

# TARGET

## Intelligence Report

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TAILAM TECH CONSTRUCTION HOLDINGS LTD:

WHO IS THE ÉMINENCE GRISE ?

About 34 Percent Of The Net Proceeds

Was Used To Repay Bank Loans !

For a company that is just nine years old and is in the business of '*feeding*' construction companies with PHC (pre-stressed high-strength concrete) piles and commercial concrete, Tailam Tech Construction Holdings Ltd () (Code: 6193, Main Board, The Stock Exchange of Hongkong Ltd) appears to have performed extraordinarily well.

This Company's products could hardly be considered unique to the construction industry of the People's Republic of China (PRC) – or anywhere else, for that matter – since commercial concrete is a basic building material that is used in just about all construction projects of materiality.

On scanning the Share Offer Prospectus of this Company, as far as this medium is concerned, it raises more questions than the intelligence that is presented.

And the most, thought-provoking question centres around the question:

*‘From where came the initial capital to fund the Company some nine years ago?’*

### **The Initial Public Offering (IPO) Of Tailam Tech Construction Holdings Ltd**

Tailam Tech Construction Holdings Ltd published and disseminated its Share Offer Prospectus in the **Hongkong Special Administrative Region (HKSAR)** of the PRC on Thursday, December 5, 2019.

Management Offered a total of 79 million, one-cent Shares at the Indicative Offer Price Per Share, ranging from a low of \$HK1.30 to a high of \$HK1.40.

HKSAR Investors were Offered the opportunity to subscribe to 7.90 million Offer Shares and (presumably) International Investors – Institutional Investors, Professional Investors and select, Well-Heeled Investors, along with their corporate entities in which this class of investor had equity control – were induced to subscribe to 71.10 million Offer Shares via Share Placements.

On Tuesday, December 17, 2019, the Company announced that the Offer Price Per Share had been struck at \$HK1.30, the lowest-acceptable level of the Indicative Offer Price range.

The net proceeds of the Share Offer were expected to bolster the coffers of the Company by about \$HK63.70 million, one was apprised.

The Announcement in respect of the Offer Price and the Allotment Results of December 17, stated that the Public Offer tranche of 7.90 million Shares had been *‘very significantly over-subscribed’*.

With regard to this tranche, Management stated that a total 20,654 valid applications for a total of 331,722,000 Public Offer Shares had been received, representing about 41.99 times the total number of Public Offer Shares, initially available for subscription under the Public Offer.

In respect of the 71.10 million Placing Shares tranche, it had been undersubscribed, one was informed.

A total of 168 investors subscribed for 69,818,000 Placing Shares, representing 98.20 percent of the number of shares, initially Offered under this tranche.

At Pages 10 and 11 of the December 17, 2019 Announcement, one was informed as to how Management

anticipated the utilisation of the net proceeds, derived from the Share Offer:

- As to approximately 48.60 percent of the net proceeds, representing about \$HK31.00 million, *'will be used to expand our production facilities in the following manner:*
  - a. *\$HK19.90 million being the construction cost and machinery and equipment costs for the establishment of one production line for square pile and one production line for commercial concrete which we expect to operate in the second quarter of 2020;*
  - b. *\$HK2.20 million being the construction cost of a cement storage tank which is expected to be in place in the second quarter of 2020;*
  - c. *\$HK2.20 million being the purchase cost for two cranes for the unloading of raw materials which we expect to acquire in the first quarter of 2020; and,*
  - d. *\$HK6.70 million being the partial cost of the improvement works for a 300-metre shoreline currently used by our Group';*
- As to approximately 2.50 percent of the net proceeds, representing about \$HK1.60 million, *'will be used to expand our workforce by recruiting 44 additional staff who will be outsourced workers and to partially pay (through the employment agent) for their remuneration and other benefits for 12 months';*
- As to approximately 6.10 percent of the net proceeds, representing about \$HK3.90 million, *'will be used to further improve our environmental protection system by constructing/purchasing and installing the following in the fourth quarter of 2019:*
  - a. *\$HK142,740 for the purchase of a sand and gravel separator to retain sand and gravel from the extra concrete generated from our production so that they can be reused;*
  - b. *\$HK856,050 for a fully enclosed conveyor belt for the transportation of raw materials from the point of unloading to our warehouse. This will help to prevent dust and other airborne particles from being released to the open air during the transportation;*

c. *\$HK475,800 for the construction of a fully automated workshop for the cleaning of vehicles;  
and*

d. *\$HK2.40 million for the construction of a warehouse for the storage of some raw materials  
which are currently stored in open yard with dust and other airborne particles to be exposed to  
open air’;*

- *As to approximately 5.20 percent of the net proceeds, representing about \$HK3.30 million, ‘will be used to further strengthen our sales and marketing capabilities through the sponsoring of sports events, advertising through outdoor signages, billboards, digital marketing on search engines, and publication of advertising pamphlet and/or publicity video to proactively promote our brand’;*
- *As to approximately 3.50 percent of the net proceeds, representing about \$HK2.20 million, ‘will be used to upgrade our ERP (Enterprise Resource Planning) System by buying licences for additional modules aim (sic) at enhancing the management of our production and operation, perform real-time management of our financial data, enhance cost management as well as collaboration between our purchasing department and sales department’;*
- *As to approximately 33.70 percent of the net proceeds, representing \$HK21.40 million, ‘will be used to early partially repay bank borrowings in the total sum of RMB18.4 million (about \$HK20,431,728.00) which is currently secured by, among other things, personal guarantees and personal properties with a view to ensuring financial independence of our Group. The shortfall from RMB19.5 million will be repaid by using our internal resources upon the Listing. The last maturity date of the relevant bank borrowings is 27 January 2020, 29 April 2020 and 4 September 2021, respectively. The interest rates applicable to the relevant bank borrowings are within the range of 6.09% to 6.53% per annum. We already made preliminary arrangements for the repayment of the bank borrowings upon receiving such net proceeds from the Share Offer, including agreeing the repayment with the relevant banks and preliminary arrangements for the remittance of the funds into China to make the repayment. The period of up to three months after Listing is simply to allow for these remittance logistics and we will give an irrevocable instruction to the Placing Underwriters for the Listing proceeds to apply the net proceeds to repay the said bank borrowings within three months after Listing’; and,*
- *As to approximately 0.40 percent of the net proceeds, representing about \$HK0.3 million, ‘will be used for working capital and other general corporate purposes.’*

## **The History And Business Of Tailam Tech Construction Holdings Ltd**

Tailam Tech Construction Holdings Ltd is domiciled in the Cayman Islands, having been incorporated on March 7, 2019.

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