

IPO FACT SHEET

Forward Fashion (International) Holdings Company Limited (2528)

ISSUE STATISTICS

Offer Size:	HK\$170m – HK\$210m
Placement Tranche:	100m
Price:	HK\$1.70 – HK\$2.10
Board lot:	2,000
Entry fee:	HK\$4,242.32
Historical PE	6.26x – 7.74x
Net tangible asset per share:	HK\$0.897 – HK\$0.988
Market Cap (post-IPO):	HK\$680m – HK\$840m
Open:	30 Dec 2019
Close:	12.00 noon on 3 Jan 2020
Trading:	13 Jan 2020
Sponsor:	China Industrial Securities International Capital Limited

Year ended 31 Dec	(HKD'000)	yoy % chg
Revenue		
2017	1,066,630	12.3%
2018	1,344,865	26.1%
Profit for the year/period		
2017	60,160	940.5%
2018	108,577	80.5%

BACKGROUND

- Founded in 2005, they principally engage in the retail of fashion apparel of international brands ranging from established designer label brands, popular global brands to up-and-coming brands in Greater China.
- They adopt multi-brand and multi-store business model. As at the Latest Practicable Date, they operated 215 self-operated retail stores in Greater China, of which 182 retail stores are mono-brand stores operated under the brand name of the merchandise to cater for the brand's target customers and 33 retail stores are multi-brand stores that offer a broad assortment of their selected fashion apparel and lifestyle merchandise from different international brands and their own brands.
- According to the F&S Report, they ranked first among apparel distributors in Macau in terms of retail sales value in 2018 with a market share of approximately 4.3%. Meanwhile, they have a market share of approximately 0.02% in the extremely fragmented apparel retail market of Mainland China in 2018.
- Their mono-brand stores currently sell products of 30 international brands such as BLACKBARRETT, CK CALVIN KLEIN, Calvin Klein Jeans, Calvin Klein Performance, Calvin Klein Underwear, EA7, Ed Hardy, Hogan, Moschino, NeilBarrett, Philipp Plein, Tommy Hilfiger and Under Armour etc.
- As at 31 December 2016, 2017 and 2018 and 31 July 2019 and the Latest Practicable Date their brand portfolio had 58, 54, 60, 115 and 113 brands.
- As at the Latest Practicable Date, there are 44 distribution agreements and two authorisation letters in relation to their distribution right of 30 international brands, of which they currently operated mono-brand stores for 29 international brands and their mono-brand store for Sergio Rossi in Taiwan had been temporarily closed pending relocation to a new premises.
- They adopt a multi-brand and multi-store business model in the retail of mid-to-high end fashion apparel with the complement of footwear, cosmetic and skincare products and lifestyle products.

BUSINESS STRATEGIES

- Continue to expand the geographic coverage of their retail stores in Greater China by opening 51 retail stores, 41 of which are mono-brand stores and 10 are multi-brand stores.
- Upgrade their existing retail stores by carrying out renovation works in their retail stores in Mainland China and Macau.
- Explore new brands and further develop their recently operated brands.

- Continue to set up and implement the centralised retail management system.
- Strengthen their online sales with a view to complementing their offline sales channels.

COMPETITIVE STRENGTHS

- Their multi-brand and multi-store business model can satisfy and match varying needs and requirements of their landlords and brand owners and provide value-added services to them.
- They have an established network of retail stores covering selected strategic geographic locations.
- They maintain leading position in the apparel retail market in Macau.
- Their brand portfolio has over 100 renowned international brands covering a wide selection of fashion apparel and lifestyle merchandise.
- They have an experienced senior management and stable and dedicated workforce.

KEY RISKS

- Failure to maintain good business relationship with international brand owners of their fashion apparel and lifestyle products may adversely affect their profitability.
- They face competition from brand owners and their distributors.
- Their business depends on the brand recognition, popularity of their merchandise and consumer preferences, which are outside their control.
- They recorded net current liabilities as of 31 December 2016 and 2017 and any net current liabilities in the future could expose them to liquidity risk.
- Failure to maintain inventory at right level could increase their risk of inventory obsolescence, lead to channel stuffing, cause them to lose sales or decrease their profit margins.

DIVIDEND POLICY

- No fixed dividend policy.

USE OF PROCEEDS

	HK mn	As a percentage of gross proceeds from the Invitation
Will be used for part payment of the cost to be incurred for expanding the geographic coverage of their retail stores in Greater China.	65.8	50.3%
Will be used for part payment of the cost to be incurred for upgrading their existing retail stores.	12.1	9.2%
Will be used for exploring new brands to expand their brand portfolio and merchandise.	31.4	24.0%
Will be used for setting up and implementation of the Centralised RMS, a centralized information technology infrastructure that connects their headquarters in Hong Kong, their regional offices in Macau, Shenzhen and Shanghai and all their retail stores.	14.1	10.8%
Will be used for strengthening their online sales, which is in alignment with the robust development of online sales channel in Mainland China and the launch of an e-shopping platform specifically for luxury products with a view to complementing their offline sale channels.	7.5	5.7%
Total:	130.9	100.0%

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