

MS GROUP HOLDINGS LTD:**THE WRITING IS ON THE WALL FOR THIS COMPANY**

The dangers of placing excessive or disproportionate reliance on just a mere handful of customers, or to the bulk of a company's production and sales to customers, based in just one or two countries, was made only too apparent on scanning the Share Offer Prospectus of MS Group Holdings Ltd () (Code: 1451, Main Board, The Stock Exchange of Hongkong Ltd).

MS Group Holdings Ltd is in the business of manufacturing and sales of plastic bottles and baby feeding accessories, primarily on an OEM (Original Equipment Manufacturing) business basis.

The lion's share of the Company's sales have been, historically, reliant on customers, based in The United States of America, to the extent of between 73.78 percent and 86.87 percent with regard to the three Financial Years, ended December 31, 2017.

With a material fall-off in the Company's OEM business, as well as a significant drop in sales to a small cluster of customers, based in The United States of America, the dangers of such a company, placing undue reliance on a small band of customers in addition to sales to a very few countries, should send up the red flag of concern.

The Initial Public Offering (IPO) Of MS Group Holdings Ltd

MS Group Holdings Ltd published and disseminated its Share Offer Prospectus on May 21, 2018.

The Company Offered 50 million, 10-cent Shares at the Indicative Offer Price Per Share, ranging from a low of \$HK1.20 to a high of \$HK1.36.

Investors of the Hongkong Special Administrative Region (HKSAR) of the People's Republic of China (PRC) were Offered five million Shares (the Public Offer tranche), with the remaining 45 million Shares, reserved to be parcelled out to International/Professional/Well-Heeled Investors via select Share Placements (the Share Placing tranche).

Management of MS Group Holdings Ltd estimated that, at the midpoint of the Indicative Offer Price Per Share, being \$HK1.28, the net proceeds of the IPO would come in at about \$HK45.80 million.

On Wednesday, May 31, 2018, however, Management announced that the Offer Price had been struck at \$HK1.34 and that the net proceeds, derived from the IPO, would come in at about \$HK48.60 million.

Thus, with an increase of \$HK2.80 million, being the difference of the midpoint of the Offer Price Range Per Share (\$HK1.28) and the determinant Share Price of \$HK1.34, Management was forced to make alterations to its previous, suggestive utilisations of the net proceeds.

Having obtained the liberty of hindsight, the following utilisations of the net proceeds of the IPO, and upon modifying Management's original determinations in respect of the intended usage of new investors' cash, swapped in exchange of the Company's scrip, the net proceeds would, approximately, be utilised for the following five purposes:

1. Approximately, \$HK17.70 million, that is about 36.50 percent, *'will be used to upgrade our existing facilities and production machineries, of which (i) HK\$11.3 million will be used to acquire new machines and equipment including injection machines, 3D printers, CNC (Computer Numerical Control) machinery and robotic automation equipment; (ii) HK\$3.0 million to upgrade our general facilities; and (iii) HK\$2.4 million to upgrade our IT (Information Technology) infrastructure'*;
2. Approximately, \$HK13.00 million, that is about 26.70 percent, *'will be used to develop our Yo Yo Monkey Business of which (i) HK\$7.7 million in marketing and promotional activities including participating in various major trade shows and events, in setting up a website for our "Yo Yo Monkey ()" brand and to engage in both online and offline promotional activities; (ii) HK\$2.2 million to set up a sales office in Guangzhou in the PRC; and (iii) HK\$2.4 million to hire two additional sales personnel'*;
3. Approximately, \$HK5.30 million, that is about 10.80 percent, *'will be used to develop our OEM business, of which (i) HK\$2.9 million will be used to participate in various major trade shows and marketing activities; and (ii) HK\$2.0 million to hire three additional personnel'*;
4. Approximately, \$HK8.80 million, that is about 18.10 percent, *'will be used to improve our product development capabilities, of which (i) HK\$7.5 million will be used in engaging reputable industrial designers; and (ii) HK\$0.8 million to hire one additional staff for product development for both our OEM Business and Yo Yo*

Monkey Business'; and,

5. Approximately, \$HK3.80 million, that is about 7.90 percent, '*will be used as working capital and administrative expenses*'.

The Business Of MS Group Holdings Ltd

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