

**CHONG KIN GROUP HOLDINGS LTD:
YOU BE THE JUDGE**

Since trading in the shares of Chong Kin Group Holdings Ltd ([]) (Code: 1609, Main Board, The Stock Exchange of Hongkong Ltd) commenced on Monday, October 17, 2016, the share price has never closed a trading day at a level that was higher than the Offer Price of 70 cents.

Oddly, the financials of this Company, in respect of the 36 months to March 31, 2016, appear considerably superior to many other companies that, in the past eight months, have come to the two equity markets of the Hongkong Special Administrative Region (HKSAR) of the People's Republic of China (PRC) in order to raise money for one reason or another.

The following **TARGET** () analysis of this Company might assist Subscribers in making a determination as to the reason(s) that Chong Kin Group has not become one of the '*darlings*' of investors.

The Initial Public Offering (IPO)

On September 30, 2016, Chong Kin Group published and disseminated its Share Offer Prospectus.

The Company Offered 113.40 million New Shares of a Nominal Value Per Share of one cent and Pioneer Investment Ltd (), a company, domiciled in the **British Virgin Islands (BVI)**, Offered 77.80 million Shares.

Pioneer Investment Ltd is beneficially owned by Messrs Cheung Yuk Kei () and Chan Yiu Hung () as to 70 percent of the Issued Share Capital and 30 percent of the Issued Share Capital, respectively.

Pioneer Investment Ltd, in turn, beneficially owns 75 percent of the entire Issued and Fully Paid-Up Share Capital of Chong Kin Group Holdings Ltd.

Investors of the HKSAR were Offered 19.12 million Shares (the '*Public Offer Shares*' that did not include the 77.80 million Shares, belonging to Pioneer Investment Ltd) and the remaining 172.08 million Shares were destined to be Placed.

Initially, the Indicative Offer Price Per Share was set at between 66 cents and 70 cents, but, on Friday, October 14, 2016, it was announced that the Offer Price Per Share had been struck at 70 cents.

The Company's Allotment Announcement stated that Public Offer Shares had been '*very significantly*' oversubscribed by a whopping 172.12 times.

As for the Placing Shares, they had been '*moderately oversubscribed, representing approximately 1.80 times*'.

Management stated, in this Allotment Announcement, that it had garnered about \$HK59 million, net of

expenses, and that that amount of money was intended to be utilised as follows:

1. Approximately, \$HK23.90 million, that is about 40.40 percent of the net proceeds, '*for the acquisition of additional placing booms, booms pumps and related parts for the Company's projects*';
2. Approximately, \$HK6.60 million, that is about 11.20 percent of the net proceeds, '*for expansion of the Company's workforce both at office level and worksite level*';
3. Approximately, \$HK11.40 million, that is about 19.30 percent of the net proceeds, '*will be used to repay part of the Company's outstanding finance leases*';
4. Approximately, \$HK11.40 million, that is about 19.30 of the net proceeds, '*will be used to repay part of the Company's outstanding bank borrowings*'; and,
5. Approximately, \$HK5.70 million, that is about 9.70 percent of the net proceeds, '*will be used as general working capital of the Company*'.

The History and Business of Chong Kin Group Holdings Ltd

Chong Kin Group Holdings Ltd was established on March 15, 2000, with the incorporation of Kam Fung Engineering Ltd () in the HKSAR.

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