

# **TARGET**

## **Intelligence Report**

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**S A T U R D A Y**

**May 9, 2020**

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**MOG HOLDINGS LTD:**

**ONE MUST BE PREPARED FOR ONLY NEGATIVE NEWS**

**IN RESPECT OF THE 2020 FINANCIAL YEAR'S RESULTS**

In respect of the Financial Year, ended March 31, 2020, it is quite likely that the Net Profit Attributable to Shareholders of MOG Holdings Ltd was not only, having been as flat as a proverbial pancake, but it could be described as having seen Management, being forced to taste the sourness of the fruit: Retrogradeness.

Of course, one cannot know, today, how Senior Management of this Malaysia-based retailer of optical products will determine the *modus operandi* in playing its cards, *façon de parler*, but it, certainly, cannot hide the fact that its 83 self-owned retail shops were closed for, at least, a goodly part of last March, due to the mandatory requirement, caused by the onslaught of the pandemic, named COVID-19.

In addition to the above-mentioned, Management will have to come to terms as to the best method to deal with the little matter of expenditures, due to Listing Expenses, now known to have been in the region of about \$HK34.80 million: Will the Company capitalise a goodly portion of those expenditures, while being forced to swallow more than just a large mouthful of them?

Whatever Management shall, eventually, decide, however, one cannot expect that the Net Profit Attributable to Shareholders of the Company will be able to match anywhere near that which the Company recorded in respect of the 2019 Financial Year.

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

Management of MOG Holdings Ltd (Code: 1942, Main Board, The Stock Exchange of Hongkong Ltd) launched its Global Offering Prospectus in the **Hongkong Special Administrative Region (HKSAR)** of the **People's Republic of China (PRC)** on Saturday, March 28, 2020.

The Company sought to sell 125 million, one-cent Offer Shares at the Indicative Offer Price Per Share, ranging between a minimum of \$HK1.00 and a maximum of \$HK1.20.

Investors of the HKSAR were Offered the opportunity to subscribe to 12.50 million Offer Shares (the HKSAR Public Offer Shares tranche) while International Investors – Institutional Investors, Professional Investors and select, Well-Heeled Investors, along with corporate entities in which this class of investor holds equity control – were induced to take up part of the International Placing tranche of 112.50 million Offer Shares (the International Placing Shares tranche).

On Thursday, April 9, 2020, Management of MOG Holdings Ltd announced that the Offer Price Per Share had been struck at \$HK1.00 – the lowest level of the Indicative Offer Price range.

In that Announcement with regard to Offer Price Per Share and the Allotment Results, one was informed that the Company anticipated netting about \$HK91.10 million from the Global Offering of Shares.

The net proceeds of the Global Offering represented 38.20 percent of the Total Listing Expenses.

With regard to the HKSAR Public Offer Shares tranche, the Announcement of April 9, 2020 stated that it had been '*moderately over-subscribed*', with a total of 15,713 valid applications had been received '*for a total of 500,464,000 Offer Shares*', representing 40.04 times the 12.50 million Offer Shares, initially available for subscription under this Offer Shares tranche.

As for the International Placing Shares tranche, one was told that it had been '*slightly over-subscribed*'.

Management stated that it had received applications for a total of 114,964,400 Placing Shares, '*representing approximately 1.02 times of (sic) the total Offering Shares initially available under the International Placing.*'

At Pages Nine and Ten of this Announcement, one was told as to how Management intended to utilise the net proceeds of the Global Offering as follows:

- Approximately, 55.90 percent, that is about \$HK50.90 million, *‘will be used to expand the Group’s retail network, through setting up 36 self-owned retail stores (which are intended to be wholly-owned) in various parts of Malaysia’*;
- Approximately, 10.10 percent, that is about \$HK9.20 million, *‘will be used to upgrade and renovate the Group’s self-owned retail stores’*;
- Approximately, 9.30 percent, that is about \$HK8.50 million, *‘will be used to promote recognition of the Group’s 11 retail brands and to further develop and market the Group’s Own Brands optical products through various means of advertising including national marketing campaigns, traditional print media and the use of social media influencers as well as to hire a brand consultant and a product designer’*;
- Approximately, 11.00 percent, that is about \$HK10.00 million, *‘will be used to enhance the Group’s production capabilities with regards to customised lens by jointly developing an optical lab in Malaysia with an internationally renowned lens manufacturer for the production of customised lenses’*;
- Approximately, 8.60 percent, that is about \$HK7.80 million, *‘will be used to upgrade the Group’s information technology systems and enhance its operational efficiency by acquiring a RMS (Retail Management System) and upgrading its POS (Point of Sale) systems’*; and,
- Approximately, 5.10 percent, that is about \$HK4.70 million, *‘will be used for general working capital.’*

### **The Business Of MOG Holdings Ltd**

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