

**KAISA GROUP HOLDINGS LTD:  
CROSS THIS ONE OFF YOUR LIST OF POTENTIAL INVESTMENTS**

It would appear, prima facie, that fundamentals do not count for very much when certain companies, operating in the People's Republic of China (PRC), pitch Initial Public Offerings (IPOs) in the Hongkong Special Administrative Region (HKSAR) of the PRC.

Anybody in his right mind should think more than twice before subscribing to the shares in the IPO of Kaisa Group Holdings Ltd () (Code: 1638, Main Board, The Stock Exchange of Hongkong Ltd).

This is **TARGET**'s opinion on scanning the Global Offering Prospectus of this property developer, operating mainly in the Pearl River Delta Region of the PRC.

**The Offering**

Kaisa Group Holdings Ltd pitched its story to prospective shareholders, contained in its Global Offering Prospectus, on Thursday, November 26, 2009, when it Offered one billion New,10-cent Shares at an Offer Price of between \$HK3.45 per Share and \$HK4.45 per Share.

Page 370 of the Global Offering Prospectus stated that the Company was hoping to raise about \$HK3,719,000,000, based on an Offer Price of \$HK3.95 per Share – the midway point between \$HK3.45 and \$HK4.45.

That amount of money will be allocated as follows:

1. About 73.30 percent, or about \$HK2,727,000,000, '*to finance our existing and future project development (sic) in various region of China ...*';
2. About 16.70 percent, or about \$HK620 million, '*to repay a portion of the Loan, of which approximately US\$11 million, or HK\$85 million will be received by CSS (Credit Suisse AG, Singapore Branch, wholly owned by Credit Suisse Group AG of Switzerland) a holder of approximately 13.75% of the Loan; and,*
3. About \$HK372 million to be used for general corporate purposes

It is at about this time that one begins to realise, very clearly, that:

1. Kaisa Group Holdings Ltd requires \$HK2,727,000,000 to complete existing and proposed future property projects. In other words, the Company is short of sufficient, readily available capital without another new cash injection; and.
2. Credit Suisse AG wants '*comfort*' in the form of \$HK85 million to be paid to it from the net proceeds of this IPO.

Scanning the Consolidated Balance Sheet of Kaisa Group Holdings Ltd, at Appendix I-4 and I-5 of the Global Offering Prospectus, one notes that, as at June 30, 2009, Kaisa Group Holdings Ltd had cash and cash equivalents of about 734,253,000 renminbi with '*Properties under Development*' in the books at

2,707,982,000 renminbi.

Then, at Page 352 of the Global Offering Prospectus, one notes that, as at September 30, 2009, Kaisa Group Holdings Ltd was sitting on a record level of debt, amounting to 7,451,100,000 renminbi.

As at December 31, 2008, the Company's debt burden was about 6,499,200,000 renminbi so that, in a period of about 9 months, the debts of Kaisa Group Holdings Ltd had risen by about 14.65 percent.

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