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KING'S FLAIR INTERNATIONAL (HOLDINGS) LTD: YOU FIGURE IT OUT !

The company did not need to seek a listing on the premier equity market of The Stock Exchange of Hongkong Ltd because it was short of money – far from it – but, nevertheless, it agreed to pay what must have been a near-record commission to its Underwriters, being 5.80 percent of the aggregate Offer Price of all Offer Shares in order to offload 25 percent of its entire Issued Share Capital.

In short, this company raised some money from investors, those in the Hongkong Special Administrative Region (HKSAR) of the People's Republic of China (PRC) and those of other climes, money that it did not require, desperately, now or in the near future.

The company to which **TARGET** ( ) is referring is King's Flair International (Holdings) Ltd ([]) (Code: 6822, Main Board, The Stock Exchange of Hongkong Ltd).

King's Flair published and disseminated its Share Offer Prospectus on December 31, 2014, when it Offered a total of 175 million, one-cent Shares at the Indicative Offer Price Per Share, ranging from a low of $HK1.08 to a high of $HK1.48.

On January 15, 2015, Management announced that the Offer Price Per Share had been struck at $HK1.38 and that the Company estimated it would net about $HK214.50 million in this cash-raising exercise.

As at June 30, 2014, the Company had cash and bank balances, amounting to about $HK141.94 million, and annualising the Revenue and Net Profit Attributable to Shareholders in respect of the first half of the 2014 Financial Year, it looked very much as though the final figures of the 2014 Bottom Line would break all previous record highs.

The Initial Public Offering (IPO)

The IPO of King's Flair consisted of a Share Offer of 175 million, one-cent Shares, of which, 17.50 million Shares would be Offered (the Public Offer Shares) and 157.50 million Shares would be Placed.

The January 15 announcement stated that the Public Offer Shares had been over-subscribed by about 6.07 times and that the Placing Shares had been '*slightly over-subscribed*'.

That Company announcement stated that the net proceeds from this IPO would be utilised as follows:

- Approximately five percent, that is about $HK10.70 million, '*will be used to broaden customer base, expand penetration in existing markets and penetrate into new markets*';

- Approximately 22 percent, that is about $HK47.20 million, '*will be used to enhance the product design, development and engineering capabilities of the Group*';

- Approximately 15 percent, that is about HK32.20 million, '*will be used to promote, advertise and establish flagship stores and expand the retail sales networks and e-*

commerce business of the Group in the PRC';

- Approximately 45 percent, that is about $HK96.50 million, '*will be used to purchase and renovate office premises*';
- Approximately three percent, that is about $HK6.40 million, '*will be used to enhance information technology infrastructure of the Group*'; and,
- Approximately 10 percent, that is about $HK21.50 million, '*will be used as working capital and for general corporate purposes*'.

Without question, all of the above could well have been financed, in-house.

Yet Management determined to sell 25 percent of the entire Issued Share Capital of the Company in order to raise $HK214.50 million while sitting on a veritable, large pile of cash, with an Annual Turnover in excess of $HK1.20 billion, with unencumbered property assets, valued at nearly $HK156 million – and with almost no bank borrowings.

One might like to ponder: Are the Controlling Shareholders desirous of bailing out?

The Business

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