

**COSMO LADY (CHINA) HOLDINGS COMPANY LTD:
THIS IS A BUY! BUY! BUY! SITUATION**

The flotation of Cosmo Lady (China) Holdings Company Ltd ([]) (Code: 2298, Main Board, The Stock Exchange of Hongkong Ltd) is somewhat of an enigma to **TARGET** ().

This is because (i) there appeared to be no valid and logical reason for this Company to raise money in the Hongkong Special Administrative Region (HKSAR) of the People's Republic of China (PRC) or anywhere else, for the matter, and (ii) with an Annual Turnover, ranging between 1.66 billion renminbi (about \$HK2.09 billion) and 2.92 billion renminbi (about \$HK3.67 billion), during the past three Financial Years, with the Bottom Lines, rising about 63 percent, during those 36 months, it is without any debt, whatsoever.

Whatever may be Management's reason, or reasons, for taking the plunge in pitching an **Initial Public Offering (IPO)**, as far as public investors are concerned, they appear to have been handed a veritable gift in the form of an opportunity to purchase the scrip of this lingerie manufacturer and vendor of the PRC.

By the way, Management of Cosmo Lady (China) has declined to give the nomenclature, '*lingerie*', to its products, preferring to refer to them as '*intimate wear*'.

The IPO

Cosmo Lady (China) made a Global Offering of 406,457,000, \$US0.01 Shares at the Indicative Offer Price Per Share, ranging from a low of \$HK3.27 to a high of \$HK4.42.

HKSAR Investors were, initially, Offered 40,646,000 Shares and the remaining 365,811,000 Shares were to be set aside for International Investors.

However, last Wednesday, it was announced that due to the crush from investors, all wanting to lay their hands on some of the Company's shares, HKSAR Investors were Offered 121,938,000 Shares, leaving International Investors with only 284,519,000 Shares.

The Offer Price Per Share was struck at \$HK3.60 and Management estimated that it would obtain the sum of \$HK1,386,400,000, net of expenses, in this cash-raising exercise.

This amount of money shall be utilised, one is told, for the following purposes:

- Approximately, 39 percent of the net proceeds, that is about \$HK540.70 million, '*to expand our retail network, in particular, to increase the number of our self-managed outlets, including the related working capital. We intend to open approximately 2,000 more self-managed outlets by the end of 2018*';
- Approximately, 25.30 percent of the net proceeds, that is about \$HK350.80 million, '*to finance the capital expenditures required in connection with the establishment of our three regional logistics centers in Dongguan, Tianjin and Chongqing*';
- Approximately, 12.60 percent of the net proceeds, that is about \$HK174.70 million, '*to selectively pursue acquisitions of businesses, brands or products and further develop strategic alliances. We intend to selectively acquire businesses in the intimate wear industry to get access to attractive locations*';

- Approximately, 6.60 percent of the net proceeds, that is about \$HK91.50 million, ‘to finance the capital expenditures required in connection with the establishment of our design, research and development center. We expect to commence constructing this center in the third quarter of 2014 and expect this center to commence operation by the third quarter of 2017’;
- Approximately, 6.60 percent of the net proceeds, that is about \$HK91.50 million, ‘to finance the capital expenditures required in connection with the upgrade of our information technology infrastructure’; and,
- Approximately, 10 percent of the net proceeds, that is about \$HK137.20 million, to be tipped into the Working Capital Account.

The Business

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