

TARGET

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LONGFOR GROUP HOLDINGS LTD: MANAGEMENT IS, NOW, INTENT ON MASSAGING ITS COFFERS – VERY SUBSTANTIALLY

Longfor Group Holdings Ltd (龍湖集團控股有限公司) (Code: 960, Main Board, The Stock Exchange of Hongkong Ltd) appears to be determined to reduce its debt load, rather substantially, by spinning off 50 percent of the total equity of one of its subsidiary companies on the premier equity market of The Stock Exchange of Hongkong Ltd.

On Friday, January 7, 2022, Longfor Group Holdings Ltd published and disseminated a six-page announcement, giving an outline of its avowed intent to spin off Longfor Intelligent Living Ltd as a separate listing on the Main Board of The Stock Exchange of Hongkong Ltd.

At Page One of the January 7, 2022, announcement, one was told:

‘The Company (Longfor Group Holdings Ltd) proposes to spin-off and separately list the shares of Longfor Intelligent Living Limited (龍湖智創生活有限公司), a subsidiary of the Company, on the Main Board of the Stock Exchange. The separate listing of the SpinCo Shares (the ordinary shares in the Share Capital of Longfor Intelligent Living Ltd) on the Main Board of the Stock Exchange constitutes a spin-off of SpinCo by the Company under PN15 (Practice Note 15). The Stock Exchange has confirmed that the Company may proceed with the Proposed Spin-off.

‘On 7 January 2022, SpinCo submitted a listing application form (Form A1) to the Stock Exchange to apply for the listing of, and permission to deal in, the SpinCo Shares on the Main Board of the Stock Exchange.

‘As at the date of this announcement, SpinCo is a wholly-owned subsidiary of the Company. It is intended that upon completion of the Proposed Spin-off and the Listing, the Company will have an interest of no less than 50% in SpinCo and SpinCo will remain as a subsidiary of the Company.

‘The Spin-off Group is principally engaged in the provision of property management services and commercial operational services in the PRC.’

At Page Two of this announcement, one was told that the spin-off would be affected ‘*by way of the Global Offering and the Distribution.*’

At Page Three of the announcement, one was informed as to the (suggestive) rationale and benefits of the proposed spin-off as follows:

- It ‘*will better position each of the Retained Group and the Spin-off Group as an independent listed group for respective growth in the Retained Group ...*’;
- It ‘*will create a new investor base for and provide an opportunity to realize the value of the investment in the Spin-off Group as they will be able to attract new investors who are seeking investments specifically in the commercial operational and property management services sector ...*’;
- It ‘*will allow the Spin-off Group to position themselves as an independent listed group with separate fundraising platforms with direct access to both the debt and equity capital markets, which will increase their respective financial flexibility and enhance their ability to raise external capital to support each of their sustainable business growth;*’
- It ‘*will strengthen the operational management ability of the Spin-off Group, where their management teams can focus more efficiently on their business, thereby simplifying the decision-making process and increasing their responsiveness to market changes and opportunities specific to the business of the Spin-off Group ...*’; and,
- It ‘*will enhance the brand recognition and market reputation and promote the sustainable development of the Spin-off Group, thus leading to potentially better operational performance and better realisation of the value of the Spin-off Group ...*’.

At Page Five of the announcement, it was stated that there would be a distribution in specie of part of the SpinCo Shares to the Qualifying Shareholders as a special dividend to be declared by Longfor Group Holdings Ltd if all goes according to Hoyle.

According to the database of **TOLFIN** (泰達資訊), the Computerised, Online Financial Intelligence Service and Web-Based, Credit-Checking Provider, assuming that there are no material bureaucratic hiccups with regard to the planned spin-off, the proposed sales of 50 percent of the Issued and Fully Paid-Up Share Capital of Longfor Intelligent Living Ltd represents, at least, the third time since December 10, 2021, that Longfor Group Holdings Ltd had determined to raise material amounts of money, one way or another.

On Friday, December 10, 2021, Management of Longfor Group Holdings Ltd made a ‘**Public Offering of the First Tranche of 2021 Medium-Term Notes in the People’s Republic of China (PRC).**’

At Paragraph Two of that announcement, one was informed:

*‘Chongqing Longhu Development Company Limited (重慶龍湖企業拓展有限公司) (the “**Issuer**”), an indirect subsidiary of the Company has issued the first tranche of the 2021 medium-term notes on 7 and 8 December 2021, and it has a principal amount of not more than RMB1.0 billion (RMB1.0 billion inclusive) (the “**First Tranche of 2021 Medium-term Notes**”).’*

On Monday, January 17, 2022, Longfor Group Holdings Ltd announced the **‘Public Offering of First Tranche of 2022 Domestic Corporate Bonds in the PRC.’**

In the January 17, 2022, announcement, one was informed of the following:

‘The Issuer and the underwriter have determined that the actual issue size and coupon rate for the First Tranche of 2022 Domestic Corporate Bonds will be: (i) RMB2.0 billion with coupon rate at 3.49% for the six-year bond, the Issuer shall be entitled to adjust the coupon rate and the investors shall be entitled to sell back the bonds after the end of the third year, and (ii) RMB0.8 billion with coupon rate at 3.95% for the eight-year bond, the Issuer shall be entitled to adjust the coupon rate and the investors shall be entitled to sell back the bonds after the end of the fifth year.’

The 2020 Annual Report Of Longfor Group Holdings Ltd

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