

**ADDCHANCE HOLDINGS LTD:
THIS COMPANY WENT TO THE HONGKONG ‘*MONEY WELL*’
BECAUSE IT HAD TO GO**

And, When You’ve Gotta Go, You Gotta Go

The total borrowings of Addchance Holdings Ltd (互益集團有限公司) (Code: 3344, Main Board, The Stock Exchange of Hongkong Ltd), as at July 1, 2005, were equal to about 66 percent of the Turnover of the Company for the entire 2004 Financial Year, ended December 31, 2004.

The amount of money that this Company owed to banks, finance companies and the Company’s Founder and present Chairman, as at July 31, 2005, was approximately \$HK509.80 million, while the Turnover of the Company for the 2004-Year was about \$HK772.20 million.

The debts of Addchance Holdings comprised:

| | |
|---|----------------------------------|
| Bank borrowings, due within one year | \$HK266.30 million |
| Bank borrowings, due after one year | \$HK 13.60 million |
| Obligations under finance leases, due within one year | \$HK 3.90 million |
| Obligations under finance leases, due after one year | \$HK 6.00 million |
| Amount due to Dr Sung Chung Kwun, the Company’s Founder and present Chairman | <u>\$HK220.00 million</u> |
| TOTAL : | <u>\$HK509.80 MILLION</u> |

Of the total bank borrowings and obligations under finance leases, about \$HK99.90 million was unsecured and about \$HK189.90 million was secured.

Further, of the total bank borrowings, about \$HK162.60 million was secured by assets, pledged by Dr Sung Chung Kwun (宋忠官), along with his personal guarantees.

Addchance Holdings Ltd went public on the Main Board of The Stock Exchange of Hongkong Ltd on September 23, 2005, when it Offered a total of 100 million, one-cent Shares at a Premium of \$HK1.00 per Share.

The above information was all lifted from the Company’s Prospectus, at Page 127.

But that is not everything with regard to the financial commitments of this Company because, according to Page 137 of the Prospectus, it is stated that \$HK50 million of the Net Proceeds of the flotation will be used to settle a partial payment of the outstanding Registered Capital of Zhangjiagang Addchance Spinnery Company Ltd (張家港互益紡織有限公司).

This is a wholly foreign-owned enterprise, established under the laws of the People’s Republic of China (PRC) on December 12, 2003, with limited liability and which is an indirect, wholly owned subsidiary of Addchance Holdings.

But the Company, clearly, does not have \$HK79 million to pay up, at least not in full, the Registered Capital of this subsidiary and so it will use \$HK50 million of the flotation money as a partial payment and take the remaining \$HK29 million from internal resources in order to settlement matters with the regulatory PRC Authorities.

But that \$HK50 million represents about 62.50 percent of the Net Proceeds of the flotation.

In summary, therefore, Addchance Holdings Ltd went public in the Hongkong Special Administrative Region (HKSAR) of the PRC – because it had to raise money in a hurry: Its debts were becoming burdensome.

The company's shares were traded, for the first time, on the Main Board of The Stock Exchange of Hongkong Ltd, today, and it will be interesting to learn how close the 10 cents the share price will fall before the year is out.

The Flotation

Addchance Holdings Placed 90 million, one-cent Shares with institutions and made a Public Offer of 10 million, one-cent Shares to the investing public of the HKSAR.

It raised \$HK80 million, net of expenses, that money to be used for the following purposes, the Prospectus stated at Page 137:

1. \$HK50 million to pay a large portion of the Registered Capital of its PRC-domiciled subsidiary, Zhangjiagang Addchance Spinnery Company Ltd;
2. \$HK7 million for expansion of linking and finishing operations;
3. \$HK2 million for market expansion and strengthening product development;
4. \$HK7 million for continued enhancement of existing production facilities;
5. \$HK5 million for upgrading the company's information systems; and,
6. \$HK9 million to be tipped into the General Working Capital Account.

Addchance Holdings is engaged, primarily, in the production and sales of dyed yarns and knitted sweaters.

It is, also, involved in the production and sales of cotton yarn, the provision of dyeing and knitting services, and trading in cotton yarns.

The following table is copied from Page 53 of the Prospectus and gives a breakdown of the Company's activities for the 39 months, ended March 31, 2005:

| | Financial Year, Ended December 31 | | | Three Months, Ended March 31 |
|---|---|----------------|----------------|------------------------------|
| | 2002 | 2003 | 2004 | 2005 |
| | All Figures Are Denominated In \$HK'000 | | | |
| Production and Sales of Dyed Yarns | 433,909 | 396,954 | 421,107 | 71,758 |
| Production and Sales of Knitted Sweaters | 130,318 | 84,974 | 190,278 | 23,233 |
| Production and Sales of Cotton Yarns | 3,502 | 25,099 | 36,528 | 10,090 |
| Provision of Dyeing and Knitting Services | 15,663 | 20,949 | 20,818 | 3,620 |
| Trading of Cotton Yarns | 87,296 | 81,320 | 103,471 | 16,627 |
| TOTAL | 670,688 | 609,296 | 772,202 | 125,328 |

From the above table, it is obvious that there has been a substantial growth in the production and sales of knitted sweaters, but other than this area of endeavour, the Company's advances in other activities have been somewhat flat.

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