

# **TARGET**

## **Intelligence Report**

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**T U E S D A Y**

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**CIRTEK HOLDINGS LTD:  
FOR WHAT REASON DID THE BARRY CHAN FAMILY  
AGREE TO PAY RECORD-HIGH COMMISSIONS  
TO 15 HONGKONG UNDERWRITERS ?**

With a history of about 29 years, one is unlikely to be very impressed on scanning the financials of Cirtek Holdings Ltd () (Code: 1433, Main Board, The Stock Exchange of Hongkong Ltd).

And when one discovers that the Company is controlled by just three close members of the family of Mr Barry Chan Sing Ming (), one is far from being apologetic as to one's first impressions.

Further, when one discovers that the Hongkong Underwriters received a commission of 13 percent of the aggregate Offer Price Per Share in respect of the Company's Global Offering of Shares – this is a record-high level for a commission, paid to Underwriters of Offer Shares in an **Initial Public Offering (IPO)**, by the way – one has to ponder as to the true reason that Mr Barry Chan Sing Ming, aged 60 years, his 57-year-old wife and his 30-year-old son, all being the entire, three-member mob, constituting the Executive Directors of the Company, would have agreed to such a high level of commission, paid to the 15 Hongkong Underwriters.

**The Initial Public Offering (IPO) Of Cirtek Holdings Ltd**

Cirtek Holdings Ltd published and disseminated its Global Offering Prospectus on Friday, February 28, 2020.

The Company was desirous of selling a total of 500 million, one-cent Shares at the Indicative Offer Price Per Share, ranging from a low of 25 cents to a high of 29 cents.

Investors of the **Hongkong Special Administrative Region (HKSAR)** of the **People's Republic of China (PRC)** were offered the opportunity to subscribe to 50 million Offer Shares (the HKSAR Offer Shares tranche) and International Investors – Institutional Investors, Professional Investors and select, Well-Heeled Investors, along with their corporate entities, in which this class of investor has equity control – were induced to subscribe to 450 million Shares, via Share Placements (the International Placing Offer Shares tranche).

On Wednesday, March 11, 2020, Management of Cirtek Holdings Ltd announced that the Offer Price Per Share had been struck at 25 cents – the lowest level of the Indicative Offer Price Per Share, acceptable to Management – and that the Company anticipated, netting about \$HK74.90 million from the Global Offering.

With regard to the HKSAR Offer Shares tranche, one was informed that it had *'been very significantly over-subscribed'* by about 74.68 times.

Management had received a total of 11,470 valid applications for Offer Shares, one was told, those valid applications, representing a total of 3,733,760,000 HKSAR Offer Shares, initially available under this 50-million Offer Shares tranche.

With regard to the International Placing Offer Shares tranche, one was informed that this tranche had *'been slightly over-subscribed'*, being 1.55 times the total number of 450 million International Placing Offer Shares (695.60 million Placing Shares), initially available under this Offer Share tranche.

At Page Nine of this Announcement, one was told how the net proceeds of the Global Offering were intended to be utilised by Management:

- 1) Approximately, \$HK68.80 million of the net proceeds, that is about 91.90 percent, *'will be used for increasing our production capacity in Bangladesh by (a) the construction of the New Bangladesh Factory; and (b) purchasing machinery for the New Bangladesh Factory'*; and,

- 2) Approximately, \$HK6.10 million of the net proceeds, that is about 8.10 percent, ‘will be used for the Group’s working capital and general corporate purposes.’

## **The History And Business Of Cirtek Holdings Ltd**

Cirtek Holdings Ltd was incorporated in the Cayman Islands on January 25, 2019, obviously in preparation of the proposed Listing of the premier equity market of the HKSAR.

The history of the Company, however, goes back to October 29, 1991 – about 29 years ago – when it commenced a printing operation in the HKSAR.

This event took place within four months of the incorporation of the company, Charming Printing Ltd (), in the once-British colony.

About eight years later, in or about September 2000, the Company established a production facility in Huizhou, Guangdong Province, the PRC, proper, being separate and distinct from the HKSAR.

Taking up from the second and third paragraphs from Page 127 of the Global Offering Prospectus, one was told a little more about the history of this Company:

*‘... To cope with the increasing demands from our customers, the production facility was moved to a larger location with a gross floor area of approximately 3,360 sq. m. (square metres) in October 2003. In June 2009, we set up our own production facilities at the PRC Factory 1 with a gross floor area of approximately 23,828 sq. m. for production, office and staff dormitory. In 2018, we subsequently leased an additional production plant and warehouse adjacent to the PRC Factory 2 with a gross floor area of approximately 14,074.5 sq. m..*

*‘Since 2011, we started to expand our footprints to other parts of the globe by setting up our sales and marketing teams in Belgium and the U.S. in July and August 2011, respectively, as well as establishing production facilities in Bangladesh and Vietnam, in July 2013 and April 2014, respectively. In 2016, we set up a supporting production line in the U.S. and our offices in India and Pakistan to expand our sales networks. We moved our production facilities in Vietnam to a larger location in 2017 with a subsequent addition of a production plant in 2018.’*

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