

**MIJI INTERNATIONAL HOLDINGS LTD:**  
**SURPRISE ! SURPRISE !**  
**THIS IS ONE OF THE VERY FEW IPOs,**  
**THE SHARE PRICE OF WHICH REFUSES TO FALL**

Since trading commenced in the shares of Miji International Holdings Ltd () (Code: 1715, Main Board, The Stock Exchange of Hongkong Ltd) on Monday, July 16, 2018, the share price has never dropped below its Offer Price of 30 cents.

This may appear rather strange to some people because this Company is as far removed from ever becoming a potential '*darling*' of any equity market as one could imagine.

Miji International Holdings Ltd is, simply put, a manufacturer and purveyor of radiant and induction stoves, aimed at the middle-class and upper-middle-class customers of the People's Republic of China (PRC), proper, being separate and distinct from the Hongkong Special Administrative Region (HKSAR) of the PRC.

The Share Offer Prospectus of the Company, dated June 29, 2018, describes the Company as being a developer, manufacturer and seller of premium kitchen appliances, but on scanning this 455-Page document, one discovers that the lion's share of annual revenues came from the sales of just radiant and induction stoves.

Before continuing with this analysis, a little learning appears to be in order:

1. A radiant stove is an electrical appliance, designed to emit radiant energy, especially for cooking or heating purposes; and,

2. An induction stove/heater is an electrical appliance, designed to heat an electrically conducting object by electromagnetic induction through the heat that is generated in the object by eddy currents. The major difference between a radiant stove and an induction stove is that, in the case of an induction stove, the heat is generated inside the object, itself, and not the external heat source.

### **The Initial Public Offering (IPO) Of Miji International Holdings Ltd**

The Share Offer of Miji International Holdings Ltd was that of 375 million, one-cent Shares at the Indicative Offer Price Per Share, ranging from a low of 30 cents to a high of 36 cents.

The number of Public Shares, obviously Offered to prospective investors of HKSAR, was 37.50 million, with the remaining 337.50 million Shares, having been reserved for Institutional, Professional and/or select Well-Heeled Investors via Share Placements.

On July 13, 2018, Management announced that the Offer Price Per Share had been struck at 30 cents – the lowest share price, acceptable to Management –and that the Company, envisaged netting about \$HK82.10 million from the net proceeds, derived from the IPO.

The net proceeds from this exercise of raising interest-free cash from third-party investors is intended to be utilised for the following purposes, one was told:

1. Approximately, 32.10 percent, that is about \$HK26.35 million, *‘will be used for (the) establishment of showrooms in major cities of the PRC’* proper. The Company stated that it is desirous of establishing and operating new showrooms in Shanghai, Beijing, Nanjing, and Shenzhen;
2. Approximately, 23.90 percent, that is about \$HK19.62 million, *‘will be used for partial repayment of bank loans. Our Group obtained bank loans of the aggregated amounts of RMB23.0 million in March and April 2018, of which RMB13.0 million is secured, subject to floating interest rate of approximately 5.2% per annum, and repayable in March 2019; and the remaining RMB10.0 million is unsecured, subject to floating interest rate of approximately 5.2% per annum, and repayable in April 2019. We primarily used the proceeds of this loan to finance our daily operations’*;
3. Approximately, 23.80 percent, that is about \$HK\$19.54 million, *‘will be used for expanding and strengthening our sales and marketing capacities’* ...;

4. Approximately, 3.60 percent, that is about \$HK2.96 million, *'will be used for developing and diversifying our product portfolio of Hobs and Stoves over the period from 1 July 2018 to 30 June 2020 with a focus on value-added attributes that allow us to further capture pricing premiums'*;
5. Approximately, 6.90 percent, that is about \$HK5.66 million, *'for the project of (Establishment of Smart Service Platform for Miji Electric Stoves) which will be conducted throughout the period from 1 July 2018 to 30 June 2020'*; and,
6. Approximately, 9.60 percent, that is about \$HK7.88 million, *'will be used for general working capital.'*

#### **The Business Of Miji International Holdings Ltd**

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