

TARGET

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SMC ELECTRIC LTD:

GOING IT ALONE –

ARE PROSPECTIVE PROBLEMS LIKELY TO SURFACE ?

SMC Electric Ltd () (Code: 2381, Main Board, The Stock Exchange of Hongkong Ltd) has a history, going back to the 1950's, when it, initially was engaged primarily in the manufacture and marketing of electric fans in the **Hongkong Special Administrative Region (HKSAR)** of the **People's Republic of China (PRC)**.

However, as time passed, Senior Management discovered that it was easier and much more profitable to engage in the buying and selling of properties in the HKSAR and PRC, proper, being separate and distinct from the HKSAR of the PRC.

Shell Electric Manufacturing (Holdings) Company Ltd ([]) changed its name, on June 4, 2010, to China Overseas Grand Oceans Group Ltd () (Code: 81, Main Board, The Stock Exchange of Hongkong Ltd).

This Company, today, is beneficially owned as to 38.32 percent of its Issued and Fully Paid-Up Share Capital by China Overseas Land and Investment Ltd () (**COLI**) (Code: 688, Main Board, The Stock Exchange of Hongkong Ltd).

COLI and China Overseas Grand Oceans Group Ltd are both multi-billion renminbi companies, compared

with the comparatively paltry turnovers and profits of SMC Electric Ltd.

On September 29, 2009, China Overseas Grand Oceans Group Ltd announced that it wanted to abstain, completely, from the electrical appliance business – which, by the way, is, and always has been, the core activity of SMC Electric Ltd – in order to concentrate on its very profitable enterprises in property development/management in the PRC.

After a reconstruction of the corporate structure of China Overseas Grand Oceans Group Ltd, the end result was the privatisation of the core activity of what is, today, SMC Electric Ltd.

Today, it could be held that SMC Electric Ltd is the Renaissance of its former self that obtained a listing of its shares on the premier equity market of the HKSAR on May 19, 2020.

The Initial Public Offering (IPO) Of SMC Electric Ltd

On Tuesday, May 19, 2020, SMC Electric Ltd published and disseminated its Share Offer Prospectus in the HKSAR.

The Company Offered 275 million New, one-cent Offer Shares and Shell Electric Holdings Ltd (), dubbed the Selling Shareholder, took this opportunity to sell 225 million of its Shares.

Today, Shell Electric Holdings Ltd is the Controlling Shareholder of SMC Electric Ltd, beneficially owning 75 percent of the entire Issued and Fully Paid-Up Share Capital of SMC Electric Ltd.

The fixed Offer Price Per Share of SMC Electric Ltd was 25 cents.

Investors of the HKSAR were Offered a total of 50 million Shares (the Public Offer Shares tranche) and International Investors – Institutional Investors, Professional Investors and select, Well-Heeled Investors, along with this class of investors' corporate entities in which equity control was vested – were induced to subscribe to the remaining 450 million Offer Shares via Placements (the Placing Offer Shares tranche).

On Monday, June 1, 2020, in an Announcement in respect of the Allotment Results, it was stated that the Public Offer Shares tranche had been '*very significantly over-subscribed*' and that Management anticipated, netting about \$HK42.50 million from the Share Offer.

This Announcement stated, inter alia, that a total of 17,548 valid applications for Public Offer Shares had been received for a total of 1,864,870,000 Shares, representing about 37.30 times the total number of 50 million Public Offer Shares, initially available under this tranche.

With regard to the Placing Offer Shares tranche, one was told that it had been '*slightly over-subscribed*' by approximately 0.13 times.

It was said that the intention of Management of SMC Electric Ltd in respect of the utilisation of the net proceeds from the Share Offer would be as follows:

- Approximately, \$HK6.30 million, that is about 14.80 percent of the net proceeds, '*will be used for improving the Group's efficiencies in its daily operations*';
- Approximately, \$HK25.90 million, that is about 60.90 percent of the net proceeds, '*will be used for strategically expanding the Group's manufacturing capabilities*'; and,
- Approximately, \$HK10.30 million, that is about 24.30 percent of the net proceeds, '*will be used for devoting resources on new products and applications*'.

The Business Of SMC Electric Ltd

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