

**CHINA FORDOO HOLDINGS LTD:
AN ATTRACTIVE INVESTMENT PROSPECT**

In just 26 years, Mr Kwok Kin Sun () has witnessed stratospheric increases in the annual sales of the company that he founded, a company that produces goods for the shmatte trade in the People's Republic of China (PRC).

Today, from the humble beginnings in 1988 when Mr Kwok Kin Sun's little company only produced men's trousers, a transformation has taken place and that trouser manufacturer has graduated into what is known in many parts of the PRC as China Fordoo Holdings Ltd ().

China Fordoo (Code: 2399, Main Board, The Stock Exchange of Hongkong Ltd) is one of the latest companies to seek a listing on the premier equity market of the Hongkong Special Administrative Region (HKSAR) of the PRC and, to that end, it published and disseminated its Global Offering Prospectus on Monday, June 30, 2014.

The Company is Offering 120 million, one-cent Shares at the Indicative Offer Price Per Share, ranging from a low of \$HK3.35 to a high of \$HK4.40.

Of the total number of Shares on Offer, HKSAR Investors are being Offered 12 million Shares, the remaining 108 million Shares, having been reserved for International Investors.

At the midpoint of the Indicative Offer Price Per Share, being \$HK3.875, China Fordoo should net about \$HK391.20 million, it is estimated.

That amount of money is destined to be utilised as follows, according to Pages 247 and 248 of the Global Offering Prospectus:

- Approximately, 27 percent of the net proceeds, that is about \$HK105.70 million, '*to be used primarily for brand promotion and marketing ...*';
- Approximately, 20 percent of the net proceeds, that is about \$HK78.20 million, '*to be used primarily for enhancing our research, design and product development capabilities through (i) strengthening our cooperation with reputable design institutes, such as Shanghai Biaoding (Shanghai Biaoding Apparel Company Ltd [], an independent third party), (ii) engaging experienced and reputable designers, (iii) enhancing communication with end customers by market surveys through our retail outlets to obtain feedback from end customers, and (iv) continuing to invest in research and development of production technology, materials and samples*';
- Approximately, 20 percent of the net proceeds, that is about \$HK78.20 million, '*to be used to repay a portion of our bank borrowings, which include the balance of the additional bank borrowings of approximately US\$19.4 million (approximately HK\$150.4 million) that are expected to be raised prior to the Listing for the repayment of the amounts due to our Controlling Shareholder, Mr. Kwok (Mr Kwok Kin Sun)*';
- Approximately, 13 percent of the net proceeds, that is about \$HK50.90 million, '*to expand our distribution network and provide storefront decoration at our own cost for our distributors and their sub-distributors. We currently expect our distributors to add approximately 200 retail outlets in the PRC by December 31, 2014*';
- Approximately, 10 percent of the net proceeds, that is about \$HK39.10 million, '*to be used primarily*

- for installing an ERP (Enterprise Resource Planning) system'; and,
- Approximately, 10 percent of the net proceeds, that is about \$HK39.10 million, to be tipped into the Working Capital Account.

The Business

An '**OVERVIEW**' of the business of China Fordoo is given at Page 107 of the Global Offering Prospectus as follows:

'FORDOO is a reputable menswear brand in the PRC. We are positioned in the middle-upper menswear segment, which is the largest and fastest growing menswear segment in the PRC according to the Frost & Sullivan Report. We were ranked sixth with a market share of 2.9% in the middle-upper menswear market, which accounted for 30.4% of the overall menswear market in the PRC; we were ranked fifth in both the middle-upper business casual menswear segment with a market share of 4.0% and the middle-upper business formal menswear segment with a market share of 2.9%; and we were ranked second in the men's trousers category with a market share of 3.0%, all of which were in terms of retail sales in 2013, according to the Frost & Sullivan Report. We primarily target middle class men aged 30 to 60. We seek to promote an independent, successful and elite lifestyle through our brand. We manage and operate our business through a strategically integrated model, comprising brand management and marketing, design and product development, ordering process, procurement of raw materials, self-production and outsourced production and sales and distribution.

'Our brand's history dates back to the early 1990's, when Mr. Kwok, our founder and Chairman, started manufacturing and marketing trousers. We have gradually established our reputation as a national domestic menswear brand offering comfortable, high quality and aesthetically pleasing trousers. Our strong brand recognition is evidenced by our numerous industry awards, including "Quality Award" by the China National Garment Association () in 2014, "Top 10 (Industry) Most Credible Brand in Asia" and "Top 500 Asia Brand" by Asia Brand Ceremony () in 2012, "Top 10 Menswear Brand" by the Brand China Industry Union () in 2010, "Well-known Trademark of China" by SAIC (PRC State Administration for Industry and Commerce []) since January 2010, "Top 500 Most Competitive Textile and Garment Enterprise" by the National Textile and Apparel Council in 2009, "Customer Satisfaction" by the China Association for Quality () in 2009 and "China Top Brand" by the General Administration of Quality Supervision, Inspection and Quarantine () in 2007.

'We offer a wide spectrum of menswear apparel and accessory products through our FORDOO brand. Our products are primarily offered under our business casual and business formal product series, which are suitable for almost all business occasions. During the Track Record Period, we increased product offerings in the business casual category in order to meet the prevailing market trend and growing customer demand for business casual menswear. Our diversified product portfolio also allows us to address our customers' evolving needs and preferences. We introduced 933 SKUs (SKU = Stock Keeping Unit) at our sales fair in March 2013 for our autumn/winter collection and 755 SKUs at our sales fair in September 2013 for our spring/summer collection.'

With ... [CLICK TO ORDER FULL ARTICLE](#)

While TARGET makes every attempt to ensure accuracy of all data published, TARGET cannot be held responsible for any errors and/or omissions.

*If readers feel that they would like to voice their opinions about that which they have read in **TARGET**, please feel free to e-mail your views to editor@targetnewspapers.com. **TARGET** does not guarantee to publish readers' views, but reserves the right so to do subject to the laws of libel.*