

TIAN CHANG GROUP HOLDINGS LTD:**CHASING THE (MODERN) DRAGON**

Tian Chang Group Holdings Ltd () (Code: 2182, Main Board, The Stock Exchange of Hongkong Ltd) is heavily reliant on the production and sales of e-cigarettes to its very limited number of customers.

The Company, also, is heavily in debt so that, as interest rates rise, around the world – which is almost a guarantee – Tian Chang Group could be hard-pressed to service its debts to lenders with ease.

The Initial Public Offering (IPO) Of Tian Chang Group Holdings Ltd

The Global Offering of Shares in the Issued and Fully Paid-Up Share Capital of Tian Chang Group Holdings Ltd was published and disseminated in the Company's Prospectus, dated February 14, 2018.

The Company Offered a total of 155 million, 10-cent Shares at the Offer Price Per Share, ranging from a low of 65 cents to a high of 75 cents.

Investors of the Hongkong Special Administrative Region (HKSAR) of the People's Republic of China (PRC) were Offered 15.50 million Shares and International Investors were Offered 139.50 million Shares via Share Placements.

Yesterday, it was announced that the Offer Price Per Share had been struck at 71 cents and that Management estimated that it would be able to net about \$HK77.60 million from the net proceeds of the IPO.

This amount of money was anticipated to be utilised for the following purposes:

- Approximately, \$HK3.10 million, that is about 4.00 percent of the net proceeds, *‘for the leasehold improvement of phase II of our new site in Huizhou. We expect to complete the construction of phase II of our new site by February 2018 and the leasehold improvement in the first half of 2018;’*
- Approximately, \$HK71.10 million, that is about 91.60 percent of the net proceeds, *‘for equipment upgrade and capacity expansion and related investments’:*

In the Global Offering Prospectus, in respect of the lion’s share of the money obtained from this IPO, it was stated that the majority of the net proceeds would be utilised as follows:

- *‘approximately HK\$57.1 million for upgrading plastic injection capabilities, which primarily entails (i) the purchase of approximately 49 sets of plastic injection machines from reputable manufacturers in the PRC, and (ii) the purchase of automated ancillary equipment for the newly purchased plastic injection machines. We intend to purchase and install such equipment in Phase II of our new site in Huizhou by the end of 2018 to replace approximately 49 sets of plastic injection machines which had an average age of 15 years as of the Latest Practicable Date (February 5, 2018) and exceeded expected life span of 10 years. Therefore, we do not expect such equipment upgrading will increase our estimated annual production capacity. However, we expect that we are able to improve the precision level of the plastic components we produce, improve the sustainability of our product quality, reduce electricity consumption through such equipment upgrading, reduce maintenance costs, and increase the efficiency of our production;*
- *‘approximately HK\$4.7 million for purchase of advanced equipment from reputable manufacturers in Taiwan for an automated mould fabrication production line. We intend to purchase such equipment by the end of 2018 and we expect our estimated annual production capacity will increase approximately 5,491 hours by the end of 2018;*
- *‘approximately HK\$8.0 million for purchase of advanced equipment from reputable manufacturers in the PRC for an automated PET (polyester fibre) manufacturing line. We intend to purchase such equipment by the third quarter of 2018 and we expect our estimated annual production capacity will increase approximately 5,491 hours by the third quarter of 2018’; and,*
- Approximately, \$HK3.40 million, that is about 4.40 percent of the net proceeds, *‘to supplement our working capital’.*

The Business Of Tian Chang Group Holdings Ltd

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