

**HAICHANG HOLDINGS LTD:  
ONE MAY LIKE THE PHILOSOPHY OF THE COMPANY,  
BUT NOT ITS MASSIVE DEBT LOAD**

Considering the length of time that Haichang Holdings Ltd () (Code: 2255, Main Board, The Stock Exchange of Hongkong Ltd) has been in business, it seems to be doing fairly well, at least on paper, but, Heavens to Betsy! the Company's very material indebtedness situation must be constricting its cash flow.

It is hardly any wonder that Management has stated, at Page 327 of its Global Offering Prospectus, dated February 28, 2014, that:

***‘DIVIDEND AND DIVIDEND POLICY***

*‘After completion of the Global Offering, our Shareholders will be entitled to receive dividends we declare. The payment and the amount of any dividends will be at the discretion of our Directors and will depend upon our future operations and earnings, acquisitions, capital requirements and surplus, general financial conditions, contractual restrictions and other factors which our Directors deem relevant. In addition, our Controlling Shareholders will be able to influence our dividend policy.*

*‘We currently intend to retain most, if not all, of our available funds and future earnings to operate and expand our business. The Board will review the dividend policy on an annual basis. Cash dividends on our Shares, if any, will be paid in Hong Kong dollars.’*

Translation of the above statement: Don't hold your breath, waiting for a dividend payment.

**The Initial Public Offering (IPO)**

Haichang Holdings, which describes its core business as being ‘a leading developer and operator of theme parks and ancillary commercial properties in China’, is Offering one billion, \$US0.0001 Shares at the Indicative Offer Price Per Share, ranging from a low of \$HK2.18 to a high of \$HK2.68.

Page 349 of the Global Offering Prospectus states that, at the midpoint of the Indicative Offer Price Per Share, being \$HK2.43, Management expects to net about \$HK2,295.60 million.

This not-inconsiderable sum of money is earmarked for the following purposes:

- ‘• approximately 50% or HK\$1,147.8 million of our net proceeds will be used to develop Shanghai Haichang Polar Ocean World;
- ‘• approximately 40% or HK\$918.2 million of our net proceeds will be used to develop Sanya Haitang Bay Dream World; and
- ‘• the remaining amount of approximately not more than 10% or HK\$229.6 million of our net proceeds will be used to provide funding for our working capital and other general corporate purposes.’

Not a penny of the net proceeds from this IPO will be used to reduce the Company's indebtedness that, as at January 31, 2014, stood at about 3.28 billion renminbi (about \$HK4.16 billion).

For a company with an annual turnover that has yet to top 900 million renminbi, such an indebtedness level could be considering somewhat staggering.

(More about this Company's financials later on in this analysis.)

### **The Business**

Haichang Holdings Ltd ... [CLICK TO ORDER FULL ARTICLE](#)

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