

TARGET

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ZHIXIN GROUP HOLDING LTD: MANAGEMENT WAS IN NEED OF FRESH BLOOD

There are two interdependent aspects of Zhixin Group Holding Ltd (智欣集團控股有限公司) (Code: 2187, Main Board, The Stock Exchange of Hongkong Ltd) that distinguish this publicly listed company from most others of its kin.

These interdependent aspects are:

- (a) The Founder has a cast-iron grip over the Company's affairs, via his equity control, and, in addition, he has installed certain members of his family as Executive Directors – other than he, himself, that is – in order, inter alia, to monitor the Company activities; and,
- (b) The Founder has been, directly and indirectly, funding the Company with material amounts of money, since its inception, going back about 14 years ago.

The Founder, by the way, is Mr Ye Zhi Jie (葉志杰), a Chinese national, who has his residence in Guankou Village, Fujian Province, The People's Republic of China (PRC).

The Initial Public Offering (IPO) Of Zhixin Group Holding Ltd

Zhixin Group Holding Ltd launched its Share Offer Prospectus in the Hongkong Special Administrative Region (HKSAR) of the PRC on Tuesday, March 16, 2021.

The Company was (desperately?) desirous of selling 187 million, one-cent Shares at the fixed Offer Price Per Share of \$HK1.50.

A Public Offer Shares tranche of 18,704,000 Shares was obviously targeting investors of the HKSAR, while a Placing Shares tranche was clearly aimed at titillating International Investors – Institutional Investors, Professional Investors and select, Well-Heeled Investors, along with their corporate entities in which this class of investors was deemed to hold equity control, legally and beneficially – were induced to subscribe to 168,296,000 Offer Shares.

On Thursday, March 25, 2021, Management of Zhixin Group Holding Ltd announced the Allotment Results of the Share Offer.

One was informed, in this announcement, that the Company anticipated, netting \$HK241.40 million from the Share Offer.

With regard to the Public Offer Shares tranche, one was informed that it had been ‘*moderately oversubscribed*’, Management, having received 12,822 valid applications for a total of 472,000,000 Offer Shares, representing about 25.24 times the total number of Public Offer Shares, initially available under this tranche.

In respect of the Placing Shares tranche, one was told that it had been ‘*undersubscribed, representing approximately 0.90 times the total number of Placing Shares, initially available*’ under this tranche.

At Page 11 of this March 25, 2021 Announcement, one was told how Management presently intended to utilise the net proceeds of the Share Offer:

- Approximately, 82.70 percent of the Share Offer, that is about \$HK199.60 million, ‘*will be used for expansion of PC component* production capacity at the PC Plant*’;
- Approximately, 3.60 percent of the Share Offer, that is about \$HK8.80 million, ‘*will be used for enhancement of information technology system*’;
- Approximately, 3.20 percent of the Share Offer, that is about \$HK7.70 million, ‘*will be used for improvement of environmental protection system*’;
- Approximately, 0.50 percent of the Share Offer, that is about \$HK8.50 million, ‘*will be used for acquisition of five mixer and two concrete pump trucks*’; and,
- Approximately, 10.00 percent of the Share Offer, that is about \$HK24.20 million, ‘*will be used as general working capital.*’

* A PC Component, also known as a ‘*precast concrete component*’, is a construction product, used in prefabricated method production.

The History And Business Of Zhixin Group Holding Ltd

The history of Zhixin Group Holding Ltd can be traced back to April 19, 2007, with the incorporation of Xiamen Zhixin Construction Material Group Ltd (廈門智欣建材集團有限公司) in the PRC, proper, being separate and distinct from the HKSAR of the PRC.

This first company is, today, an indirect wholly owned subsidiary of Zhixin Group Holding Ltd.

It was established at Xiamen, a port city on the southeast coast of the PRC, across the Taiwan Strait.

It was Mr Ye Zhi Jie who fathered the idea of incorporating Xiamen Zhixin Construction Material Group Ltd as a limited liability corporate entity, along with Mr Ye's nephew, Mr Ye Xiao Jian (葉小劍), and an unnamed Independent Third Party.

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