

CamKids -The most bizarre RNS ever?

Camkids Group {AIM: CAMK} recently issued one of the most, if not the most bizarre RNS ever on the LSE.

In effect, as a result of the actions of the board of directors, their cash pile of 401 million RMBI has virtually evaporated at the stroke of a pen!

As CamKids is not the type of company I normally invest in or follow. I was alerted to this incredible RNS by reading an article on the ShareProphets website, so plaudits are due to them in highlighting this madness.

After reading the article I initially felt shocked that a company could issue such an RNS and imagine anyone would believe it, and then the more I thought about it, my shock turned to anger, that people that trusted the BOD have been treated in such a way, and the LSE and NOMAD are allowing this.

In April 2015 CAMK reported year end results, and stated **"Camkids remains cash generative with year-end net cash of RMB401 million (2013: RMB313 million)"**

The exchange rate is roughly £1 to 10 RMBI, so around £40 million in cash in the bank.

Some doubted they had such an amount in the bank, but this is what they reported.

Effectively, the board of directors have, (*working in the best interests of shareholders of course!*) taken the incredible actions, detailed below, and will have cleared out virtually all of the the claimed 400 million RMBI million from the bank!

They said it wasn't there, well it's not now!

Now they have issued the RNS below, and I have highlighted the relevant parts in red, all emphasis is mine.

RNS Number : 5859V

Camkids Group PLC

10 August 2015

Trading statement, distributor update and extension of payment terms.

Camkids Group plc (AIM: CAMK), a leading Chinese designer, manufacturer and distributor of branded outdoor clothing, footwear and equipment for children, announces the following trading update.

The Board expects that the Group's turnover for the year ending 31 December 2015 *will broadly be in line with market forecasts.*

The order book was down 45% for Autumn / Winter on a year-on-year basis, which is marginally more than the previously announced reduction on the year-on-year Spring / Summer order book.

The Board considers that the current difficult macro-economic ***conditions in China represent an opportunity for Camkids to review its arrangements with under performing distributors.***

Following the conclusion of this review, **the Board has decided to terminate the Group's relationship with three of its existing distributors. These distributors represented approximately 17.5% of the Group's revenues in 2014 and this**

figure is expected to be no more than 14.5% of revenues in the first half of 2015.

*The termination arrangements, which are subject to ongoing negotiation, are expected to include a requirement that the Group purchases back the inventory held by the distributors, for an amount totalling approximately **RMB 285 million**. Furthermore, the Board anticipates that the Group will be required to make contractual compensation payments to the outgoing distributors in relation to their stores, totalling approximately **RMB 70 million**.*

Camkids has already identified two new replacement distributors to cover the entirety of the territories previously covered by the outgoing distributors. ***The Board anticipates that the majority of the repurchased inventory will be resold to the new distributors but likely at a substantially reduced price.*** As a result of these exceptional costs, the Board expects that the Group will report a meaningful net loss after exceptional items in its 2015 results. ***The Group's cash reserves will be substantially reduced by virtue of the sums being paid to the distributors. Notwithstanding this, the Board believes that replacing the outgoing distributors is necessary and acquiring all of their remaining Camkids inventory will ensure that this is not sold in such a way as to damage the Camkids brand.***

The Board continues to review the Group's cost base and strategy and looks forward to the benefits of its enhanced distributor network. None of the Group's distributors, including the outgoing distributors and the new distributors, are connected to any director or substantial shareholder of Camkids or any of their family members.

The Group also intends to repurchase approximately **RMB80 million** of inventory from its remaining distributors. In keeping with its social responsibility practice in previous years, *this inventory will be donated to children in poorer areas of China*. The Board also sees this as an important exercise in promoting the Camkids brand throughout China, as well as in preventing discounted sales of its products. In addition, on account of the continuing difficult trading conditions in China, the Group has agreed with its distributors to temporarily extend payment terms from 120 days to 180 days until the end of 2015.

Camkids' Chairman, Zhang Congming, commented: "Trading conditions remain difficult in China and we anticipate the trend of decreasing order books continuing into 2016. However, we are seeking to use these conditions to our advantage in replacing under performing distributors at a lower cost than we would otherwise have been able to had trading conditions been better.

"Excluding the exceptional costs of replacing certain distributors and repurchasing unsold inventory, we anticipate that Camkids will achieve **a small operating profit** for the year ending 31 December 2015, which, although behind market forecasts, we consider to be encouraging given the current macro-economic climate."

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The question is, are the LSE and the NOMAD asleep at the wheel?

Or is it they simply don't care?