

TARGET

Intelligence Report

VOLUME XXIII No. 12

S A T U R D A Y

January 16, 2021

**SINO-OCEAN SERVICE HOLDING LTD:
THE 2019-YEAR LOANS, AFFORDED TO THE PARENT COMPANY,
WERE 56 PERCENT HIGHER THAN THE TOTAL REVENUES OF
SINO-OCEAN SERVICE HOLDING LTD!**

Sino-Ocean Service Holding Ltd (遠洋服務控股有限公司) (Code: 6677, Main Board, The Stock Exchange of Hongkong Ltd) was yet another spin-off of a publicly listed company, one whose entire Share Capital was, already, traded on the premier equity market of The Stock Exchange of Hongkong Ltd.

In the case of Sino-Ocean Service Holding Ltd, Sino-Ocean Group Holding Ltd (遠洋集團控股有限公司) (Code: 3377, Main Board, The Stock Exchange of Hongkong Ltd) is the ‘parent’ company that planned and executed the flotation of its former, wholly owned subsidiary on the Main Board of The Stock Exchange of Hongkong Ltd.

Sino-Ocean Group Holding Ltd retains control of its subsidiary, legally and beneficially owning 67.57 percent of the entire Issued and Fully Paid-Up Share Capital of Sino-Ocean Service Holding Ltd.

As to the official reasons for this spin-off, they were given at Pages 156 and 157 of Management’s Global Offering Prospectus as follows:

‘The board of directors of Sino-Ocean considers that the Spin-off is in the interests of Sino-Ocean and the shareholders of Sino-Ocean taken as a whole based on the following reasons:

- (a) the Spin-off will enable us to build our identity as a separately listed group, and have a separate fund-raising platform; 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, thereby accelerating our expansion and improving our operating and financial performance, which will in turn result in better financial return to the shareholders of both the Sino-Ocean Group and our Group;*
- (b) as a separately listed group, we will be able to build on our reputation further and be in a better position to negotiate and solicit more*

business, and Sino-Ocean will in turn be able to benefit from our growth through its shareholding in our Group;

(c) the Spin-off will enable us to enhance our corporate profile, thereby increasing our ability to attract strategic investors, which could provide synergy for us, for investment in and forming strategic partnerships directly with us; and

(d) the Spin-off would enable a more focused development, strategic planning and better allocation of resources for the Sino-Ocean Group and our Group with respect to our respective businesses; both the Sino-Ocean Group and our Group would benefit from the efficient decision-making process under the separate management structure for taking emerging business opportunities, especially with a dedicated management team for our Group to focus on its development. '

The Global Offering Prospectus states, inter alia, that, during the Financial Years, ended December 31, 2017, 2018, and 2019, and for the six months, ended June 30, 2020, Sino-Ocean Service Holding Ltd *'recorded interest income of nil, RMB107.0 million, RMB214.3 million, and RMB98.5 million, respectively, in relation to our loans provided to Sino-Ocean (China) – Sino-Ocean Holding Group (China) Ltd (遠洋控股集團[中國]有限公司) – a company, incorporated in the People's Republic of China (PRC), and being a wholly owned subsidiary of Sino-Ocean Group Holding Ltd – These interest income (sic) was non-recurring in nature. As of September 30, 2020, Sino-Ocean (China) has repaid all the loans and we cannot predict or guarantee if we will provide another loan to any parties in the future ... '.*

At Appendix I-72 and I-73 of the Global Offering Prospectus, it was stated that Balances with Related Parties, being Non-Trade in Nature, in respect of corporate entities, controlled by Sino-Ocean Holding Group (China) Ltd, amounted to RMB3,089,189,000 in respect of the 2018 Financial Year, RMB2,856,000,000 in respect of the 2019 Financial Year, and RMB2,654,381,000 as at June 30, 2020.

Historically, it would appear, therefore, that Sino-Ocean Holding Group (China) Ltd made very good use of its former, wholly owned subsidiary, Sino-Ocean Service Holding Ltd, in order to obtain loans of materiality from PRC lending entities.

The above might beg a number of questions, but **TARGET** (泰達財經) prefers to leave these questions and likely answers for Subscribers to ponder.

Note: RMB, or renminbi, is the legal and lawful currency of the PRC.

The Initial Public Offering (IPO) Of Sino-Ocean Service Holding Ltd

Management of Sino-Ocean Service Holding Ltd published and disseminated its Global Offering Prospectus on or about Monday, December 7, 2020.

Of the total Offering of 296 million, ten-cent Offer Shares, investors of the **Hongkong Special Administrative Region (HKSAR)** of the PRC were given the opportunity to subscribe to 29.60 million Offer Shares (the HKSAR Offer Shares tranche) while International Investors – Institutional Investors, Professional Investors and select, Well-

Heeled Investors, along with their corporate entities, in which this class of investors is deemed, legally and beneficially, to have equity control (the International Offer Shares tranche) – were induced to subscribe to the remaining 266.40 million Offer Shares.

The Indicative Offer Price Per Share was set by Management at between a low of \$HK5.50 and a high of \$HK6.70.

On Wednesday, December 16, 2020, Management of Sino-Ocean Service Holding Ltd announced that the Offer Price Per Share had been struck at \$HK5.88 and that it was anticipated that the Company's coffers would be enriched by the sum of about \$HK1,634.60 million.

In respect of the HKSAR Offer Shares tranche, one was told, in the Announcement of December 16, 2020, with regard to the Offer Price and the Allotment Results, that it had 'been slightly over-subscribed', a total of 76,769 valid applications, having been received for a total of 263,591,000 HKSAR Offer Shares, representing about 8.91 times the 29.60 million Offer Shares, initially available under this tranche.

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