

TARGET

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RITAMIX GLOBAL LTD:

DISHEARTENED WITH MALAYSIAN BANKING,

MANAGEMENT CAME TO THE HKSAR TO PITCH ITS IPO

There were two negative aspects with regard to the Share Offer of Ritamix Global Ltd (Code: 1936, Main Board, The Stock Exchange of Hongkong Ltd) that caught the attention of this medium, almost immediately, on scanning the 430-Page document:

1. Management had agreed to pay its Public Offer Underwriters an Underwriting Commission of 17 percent of the aggregate Offer Price and, in addition, Management had agreed to pay the Sole Bookrunner *'an incentive fee of four percent of the aggregate Offer Price payable for our Public Offer Shares'*. Thus, the actual amount that Management had agreed to pay in order to have its shares, listed on the premier equity market of The Stock Exchange of Hongkong Ltd, was, inter alia, not 17 percent of the aggregate Offer Price, but 21 percent! This is another, record-high level of the management of the prospective candidate for a listing on the premier equity market of the **Hongkong Special Administrative Region (HKSAR)** of the **People's Republic of China (PRC)**; and,
2. The Company has stated, definitively, at Page 238 of the Share Offer Prospectus: *'... we currently have no plans to pay dividends to the (sic) Shareholders in the foreseeable future ...'*.

A charming state of affairs, one may be tempted to comment.

The Initial Public Offering (IPO) Of Ritamix Global Ltd

Management of Ritamix Global Ltd published and disseminated its Share Offer Prospectus in the HKSAR on Friday, April 24, 2020.

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

A total of 12.50 million Offer Shares (the Public Offer Shares tranche) was, obviously, targeted at investors of the HKSAR, while 112.50 million Offer Shares were aimed at inducing International Investors – Institutional Investors, Professional Investors and select, Well-Heeled Investors, along with this class of investors' corporate entities in which equity control was vested – to take the bait and to purchase Offer Shares via Share Placements (the Placing Offer Shares tranche).

On Tuesday, May 12, 2020, Management of Ritamix Global Ltd announced that the Offer Price Per Share had been struck at \$HK1.00, the lowest level of the Indicative Offer Price range.

Management stated that it anticipated netting about \$HK72.40 million from the Share Offer.

With regard to the Public Offer Shares tranche, one was informed that this tranche had been '*moderately over-subscribed*' and that a total of 6,584 valid applications '*have been received for a total of 66,634,000 Public Offer Shares, representing approximately 5.33 times of (sic) the total number of 12,500,000 Public Offer Shares initially available for subscription under the Public Offer.*'

As to the Placing Offer Shares tranche, Management stated that it had been '*slightly over-subscribed.*'

The total number of valid applications for Placing Offer Shares under this tranche was 117.14 million Placing Shares, representing about 1.04 times the total number of 112.50 million Placing Shares, initially available.

At Page Eight of Management's Announcement of May 12, 2020, in respect of the Offer Price and Allotment Results, one was presented with the Company's intentions as to how the net proceeds of the Share Offer would be utilised:

- Approximately, \$HK42.10 million, that is about 58.10 percent of the net proceeds, ‘will be used to partly finance the construction of a new manufacturing plant to increase the Group’s production capacity’;
- Approximately, \$HK13.40 million, that is about 18.50 percent of the net proceeds, ‘will be used for funding potential acquisition of and/or business collaboration with a company which is a distributor in Malaysia possessing distributorship of one/more international brand products that could complement the Group’s existing product portfolio’;
- Approximately, \$HK3.50 million, that is about 4.90 percent of the net proceeds, ‘will be used to set up a new testing laboratory which would enable the Group to provide complementary services to customers by offering bacterial toxin and mycotoxin testing and analysis on customers’ feedstuff’;
- Approximately, \$HK3.70 million, that is about 5.10 percent of the net proceeds, ‘will be used to set up a centralised ERP (Enterprise Resource Planning) system covering various functions including sales, purchasing, production, warehouse and accounting. A centralised ERP system enables the Group to collect, store, manage and interpret data from the Group’s business activities’;
- Approximately, \$HK1.70 million, that is about 2.40 percent of the net proceeds, ‘will be used to further penetrate into the markets of animal feed additives and human food ingredients through conducting sales and marketing activities’;
- Approximately, \$HK3.00 million, that is about 4.10 percent of the net proceeds, ‘will be used to hire 12 operation staff for the new manufacturing plant, three laboratory assistants for the new testing laboratory, three veterinarians/ nutritionists to strength the Group’s sales and technical team and seven supporting staff for the Group’s finance and administration department and warehousing department’;
- Approximately, \$HK1.40 million, that is about 2.00 percent of the net proceeds, ‘will be used to purchase three trucks for inbound and outbound logistics and nine vehicles for the Group’s sales personnel’; and,
- Approximately, \$HK3.60 million, that is about 4.90 percent of the net proceeds, ‘will be used as general working capital of the Group’.

The History And Business Of Ritamix Global Ltd

The history of Ritamix Global Ltd goes back about 38 years when Mr Lee Siew Soon, the father of Dato' Sri (Howard) Lee Haw Yih, and Mr Lee Siew Soon's former business partner, a Mr Foo Kok Toon, '*set up Gladron Chemicals* (Gladron Chemicals Sdn Bhd, a company, incorporated in Malaysia on or about November 20, 1982) *out of their own funds to engage in distribution of animal feed additives products in Malaysia.*'

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