

# **TARGET**

## **Intelligence Report**

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**VOLUME XXI No. 257**

**S A T U R D A Y**

**November 23, 2019**

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**SICHUAN LANGUANG JUSTBON SERVICES GROUP COMPANY LTD:**

**THIS IS THE STORY OF AN ASCERTIVELY DYNAMIC COMPANY**

**But Does Management Bow To Beijing ?**

That Sichuan Languang Justbon Services Group Company Ltd () (Code: 2606, Main Board, The Stock Exchange of Hongkong Ltd) is, indisputably, a success story that goes without saying: Just scan the financials.

After all, which company, with a history of just 19 years, can achieve an annual revenue of 1,464,458,000.00 renminbi (about \$HK1,634,876,977.00) from a Registered Capital of just one billion renminbi.

As this medium has stated, umpteen times in the past: Only in the **People's Republic of China (PRC)**.

**The Initial Public Offering (IPO) Of**

**Sichuan Languang Justbon Services Group Company Ltd**

Sichuan Languang Justbon Services Group Company Ltd went public on the premier equity market of the **Hongkong Special Administrative Region (HKSAR)** of the PRC.

The Company pitched a Global Offering Prospectus on Tuesday, October 8, 2019.

Management Offered a total of 42,916,200 '*H*' Shares at the Indicative Offer Price Per Share, ranging from a low of \$HK30.60 to a high of \$HK39.00.

HKSAR Investors were Offered 4,291,800 '*H*' Shares (the HKSAR Offer Shares tranche) and International Investors – Institutional Investors, Professional Investors and select, Well-Heeled Investors, along with their corporate entities in which this class of investor had equity control – were Offered 38,624,400 '*H*' Shares (the International Offer Shares tranche).

The Nominal Value per '*H*' Shares is one renminbi.

This Company is a joint stock company, incorporated in the PRC, proper, being separate and distinct from the HKSAR of the PRC.

On Thursday, October 10, 2019, Management announced that the Offer Price Per Share had been struck at \$HK37.00 and that it was anticipated that the Company would be enriched by \$HK1,479.50 million by the net proceeds, derived from the Global Offering of Shares.

The Announcement of the Offer Price and Allotment Results stated that the HKSAR Offer Shares tranche had been 52.89 times oversubscribed and that the International Offer Shares tranche had been significantly oversubscribed.

In addition to the Global Offering of Shares, on Friday, November 1, 2019, Management announced that the Over-Allotment Option of 6,437,500 '*H*' Shares had been taken up in full.

In consequence, the Company netted another \$HK232.20 million from the Over-Allotment Option.

In aggregate, therefore, Sichuan Languang Justbon Services Group Company Ltd was able to top up the Company's coffers by about 1,711,700,000 renminbi (about \$HK1,910,890,529.00) from the Global Offering.

With regard to the net proceeds of the Global Offering, the Global Offering Prospectus stated, at Pages 262 and 263, that it would be utilised as follows:

- Approximately, 77 percent of net proceeds, that is about \$HK1,139.21 million, ‘will be used for the expansion of our property management services to enlarge our business scale (the “**Investment Plan**”), among which, (i) approximately 50%, or HK\$569.60 million, will be used to acquire or invest in other property management service providers for residential properties; (ii) approximately 17%, or HK\$193.67 million, will be used to acquire or invest in property management companies for non-residential properties, such as commercial properties, industrial parks, office buildings, schools and hospitals, in order to strengthen our ability to serve non-residential properties and further diversify our project portfolio; and (iii) approximately 10%, or HK\$113.92 million, will be used to acquire companies engaged in property management-related businesses, such as security, cleaning, gardening and maintenance service providers, in order to optimize our business structure and achieve synergy;’
- Approximately, five percent of net proceeds, that is about \$HK73.98 million, ‘will be used to improve our community value-added services (the “**CVAS Enhancement**”). In particular, we plan to (i) invest approximately 1% of net proceeds to us, or HK\$14.80 million, in software, hardware and intelligent terminals to upgrade our “Justbon Life Pro ()” mobile application; (ii) invest approximately 1% of net proceeds to us, or HK\$14.80 million, to build and upgrade “Life Pro Experience Centers ()” to further improve the user experience of residents in properties under our management; and (iii) invest approximately 3% of net proceeds to us, or HK\$44.39 million, to cooperate with third-party suppliers to improve the quality and variety of our value-added services, in particular, to diversify the supply channels for products related to daily life and services, upgrade move-in furnishing services and initiate community care services and community education services. We believe such methods will enhance our customers’ satisfaction, loyalty to and stickiness with us;’
- Approximately, eight percent of net proceeds, that is about \$HK118.36 million, ‘to fund the maintenance and upgrade of our IT (Information Technology )system (the “**IT Upgrade**”) (together with Investment Plan, IT Upgrade and CVAS Enhancement, the “**Expansion Plans**”), among which (i) approximately 3% of net proceeds to us, or HK\$44.39 million, will be used to purchase or upgrade our information technology software and (ii) approximately 5% of the net proceeds to us, or HK\$73.98 million, will be used to update our smart management and digitalization;’ and,
- Approximately, 10 percent of net proceeds, that is about \$HK147.95 million, ‘for working capital and general corporate purposes. We expect our future operating capital demand will continue to grow, as our business expands through endogenous growth and merger and acquisitions, and as the product mix of community value-added services enlarges.’

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