

# TARGET

## Intelligence Report

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S A T U R D A Y

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### **FIRST SERVICE HOLDING LTD: WAS THIS FLOTATION A COMPLETE WASTE OF GOOD MONEY ?**

#### **Or Was There A Consummate Motive To That Which May Be Seen As Somebody's Madness ?**

Mr Zhang Lei (張雷) is the Chinese entrepreneur, credited with having been the guiding force behind the establishment of First Service Holding Ltd (第一服務控股有限公司) (Code: 2107, Main Board, The Stock Exchange of Hongkong Ltd).

Today, First Service Holding Ltd is a multi-million renminbi company in terms of its annual revenue.

But Mr Zhang Lei's name is nowhere to be found as having been the original guiding force, leading to the publication and dissemination of the Global Offering Prospectus of First Service Holding Ltd.

It is very plain that he prefers to hide his light under a bushel, rather than be labelled as one of the Executive Directors, or even one of the Non-Executive Directors of the Company.

However, as will become only too obvious, later on in this analysis, Mr Zhang Lei carries a very big stick and, if he should so determine, one must presume that he would not shrink to wield it if needs be such.

#### **The Initial Public Offering (IPO) of First Service Holding Ltd**

First Service Holding Ltd published and disseminated its Global Offering Prospectus on Monday, October 12, 2020.

Management indicated that it was desirous of selling 250 million, \$US0.0000002 Offer Shares at the Indicative Offer Price Per Share, ranging from a low of \$HK1.86 to a high of \$HK2.46.

Investors of the **Hongkong Special Administrative Region (HKSAR)** of the **People's Republic of China (PRC)** were given the opportunity to subscribe to 25 million Offer 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 investors has very material interests by virtue of equity control – were induced to subscribe to 225 million Offer Shares (the International Offer Shares tranche).

On Wednesday, October 21, 2020, Management of First Service Holding Ltd announced that the Offer Price Per Share had been struck at \$HK2.40; and, it was anticipated that the Company's coffers would be enriched by about \$HK543.70 million.

In respect of the HKSAR Offer Shares tranche, one was told, in the October 21, 2020 Announcement as to the Offer Price and Allotment Results, that Management had received a total of 95,689 valid applications for HKSAR Offer Shares, representing a total of 1,667,372,500 Shares, being about 66.69 times the total number of 25 million Offer Shares, initially available under this tranche.

Management described the result of this HKSAR Offer Shares tranche as having been '*very significantly over-subscribed*'.

As for the International Offer Shares tranche, it, too, was said to '*have been well over-subscribed*'.

Management announced that it had received valid applications for a total 1,406,066,666 International Offer Shares, representing about 6.25 times the 225 million International Offer Shares, initially available for subscription under this tranche.

At Page 12 of the October 21 Announcement, one was informed as to Management's present intentions with regard to the utilisation of the net proceeds of the Global Offering:

- Approximately, 50 percent, that is about \$HK271.80 million, '*will be used to pursue strategic acquisitions or investments in property management companies*';
- Approximately, 20 percent, that is about \$HK108.70 million, '*will be used to invest in energy operation projects and obtain energy operation rights*';
- Approximately, five percent, that is about \$HK27.20 million, '*will be used to research and develop green technologies*';
- Approximately, 10 percent, that is about \$HK54.40 million, '*will be used to enhance the information technology systems and develop the intelligent community*';
- Approximately, five percent, that is about \$HK27.20 million, '*will be used for attracting and nurturing talent*'; and,
- Approximately, 10 percent, that is about \$HK54.40 million, '*will be used for general business operations and working capital*'.

### **The History And Business Of First Service Holding Ltd**

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