

# TARGET

## Intelligence Report

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### **TAT HONG EQUIPMENT SERVICE COMPANY LTD: RIDING THE GRAVY TRAIN ... BUT FOR HOW LONG ?**

The Global Offering Prospectus of Tat Hong Equipment Service Company Ltd (達豐設備服務有限公司) (Code: 2153, Main Board, The Stock Exchange of Hongkong Ltd) would, at first glance, give one the impression that this tower crane service provider has, as its customers, publicly listed companies as well as corporate entities, under the direct, or indirect, control at the top echelon of the Government of the People's Republic of China (PRC).

Well, Joe, it just ain't so!

Because, in the Global Offer Prospectus, at Pages 186 through to 189, it is clearly stated that, throughout the 39-month, track-record period, ended June 30, 2020, the customers of Tat Hong Equipment Service Company Ltd comprised only '*Chinese state-owned enterprises*' – and nobody else.

Anybody could utter a faux pas, it happens to most of us, but a whopper of this magnitude!!!

### **The Initial Public Offering (IPO) Of Tat Hong Equipment Service Company Ltd**

On Wednesday, December 30, 2020, Tat Hong Equipment Service Company Ltd published and disseminated its Global Offering Prospectus in the **Hongkong Special Administrative Region (HKSAR)** of the PRC.

Management Offered a total of 372.72 million, \$US0.08 Offer Shares at the Indicative Offer Price Per Share, ranging from a low of \$HK1.50 to a high of \$HK1.96.

Of the total number of Offer Shares, 291.72 million were New (Company) Shares and 81 million were '*Sale Shares*'.

The 81 million '*Sale Shares*' were those shares, formerly belonging to Tat Hong Equipment (China) Private Ltd, a company, incorporated in The Republic of Singapore on May 10, 2007, and which, today, is legally and beneficially owned by select members of the Ng Family of Singapore, Mr Ng San Tiong (黃山忠), aged 68 years, being a Non-Executive Director and the Chairman of the Board of Directors of Tat Hong Equipment Service Company Ltd, as well as being one of the Controlling Shareholders of the Company.

Certain members of the Ng Family are deemed to have beneficial equity interests, amounting to 64.90 percent of the entire Issued and Fully Paid-Up Share Capital of Tat Hong Equipment Service Company Ltd, via a plethora of corporate entities.

In the Global Offering Prospectus, investors of the HKSAR were Offered the opportunity to subscribe to 37,272,000 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 – were induced to subscribe to 335,448,000 Offer Shares (of which, 81 million Shares were ‘*Sale Shares*’) (the International Offer Shares tranche).

On Tuesday, January 12, 2021, Management of Tat Hong Equipment Service Company Ltd announced that the Offer Price Per Share had been struck at \$HK1.73 and that Management anticipated, netting about \$HK453.70 million from the Global Offering.

In that January 12, 2021 Announcement, which centred on the Offer Price and Allotment Results, it was stated, inter alia, that the HKSAR Offer Shares tranche had ‘*been moderately over-subscribed*’ with a total of 36,284 valid applications, having been received for a total of 383,526,000 Offer Shares, equivalent to about 10.30 times the number of Offer Shares, initially available under the HKSAR Public Offering.

With regard to the International Offer Shares tranche, this Announcement stated that this tranche had ‘*been just sufficiently subscribed*’ in that Management had received applications for 343,786,000 Offer Shares, representing 1.02 times the 335,448,000 International Offer Shares, initially available.

At Pages Eight and Nine of the January 12, 2021 Announcement, one was informed as to how Management presently intended to utilise the net proceeds of the Global Offer Offering:

- Approximately, 63.00 percent of the net proceeds, that is about \$HK285.80 million, ‘*will be used primarily to purchase tower cranes*’;
- Approximately, 5.30 percent of the net proceeds, that is about \$HK24.10 million, ‘*will be used primarily to purchase equipment and conducting foundation work for the Yangzhou Refurbishment Centre*’;
- Approximately, 3.20 percent of the net proceeds, that is about \$HK14.50 million, ‘*will be used primarily to hire additional personnel equipped with special skills to improve the service capacity and competitiveness of the Company*’;
- Approximately, 18.50 percent of the net proceeds, that is about \$HK83.90 million, ‘*will be used primarily to repay part of the bank borrowings*’; and,
- Approximately, 10.00 percent of the net proceeds, that is about \$HK45.40 million, ‘*will be used primarily to fund the working capital and other general corporate purposes*’.

The resultant effect of the flotation of the Shares of Tat Hong Equipment Service Company Ltd on the premier equity market of The Stock Exchange of Hongkong Ltd was that the Company had been enriched by \$HK453.70 million, while certain members of the Ng Family of Singapore were able to bank a little more than \$HK140 million.

### **The History And Business Of Tat Hong Equipment Service Company Ltd**

The history of Tat Hong Equipment Service Company Ltd can be traced back to the incorporation in the PRC, proper, being separate and distinct from the HKSAR of the PRC, of Shanghai Tat Hong Construction Services Company Ltd (上海達豐建築服務有限公司) on June 13, 2006.

The incorporation of Shanghai Tat Hong Construction Services Company Ltd was originally executed by Tat Hong International Private Ltd, a company, domiciled in The Republic of Singapore, together with Shanghai Zhaomao Construction Machinery Company Ltd (上海兆茂工程機械有限公司), a company, the Issued Share Capital of which is beneficially owned by Mr Sun Zhao Lin (孫兆林), who is a Non-Executive Director of Tat Hong Equipment Service Company Ltd, today, and Mr Sun Zhao Lin's brother-in-law.

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