

TARGET

Intelligence Report

VOLUME XXII No. 105

S A T U R D A Y

May 23, 2020

**LOTUS HORIZON HOLDINGS LTD:
WAS MANAGEMENT ‘ENCOURAGED’ TO GO PUBLIC
ON THE PREMIER EQUITY MARKET OF HONGKONG ?**

Once again, management of another company candidate, hoping to obtain a listing of its shares on the premier equity market of the **Hongkong Special Administrative Region (HKSAR)** of the **People’s Republic of China (PRC)**, was coerced into agreeing to pay an Underwriting Commission to HKSAR Underwriters of 15 percent with regard to the aggregate Offer Price Per Share.

The company candidate was Lotus Horizon Holdings Ltd () (Code: 6063, Main Board, The Stock Exchange of Hongkong Ltd).

In addition to agreeing to the 15-percent commission paid to HKSAR Underwriters, Management of Lotus Horizon Holdings Ltd had, also, agreed to pay an incentive fee of one percent of the aggregate Offer Price Per Share to the Sole Bookrunner (Sunfund Securities Ltd []) in respect of the Hongkong Offer Shares.

In all, the Company was stung to the extent of \$HK47.30 million, after taking into account legal and other professional fees, printing fees and other expenses, relating to the pitching of its Share Offer in the HKSAR.

That figure of \$HK47.30 million represented 60.49 percent of the net proceeds, obtained from the Share

Offer of 500 million, one-cent Offer Shares.

As this medium recalls, it was not that long ago that the usual commission rate, paid to HKSAR Underwriters, was between 2.50 percent and 3.00 percent.

At the present rate that Listing Costs in the HKSAR continue to rise, managements of prospective candidate companies, considering a listing on one of the two equity markets of the HKSAR, might well look elsewhere in order to float their companies.

Exorbitant listing costs, demanded by parties, assisting managements of candidate companies to list their shares on the equity markets of the HKSAR, could do more harm than good if permitted to continue to rise, it would appear to **TARGET** ().

The Initial Public Offering (IPO) Of Lotus Horizon Holdings Ltd

Lotus Horizon Holdings Ltd published and disseminated its Share Offer Prospectus in the HKSAR on Monday, March 30, 2020.

The Company was desirous of selling 500 million, one-cent Shares at the Indicative Offer Price Per Share, ranging from a low of 25 cents to a high of 29 cents.

Investors of the HKSAR were Offered the opportunity to subscribe to 50 million Offer Shares (the HKSAR Offer Shares tranche) while International Investors – Institutional Investors, Professional Investors and select, Well-Heeled Investors, along with the corporate entities in which this class of investor holds equity control – were induced to apply for the 450 million Offer Shares (the International Offer Shares tranche).

On Tuesday, April 14, 2020, Management of the Company announced that the Offer Price Per Share had been struck at 25 cents – the lowest level of the Indicative Offer Price range – and it was envisaged that the Share Offer would enrich the coffers of the Company to the extent of \$HK78.20 million.

In respect of the HKSAR Offer Shares tranche, one was informed that this tranche had been '*significantly over-subscribed*'.

Management stated that it had received a total of 12,152 valid applications for a total of 707,688,000 Hongkong Offer Shares, representing about 14.15 times the total number of 50 million Hongkong Offer Shares, initially available under this tranche.

As for the International Offer Shares tranche, one was informed that this tranche had been ‘*slightly over-subscribed*’, equivalent to 1.39 times the 450 million International Offer Shares, initially available under this tranche.

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