

# **TARGET**

## **Intelligence Report**

**VOLUME XXII No. 256**

**S A T U R D A Y**

**November 28, 2020**

### **SUNAC SERVICES HOLDINGS LTD: ANOTHER SPIN-OFF OF A PUBLICLY LISTED COMPANY**

#### **But This One Hints Of The Payment Of A Dividend !**

Sunac Services Holdings Ltd (融創服務控股有限公司) (Code: 1516, Main Board, The Stock Exchange of Hongkong Ltd) is yet another spin-off of a corporate entity that is, also, listed on the Main Board of The Stock Exchange of Hongkong Ltd: Sunac China Holdings Ltd (融創中國控股有限公司) (Code: 1918).

And, as with the two other most-recent spin-offs, the **TARGET** financial analyses of which were published last Tuesday and Thursday, Sunac Services Holdings Ltd is engaged in very similar services as KWG Living Group Holdings Ltd (合景悠活集團控股有限公司) (Code: 3913), and Shimao Services Holdings Ltd (世茂服務控股有限公司) (Code: 873). (Please refer to **TARGET** Intelligence Reports, Number 252 and Number 254, respectively.)

On scouring the prospectuses of these three company, one is struck with the many likeness of certain statements, found therein: A déjà vu if you will.

#### **The Initial Public Offering (IPO) Of Sunac Services Holdings Ltd**

Sunac Services Holdings Ltd published and disseminated its Global Offering Prospectus on November 9, 2020.

Management offered a total of 690 million, one-cent Offer Shares at the Indicative Offer Price Per Share at a low of \$HK10.55 to a high of \$HK12.65.

Investors of the **Hongkong Special Administrative Region (HKSAR)** of the **People's Republic of China (PRC)** were encouraged to subscribe to 48.30 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, via valid applications, to 641.70 million International Offer Shares (the International Offer Shares tranche).

On Wednesday, November 11, 2020, Management announced that the Offer Price Per Share had been struck at \$HK11.60 and that the net proceeds of the Global Offering were anticipated to come in at about \$HK7,859.70 million.

With regard to HKSAR Offer Shares, one was told, in the Announcement of the Offer Price and Allotment Results, that this tranche had *'been significantly over-subscribed'*, the Company's Management, having received a total of 44,499 valid applications for 503,153,000 Offer Shares, representing about 10.42 times the 48.30 million HKSAR Offer Shares, initially available under this tranche.

With regard to the International Offer Shares tranche, one was informed that it had been 4.90 times *'well over-subscribed'*, with the Management, having received valid applications for a total of 641.70 million International Offer Shares.

At Page Eight of the November 11, 2020 Announcement, one was told how Management presently intended the way in which the net proceeds of the Global Offering Prospectus would be utilised:

- Approximately, 65 percent of the net proceeds, that is about \$HK5,108.80 million, *'will be used to pursue selective strategic investment and acquisition opportunities with companies engaged in property management and/or community operations'*;
- Approximately, 15 percent of the net proceeds, that is about \$HK1,179.00 million, *'will be used to upgrade the Group's systems for smart management services and for the development of the Group's smart communities'*;
- Approximately, 10 percent of the net proceeds, that is about \$HK\$786 million, *'will be used to further develop the Group's community value-added services'*; and,
- Approximately, 10 percent of the net proceeds, that is about \$HK786 million, *'will be used for working capital and general corporate purpose'*.

### **The History And Business Of Sunac Services Holdings Ltd**

At Page 151 of the Global Offering Prospectus of Sunac Services Holdings Ltd, it was said that the Company is about 16 years old.

In 2004, it appears, according to this page of the Global Offering Prospectus, the Company *'commenced to provide property management service in Tianjin (天津) and Chongqing (重慶) of the PRC'*.

This page of the Global Offering Prospectus, then, continues to explain that Sunac China Holdings Ltd is the Controlling Shareholder of Sunac Services Holdings Ltd; and, Management of Sunac Services Holdings Ltd has *'maintained cooperative relationship over the years.'*

Taking up the remaining part of the précis of the history of the Company on this page, one was informed:

*‘... Leveraging our relationship with Sunac Group (Sunac China Holdings Ltd and its subsidiaries), we have successfully provided various property management services to projects developed by Sunac Group and its joint ventures and associates and further expanded our services to third-party projects.*

*‘In May 2020, we acquired a controlling interest in New Century Property Management (Zhejiang New Century Property Management Company Ltd [浙江開元物業管理股份有限公司]), a comprehensive property management service provider in China which manages a wide range of properties mainly developed by independent third-party property developers ...*

*‘With over 16 years of operations, we have built up our brand value and are recognized as the fastest-growing large-scale property management service provider with a leading market position in China. According to China Index Academy, our overall growth rate, measured by the average of annual growth rates of GFA (Gross Floor Area) under management, contracted GFA, revenue and profit for the year, was 94.1% in 2019, ranking highest as compared to the 2019 Large-Scale Top 100 Property Management Companies.’*

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