

**CASABLANCA GROUP LTD:  
ITS SHARE PRICE IS MUCH TOO HIGH**

The public announcement from Casablanca Group Ltd () (Code: 2223, Main Board, The Stock Exchange of Hongkong Ltd) that it had come into an agreement with Bank of China (Hongkong) Ltd ([ ]) to borrow up to \$HK87.90 million appears to shed some light as to the underlying reason(s) for this bedding products company to seek a listing on the premier equity market of the Hongkong Special Administrative Region (HKSAR) of the People's Republic of China in the middle of last November.

It was only on November 22, 2012, that Casablanca netted about \$HK47.50 million from its Global Offering and, within 47 days of getting its money from the **Initial Public Offering (IPO)**, Management had secured another loan from its bankers of about \$HK87.90 million.

The one major stipulation in respect of this new banking facility is that the Controlling Shareholders – Mr Cheng Sze Kin (), Mr Cheng Sze Tsan () and Ms Wong Pik Hung () – must, collectively, *'hold and control'* not less than 75 percent of the Issued and Fully Paid-Up Share Capital of Casablanca.

(Messrs Cheng Sze Kin and Cheng Sze Tsan are brothers and Ms Wong Pik Hung is the wife of Mr Cheng Sze Kin.)

At the time of going public, the Global Offering Prospectus indicated that Casablanca had bank borrowings, amounting to about \$HK75.80 million, as at September 30, 2012.

Page 212 of the Prospectus states that, of that sum of \$HK75.80 million:

- \$HK3.40 million was unsecured
- \$HK39.90 million was secured by fixed charges over certain of the Group's assets, including leasehold land and buildings and prepaid lease payments
- \$HK32.50 million was secured by a property, owned by Gain Harvest Investment Ltd (), a private company, being wholly owned by Messrs Cheng Sze Kin and Cheng Sze Tsan and Ms Wong Pik Hung.

The Prospectus stated that the three Controlling Shareholders had given personal guarantees to the lending to the extent of \$HK47.40 million, only.

**The Flotation**

Casablanca Offered 50 million, 10-cent Shares, representing 25 percent of the Issued and Fully Paid-Up Share Capital, at an Offer Price Range Per Share of between \$HK1.50 and \$HK2.00.

The Offer Price was struck at \$HK1.50 Per Share, netting the Company \$HK47.50 million.

That amount of money is to be utilised for the following purposes:

- 84 percent – about \$HK39.90 million – to expand the Company's sales network in the PRC;
- 9 percent – about \$HK4.28 million – to upgrade the Company's management information systems;
- 5 percent – about \$HK2.38 million – to be used for brand-building activities; and,

- 2 percent – about \$HK950,000 – to be dumped into the Working Capital Account.

At the Offer Price Per Share of \$HK1.50, the Net Tangible Assets of the Company came in at about \$HK1.26.

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