

Or was The Stock Exchange of Hongkong Ltd considered easier meat?

One's mind boggles at the suggestion that, by becoming a publicly listed company, one's company becomes, automatically, more competitive than one's rivals.

The Financials

For the past 36 months, to December 31, 2001, Greenfield Chemical has managed to maintain a steady profit, to be sure, however, it has managed to make no inroads in its chosen field.

The Net Profit Attributable to Shareholders has steadily declined over the track-record period ... [CLICK TO ORDER FULL ARTICLE](#)

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