

**TRANS-OCEAN (INTERNATIONAL) LTD :
TOO EXPENSIVE AND MUCH TOO RISKY**

In terms of the Price-Earnings Multiple, the flotation of Trans-Ocean (International) Ltd is one of the most expensive new listings for some time.

It appears to be especially expensive if one factors in the number of corporate casualties in the same line of business that this Company is engaged.

The Company, a property development enterprise, specialises in Shanghai property developments and is restricted, principally, to constructing residential properties, all of which are located in the Shanghai Districts of Putuo, Hongkou and Songjiang.

The 25 million, 10-cent new shares on offer are being pitched at a Prospective Price-Earnings Ratio of about 11.08 times. The Offer Price is 79.80 cents per share.

In addition to the 25 million New Issue Shares, the Company is, also, Placing 225 million shares on the same terms and conditions as the New Issue Shares.

The \$HK183.52 million, being raised in this exercise, is intended to be used as follows:

1. \$HK63.25 million to be used to acquire some more land, that land yet to be identified;
2. \$HK93.29 million to be used to finance and develop existing property projects; and,
3. \$HK26.98 million to be applied to the General Working Capital Account.

Publicly listed Sun Hung Kai Properties Ltd and Shanghai Industrial Investment (Holdings) Company Ltd are said to be holding talks with senior Management of Trans-Ocean (International) with a view to taking a slice of the Company. However, these negotiations appear to be a long way from reaching fruition.

This Company is not exactly the greatest builder of residential complexes in the world, and the past 42 months' records are hardly the most awe-inspiring in the history of property development as the following illustrates:

	(Year Ended December 31)			
	1996	1997	1998	Six Months to June 30, 1999
	(All Figures Are Denominated in \$HK'000)			
Turnover	89,353	88,698	384,218	186,131
Cost of Sales	(36,813)	(76,970)	(313,257)	(136,613)
Gross Profit	52,540	11,728	70,961	49,518
Selling Expenses	(427)	(1,534)	(6,812)	(4,281)
General and Administrative Expenses	(3,594)	(5,149)	(11,987)	(6,566)
Operating Profit	48,519	5,045	52,162	38,671
Profit Before Taxation	54,381	11,229	56,018	38,756
Taxation	(18,066)	(2,994)	(20,928)	(11,282)
Profit After Taxation and Minority Interests – Attributable to Shareholders	32,866	5,649	27,758	25,284
Earnings Per Share	4.4 cents	0.008 cents	3.7 cents	3.4 cents

It doesn't exactly warm one to this Company, does it?

The Total Debt

The Total Indebtedness of Trans-Ocean (International), as at August 31, 1999, stood at:

1. \$HK24.40 million, being short-term bank loans; and,
2. \$HK130.46 million, being guarantees outstanding.

The indebtedness statement, on Page 69 of the Prospectus, states that an \$HK18.77-million loan was repaid just last month – October.

The \$HK18.77-million repayment of a loan must have put a slight dent in the Consolidated Net Assets of the Company, as at June 30, 1999, since, on that date, records indicate that the Company had about \$HK49.61 million in cash and bank balances.

Net Current Assets, as at June 30, 1999, stood at \$HK227.36 million, however, the Company had ... [CLICK TO ORDER FULL ARTICLE](#)

