

**SUMPO FOOD HOLDINGS LTD:
BEWARE!
CHICKEN MEAT OR CHICKEN-SHIT ?**

One of the most-striking aspects of the flotation of Sumpo Food Holdings Ltd () (Code: 1089, Main Board, The Stock Exchange of Hongkong Ltd) has been its consistent, high level of bank borrowings, relative to its Turnover, during the 46 months, ended October 30, 2010.

This producer of chicken meat to feed, primarily, the Fujian Province of the People's Republic of China (PRC) must have been caught in a bind when, as at June 30, 2010, its bank borrowings had risen to about 61.82 percent of its Turnover in respect of the first 6 months of the 2010 Financial Year.

That level of bank borrowings was at a record high, going back to January 1, 2007.

The Placing and Public Offer Prospectus of Sumpo Food Holdings Ltd, dated December 30, 2010, at Page 274, gives a breakdown of the Company's borrowings from January 1, 2007, until October 30, 2010, as follows:

	<i>As at 31 December</i>			<i>'As at 30</i>	<i>As at 30</i>
	<i>2007</i>	<i>2008</i>	<i>2009</i>	<i>June</i>	<i>October</i>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>2010</i>	<i>2010</i>
				<i>RMB'000</i>	<i>RMB'000</i>
					<i>(unaudited)</i>
<i>Bank borrowings – secured</i>	<i>148,190</i>	<i>245,005</i>	<i>175,050</i>	<i>162,200</i>	<i>114,950</i>
<i>Bank borrowings – unsecured</i>	<i>17,500</i>	<i>17,500</i>	<i>–</i>	<i>20,000</i>	<i>20,000</i>
<i>Total bank borrowings</i>	<i>165,690</i>	<i>262,505</i>	<i>175,050</i>	<i>182,200</i>	<i>134,950</i>
<i>Loan from other banking facilities</i>	<i>5,390</i>	<i>5,750</i>	<i>3,060</i>	<i>3,060</i>	<i>1,260</i>
	<i><u>171,080</u></i>	<i><u>268,255</u></i>	<i><u>178,110</u></i>	<i><u>185,260</u></i>	<i><u>136,210'</u></i>

Using the above statistics, **TARGET** () calculated that bank borrowings, during the track-record period, in terms of the Turnover, amounted to:

2007 Financial Year	39.20 percent
2008 Financial Year	45.66 percent
2009 Financial Year	31.29 percent
Six Months to June 30, 2010	61.82 percent

It seems obvious that debt service, during the track-record period, has been somewhat of a burden to Management of Sumpo Food Holdings Ltd, rising about 96 percent with regard to the 36 months, ended December 31, 2009.

For the Financial Year, ended December 31, 2010, debt service must have been at least \$HK10 million – which would represent another record-high level.

Ergo, it seems clear that Sumpo Food Holdings Ltd went public in order to contain its debt burden, among other things.

The Flotation

Management of Sumpo Food Holdings Ltd is Placing 360 million, 10-cent Shares at a Placing Price, ranging between 60 cents per Share and 80 cents per Share.

Management is, also, Offering 40 million Shares in a Public Offering on the same terms and conditions as the Placing tranche.

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