

**YUE FUNG INTERNATIONAL GROUP HOLDING LTD :**  
**BE CAREFUL BEFORE INVESTING IN THIS COMPANY**

Regardless of what the Chairman may say, Yue Fung International Group Holding Ltd is going nowhere – and fast, too.

This relatively new addition to the ranks of The Stock Exchange of Hongkong Ltd did not pay a Final Dividend, in spite of its having \$HK34.48 million in cash and bank balances as at Balance Sheet Date (May 31, 1999).

It must have been for a very good reason that no dividend was paid.

After the Books closed on the 1999 Year, cash and bank balances were boosted by the exercise of share options, granted to certain Directors of the Company, amounting to 26 million shares, bringing in an additional \$HK9.75 million.

This Company is in the business of manufacturing and selling electronic calculators. It considers itself to be *‘one of the leading electronics manufacturers in Hong Kong’*, according to Chairman Lee Wing Kan’s Statement to Shareholders, contained on Page 9 of the 1999 Annual Report.

What chutzpah!

In the last Financial Year, Yue Fung reported a Turnover of \$HK277.68 million, down from the 1998 Year when the Turnover was about \$HK280 million.

On this Turnover, the Operating Profit was about \$HK30.21 million, down about \$HK16.32 million, or about 35 percent, Year-on-Year.

The 1999 Operating Profit Before Exceptional Items, however, was boosted by about \$HK1.36 million, this sum of money, being interest income obtained on its strong cash position.

Still on the subject of interest income, it would appear that something is terribly wrong with Management because interest income, at \$HK1.36 million, means that the interest factor was in the neighbourhood of 4.36 percent, during the past Year.

The Bottom Line for this Company was a Profit Attributable to Shareholders of about \$HK30.80 million – which is a drop of about 24 percent, compared with the 1998 Results when the Bottom Line hit the record level of about \$HK40.57 million.

However, Chairman Lee Wing Kan is not deterred, stating, in his missive to his shareholders: *‘For the year ended 31 May 1999, the Group recorded a turnover of approximately HK\$278 million that is in line with that of last year. Profit attributable to shareholders for this year amounted to HK\$31 million.’*

Aside from his poor use of the English language, it is outrageous to say that the Results in the 1999 Year were *‘in line with that (sic) of last (sic) year ...’*.

This Company did not pay a dividend because it feels, with some justification, that it cannot afford to pay a dividend without the possibility of getting into a bind, somewhere down the line.

The Final Dividend, paid out in the 1998 Year, amounting to 35 cents per share, cost the Company \$HK9.10 million, representing about 26 percent of the Company’s cash in its little *‘piggy bank.’*

Yue Fung is, by any standards, a smallish company which manufactures one simple item: The electronic calculator.

About 42 percent of its production is sold in the People's Republic of China (PRC), 27 percent of its production is sold in the United States of America, and 23 percent of its production is sold in Western Europe.

In terms of Gross Profit Margins, sales to the PRC bring in a Return of about 9.26 percent, sales to the US bring in a Return of about 13 percent, and sales to Western Europe result in a Return of about 12 percent.

This is an extraordinarily high Gross Margin of Profit and it is unlikely that it can be maintained since somebody else is guaranteed to knock ... [CLICK TO ORDER FULL ARTICLE](#)

