

TARGET

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SHIMAO SERVICES HOLDINGS LTD: THE FLAVOUR FOR THE TAIL END OF THE 2020 FINANCIAL YEAR IS 'SPIN-OFFS'

But Will It Pay Off ?

It was very evident that spin-offs have been the flavour of the last half of 2020 on the premier equity market of the **Hongkong Special Administrative Region (HKSAR)** of the **People's Republic of China (PRC)**.

And here is another one.

Shimao Services Holdings Ltd (世茂服務控股有限公司) (Code: 873, Main Board, The Stock Exchange of Hongkong Ltd) was a spin-off of Shimao Group Holdings Ltd (世茂集團控股有限公司) (Code: 813, Main Board, The Stock Exchange of Hongkong Ltd).

The reasons for this spin-off were given at Page 152 of the Global Offering Prospectus of Shimao Services Holdings Ltd as follows:

- '(a) the Spin-off will allow Shimao Group Holdings and its shareholders an opportunity to realize the value of investment in our Group under a separate standalone platform for the spin-off business;*
- '(b) the Spin-off will enable our Group to build our identity as a separately listed group, to have a separate fund-raising platform and to broaden our investor base through the Global Offering. The Spin-off would allow us to gain direct access to the capital markets for equity and/or debt financing to fund our existing operations and future expansion without reliance on the Shimao Group, hereby improving our operating and financial management efficiencies;*
- '(c) the Spin-off will enable us to enhance our corporate profile, thereby increasing our ability to attract strategic investors for making investment in and forming strategic partnerships directly with us, which could provide synergy for our Group; and,*

‘(d) the Spin-off would enable a more focused development, strategic planning and better allocation of resources for Shimao Group Holdings and our Group with respect to our respective businesses; both Shimao Group Holdings and our Group would benefit from the efficient decision-making process under the separate management structures.’

Add to the above-mentioned four reasons for this spin-off was the fact that Shimao Services Holdings Ltd grossed about \$HK5,694.60 million from the flotation of the Company on Main Board of The Stock Exchange of Hongkong Ltd and, as will, also, become very clear, the Ultimate Controlling Shareholder of Shimao Services Holdings Ltd, namely Best Cosmos Ltd, a wholly owned subsidiary of Shimao Group Holdings Ltd, garnered a nice little \$HK3.91 billion, before expenses.

The Initial Public Offering (IPO) Of Shimao Services Holdings Ltd

Shimao Services Holdings Ltd published and disseminated its Global Offering Prospectus on October 20, 2020.

Management Offered a total of 588,236,000, one-cent Shares at the Indicative Offer Price Per Share, ranging from a low of \$HK14.80 to a high of \$HK17.20.

Investors of the HKSAR were given the opportunity to subscribe to 58,824,000 New 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, via valid applications, to 529,412,000 International Offer Shares (the International Offer Shares tranche).

With regard to the International Offer Shares tranche, the 529,412,000 Offer Shares comprised 294,118,000 New Shares and 235,294,000 ‘Sale Shares’.

The ‘Sale Shares’ were those that were beneficially owned by Best Cosmos Ltd, a company, domiciled in the **British Virgin Islands (BVI)**, the entire Issued and Fully Paid-Up Share Capital of which, being the property of Shimao Group Holdings Ltd.

As it transpired, Shimao Group Holdings Ltd ended up with a windfall of a little more than \$HK3.91 billion (before expenses) from the spin-off, and Shimao Services Holdings Ltd obtained a little more than \$HK5.86 billion from the sales of its 352,942,000 New Shares.

On Thursday, October 29, 2020, Management of Shimao Services Holdings Ltd caused to make an Announcement as to the Offer Price and Allotment Results.

In that announcement, it was stated that the Offer Price Per Share had been struck at \$HK16.60 and that, after retiring all costs in relation to the flotation, the Company would be enriched by the sum of about \$HK5,694.60 million.

With regard to the HKSAR Offer New Shares, one was informed that this tranche had ‘*been significantly over-subscribed*’, with a total of 46,108 valid applications, having been received

for a total of 815,342,000 HKSAR Offer Shares, representing about 13.86 times the 58,824,000 Offer Shares, initially available under this tranche.

As for the International Offer Shares tranche, one was informed that it had '*been significantly over-subscribed*', with valid applications, having been received, representing about 10.90 times the 529,412,000 International Offer Shares, initially available under this tranche – which number of International Offer Shares, including the 235,294,000 '*Sale Shares*'.

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