

**MENGKE HOLDINGS LTD:
IS THIS A COMPANY OR A MAMA-AND-PAPA SHOP ?**

Mengke Holdings Ltd () (Code: 1629, Main Board, The Stock Exchange of Hongkong Ltd) published and disseminated its Share Offer Prospectus on November 15, 2016.

It has come to the premier equity market of the Hongkong Special Administrative Region (HKSAR) of the People's Republic of China (PRC) for the simple reason that it needs money – anybody's money.

TARGET () is not referring to the paltry \$HK36.80 million that Management envisages that it is likely to net from the sales of its 125 million, one-cent Shares at the Indicative Offer Price Per Share, ranging from a low of 50 cents to a high of 70 cents, but from anticipated, future issuances of equity or debt securities after the Company's listing on the premier equity market of the HKSAR.

At Page 195 of the Share Offer Prospectus, the situation at this Company is made very apparent:

'The Listing (on the Main Board of The Stock Exchange of Hongkong Ltd) can provide access for our Company to raise fund not only initially from the Share Offer but also potentially from future issuances of equity or debt securities after the Listing ... we intend to increase our production capacity, expand into new markets such as Yunnan Province and Hunan Province, strengthen our business relationship with existing customers and consider any potential acquisition opportunities, and all of the above expansion plans require heavy capital investment and resources. In view of the high degree of leverage (our gearing ratio was 71.1% as at 31 May 2016), we seek to explore more financing sources beyond obtaining bank facilities, as it would be more difficult and expensive for us to obtain further bank financing and equity financing will enable our Group to seek an alternative source of funding to lower the gearing ratio. In order to generate funds to finance our further expansion while maintaining sufficient working capital for our Group's operations, our Directors are therefore of the view that equity financing, which is interest free, will provide a better channel for us to raise additional capital.'

Also, this medium hastens to add that this Company's future policy of trying to raise money by issuing its 'paper' to future creditors, as opposed to borrowing legal tender from licenced banks and finance companies, is money that it may never have to repay, unlike borrowing money from banks, finance companies, etc, such lending organisations, requiring not only capital repayment after a period of time but, also, interest on the money that it has lent to borrowers.

TARGET has noted that, as at May 31, 2016, Mengke Holdings Ltd had cash and cash equivalents of 8,142,000 renminbi (about \$HK9,469,146).

The Initial Public Offering (IPO) Of Mengke Holdings Ltd

Mengke Holdings Ltd made an Offer of 125 million, one-cent Shares at the Indicative Offer Price Per Share, ranging from a low of 50 cents to a high of 70 cents.

Of the total number of Shares on Offer, the Public Offer tranche was 12.50 million Shares while the remaining 112.50 million Shares were reserved to be Placed with investors with deep pockets ... [CLICK TO ORDER FULL ARTICLE](#)

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