

TARGET

Intelligence Report

VOLUME XXI No. 206

S A T U R D A Y

September 21, 2019

KELFRED HOLDINGS LTD:

THE FORTUNES OF THIS COMPANY ARE

QUITE LIKELY TO DETERIORATE FROM THIS WAY FORWARD

The Interim Report Just About Guarantees

The Direction Of The Company's Fortunes

Kelfred Holdings Ltd has a 33-year history in the eyewear manufacturing industry of the **Hongkong Special Administrative Region (HKSAR)** of the **People's Republic of China (PRC)**, but its production targets, principally, are the manufacture of spectacle frames without lenses; and, its major markets are those of Western Europe, specifically, the Netherlands, Italy, the United Kingdom, France and Hungary.

The production of spectacle frames and, to a lesser extent, sunglasses and spare parts, are all manufactured in the PRC, proper, being separate and distinct from the HKSAR of the PRC.

The Company's Net Profit Attributable to Shareholders, over the past three Financial Years, ended December 31, 2018, has fallen by 31.17 percent to \$HK30.42 million.

On Thursday, August 22, 2019, the Company published its Interim Report in respect of the six months,

ended June 30, 2019.

This Report stated, inter alia, that:

- Revenue had risen, Year-On-Year, by about 2.54 percent, to \$HK196.50 million;
- The Gross Profit had risen, Year-On-Year, by about 3.84 percent to \$HK46.14 million; and,
- The Net Profit Attributable to Shareholders had fallen, Year-On-Year, by about 49.31 percent to \$HK5.79 million.

With regard to the Company's major markets (see Paragraph One, above), its two major markets, namely The Netherlands and the United Kingdom, had cut orders, during the first half of the Current Financial Year, one in particular, most dramatically.

At Page 33 of the Interim Report, with regard to the Company's Revenue by the geographical locations of customers, one notes the following:

<u>Revenue</u>	Six Months To June 30	
	<u>2019</u>	<u>2018</u>
	(In \$HK'000)	
The Netherlands	22,574	50,721
The United Kingdom	22,418	26,907

The Initial Public Offering (IPO) Of Kelfred Holdings Ltd

On Saturday, June 29, 2019, Kelfred Holdings Ltd () (Code: 1134, Main Board, The Stock Exchange of Hongkong Ltd) published and disseminated its Share Offer Prospectus in the Hongkong Special Administrative Region (HKSAR) of the People's Republic of China (PRC).

The Company Offered a total of 125 million, one-cent Shares, at the Indicative Offer Price Per Share, ranging from a low of \$HK1.00 to a high of \$HK1.20.

Investors of the HKSAR were Offered 12.50 million Shares (the Public Shares Offer tranche) and Institutional Investors, Professional Investors and select, Well-Heeled Investors, along with any corporate entity in which they had equity control (the Placing Shares Offer tranche), were Offered the remaining 112.50 million Shares via Share Placements.

On Monday, July 15, 2019, Management announced that the Offer Price Per Share had been struck at \$HK1.00 – the lowest, acceptable level as far as Management was concerned – and that the Company anticipated, netting about \$HK80.70 million from the Share Offer.

The Public Shares Offer tranche of 12.50 million Shares, one was informed in this Announcement, had been 29.68 times oversubscribed; the Placing Shares Offer tranche of 112.50 million Shares had been undersubscribed by 0.91 times the number of Offered Shares in this tranche.

At Page Seven of the '**ANNOUNCEMENT OF OFFER PRICE AND ALLOTMENT RESULTS**', one was told as to how Management envisaged the utilisation of the net proceeds:

1. Approximately, \$HK43.60 million, that is about 54.00 percent, '*will be used to further strengthen the Group's production capacity, including upgrading the level of automation in our manufacturing process in Shenzhen Production Base, expanding the production capacity of our Jiangxi Production Base and upgrading our ERP system (Enterprise Resource Planning)*';
2. Approximately, \$HK12.50 million, that is about 15.50 percent, '*will be used to repay (part of?) our bank borrowings*';
3. Approximately, \$HK8.90 million, that is about 11.00 percent, '*will be used to promote our corporate image and brand building*';
4. Approximately, \$HK7.30 million, that is about nine percent, '*will be used to our enhance design and development capabilities*';

5. Approximately, \$HK3.60 million, that is about 4.50 percent, '*will be used to enhance our quality assurance capabilities*'; and,
6. Approximately, \$HK4.80 million, that is about six percent, '*will be used for general working capital purposes*'.

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