

# TARGET

## Intelligence Report

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**FRONTAGE HOLDINGS CORPORATION:**

**THIS COMPANY HAS BEEN ON A ROLL,**

**TO BE SURE (IN THE AMERICAN VERNACULAR),**

**BUT DOES THE MOON FOLLOW THE SUN ?**

In the closing week of May 2019, Frontage Holdings Corporation () (Code: 1521, Main Board, The Stock Exchange of Hongkong Ltd) announced that it had raised a total of \$HK1,515,410,000 in its Global Offering of 501,910,000, \$US0.00001 Shares on the premier equity market of the Hongkong Special Administrative Region (HKSAR) of the People's Republic of China (PRC).

The financials of this **Contract Research Organisation (CRO)** indicated, inter alia, that its Revenue had risen by 70.86 percent, with the Net Profit Attributable to Shareholders, having improved by 69.14 percent, in respect of the 36 months, ended December 31, 2018.

Management makes the claim that the Company is '*fast-moving*' – and the Consolidated Statement of Profit or Loss and Other Comprehensive Income appears to support this claim.

One may be tempted to ask the question, however:

*Will this Company be able to experience the very healthy financial gains in the coming*

*three Financial Years, similar to those that were recorded of the past three Financial Years?*

Only time will tell.

### **The Initial Public Offering (IPO) Of Frontage Holdings Corporation**

Management of Frontage Holdings Corporation published and disseminated its Global Offering Prospectus on May 17, 2019.

The 501,910,000, \$US0.00001 Shares were Offered at the Indicative Offer Price, ranging from a low of \$HK2.55 to the maximum level of \$HK3.20.

On May 29, 2019, Management announced that the Offer Price Per Share had been struck at \$HK3.20 – the maximum level of the Indicative Offer Price range – and that it was anticipated that the net proceeds, derived from the Global Offering, would come in at about \$HK1,515,410,000.

The Global Offering Prospectus was aimed, among other things, to induce investors of the HKSAR to subscribe to 50,192,000 Offered Shares and International Investors to subscribe to the 451,718,000 Offered Shares.

With regard to the HKSAR Shares tranche, one was informed, in the May 29 public announcement, that this tranche had been 91.70 times oversubscribed; and, that the International Shares tranche had been ‘significantly’ oversubscribed.

The net proceeds from the Company’s Global Offering, one was informed, are expected to be utilised as follows, according to Pages 274 through to 278 of the Global Offering Prospectus:

- Approximately, 20 percent of the net proceeds, that is about \$HK303,082,000, will be allocated ‘within a period of 12 to 18 months from Listing’ in respect of anticipated expenditures as part of the Company’s plans to enhance and expand our existing capacities. This included the spending of about \$HK46.07 million in respect of:

*‘The renovation of a new facility we plan to lease in China in Zhangjiang Hi-Tech Park, Shanghai with an approximate gross floor area of approximately 40,000 to 50,000 sq. ft. to provide our existing bioanalytical services to existing and prospective customers in China. We expect to*

*complete the renovation of the new facility shortly after we have entered into a leasehold agreement in respect of the new facility. We have started the process of identifying appropriate sites which we can lease and expect to enter into a leasehold agreement within three to six months of Listing and will commence the renovation immediately thereafter. We expect the renovation of the new leasehold site to be complete within a period of 18 months from Listing’;*

- Approximately, 40 percent of the net proceeds, that is about \$HK606,164,000, ‘*will be used to expand and broaden our range of capabilities and services organically within a period of 12 to 18 months of Listing’;*
- Approximately, 30 percent of the net proceeds, that is about \$HK454,623,000 ‘*will be used to expand our capacity and/or capabilities through potential acquisitions of companies and/or businesses providing relevant services that we identify as attractive based on our future expansion plan and analysis of the relevant market dynamics, strategic alliances as well as additional investments in our existing associate companies. Such acquisitions, alliances or investments will be to expand our capacity to meet the anticipated increased demand for our existing services, or to expand our range of capabilities a combination of both’;* and,
- Approximately, 10 percent of the net proceeds, that is about \$HK15,154,100 ‘*will be used for working capital and general corporate purposes including, in particular to enhance our general systems, operations, and processes across our business’.*

## **The History And Business Of Frontage Holdings Corporation**

Frontage Holdings Corporation is about 18 years old, according to the Global Offering Prospectus.

According to ... [CLICK TO ORDER FULL ARTICLE](#)

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