

**TIANDE CHEMICAL HOLDINGS LTD:  
STICKING TOGETHER**

With a debt load of about 152.40 million renminbi (about \$HK146.54 million), which would appear to be a record level, Tiande Chemical Holdings Ltd () (Code: 609, Main Board, The Stock Exchange of Hongkong Ltd) has come to Hongkong Special Administrative Region (HKSAR) of the People's Republic of China (PRC) with its **Initial Public Offering (IPO)** in order to raise at least \$HK76 million.

Not that such a debt load is unmanageable for this Company, far from it, but it has happened so often of late – that a company gears up just before pitching its story in an IPO prospectus – that it is difficult for **TARGET** () not to highlight the fact.

Please see last Wednesday's **TARGET** Intelligence Report, Volume VIII, Number 198,  
Headlined:

**'CHINA BLUECHEMICAL LTD: OH! IT'S SO NICE TO BE RICH AND FAMOUS ...  
AND A FRIEND OF THE HIGH AND MIGHTY !'**

In the case of Tiande Chemical, at Page 130 of the Placing and Public Offer Prospectus, dated October 17, 2006, it is stated:

*'As at the close of business on 31 August 2006, being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this prospectus, the Group had total borrowings of approximately RMB152.4 million, comprising: (i) short-term bank borrowings of approximately RMB53.8 million (about \$HK51.73 million); (ii) current portion of long-term bank borrowings of approximately RMB23.7 million (about \$HK22.79 million); and (iii) long-term bank borrowings, less current portion, of approximately RMB74.9 million (about \$HK72.02 million).'*

The Consolidated Balance Sheets for the 42 months, ended June 30, 2006, found at Page 196 of the Prospectus, shows an entry, the date, being as at June 30, 2006, of 77.88 million renminbi (about \$HK74.88 million), designated as being '*Non-current Liabilities – Borrowings – due after one year*'.

There was no such item in the Consolidated Balance Sheets, throughout the 42-month, track-record period, going back to January 1, 2003.

Ergo: The 77.88-million renminbi, '*Non-current Liabilities*' is a relatively new loan(s), obtained just before the Company determined to raise some interest-free money from the investing public, money which will never have to be repaid.

The relatively heavy debt load could have been, and most likely was, one of the main reasons for Tiande Chemical to pitch its IPO, **TARGET** suggests.

If **TARGET** is correct in its deductions, there is absolutely nothing wrong with Management of this Company, stating its main reasons for going to the money '*well*' of the HKSAR because there is no shame in a company, requiring additional capital for one reason or another, and seeking such money from the

investing public.

In fact, that is the *raison d'être* for the existence of a stock market, is it not?

But for what reason did not Management of Tiande Chemical make such an admission, openly?

### **The Flotation**

Tiande Chemical Offered, in total, 100 million, one-cent Shares at between 75 cents per Share and \$HK1.05 per Share.

The Placing Share tranche represented 90 million Shares, with HKSAR investors, Offered 10 million Shares.

Page 116 of the Prospectus states that the \$HK76 million, expected to be raised in this IPO, would be used as follows:

1. \$HK65 million *'for the construction of new production facilities in Weifang City, Shandong Province, the PRC'*;
2. \$HK8.50 million *'for enhancing the Group's R&D capability'*;
3. \$HK1.50 million *'for the advertising and marketing of the Group's fine chemical products'*; and,
4. \$HK1.00 million to be used as General Working Capital.

Again, referring to the Consolidated Balance Sheets, located at Page 196 of the Prospectus, it is shown that, as at June 30, 2006, Tiande Chemical had cash and bank balances of about 47.84 million renminbi (about \$HK46 million) and pledged bank deposits of about 27.90 million renminbi (about \$HK26.83 million).

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