

# BUSINESS

## Playing it cool

Employees work on a refrigerator assembly line at a factory that produces household electrical appliances in Suqian, Jiangsu province, yesterday.

China's home appliance industry posted revenue of 1.84 trillion yuan (HK\$2 trillion) in 2023, up 7 per cent year on year, with profits reaching 156.5 billion yuan, an increase of 12.1 per cent year on year, according to the National Bureau of Statistics. Photo: AFP



## COMPANIES

# DEVELOPER SINO-OCEAN GIVEN 12-DAY LIQUIDATION REPRIEVE

Winding-up hearing adjourned as company says 75% of creditors have agreed to restructuring plan

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In-default Chinese developer Sino-Ocean Group will have more time to build support for a restructuring proposal after the High Court yesterday adjourned a winding-up hearing against the company for 12 days.

Justice Jack Wong adjourned the case to September 23, as the developer works to get creditors on board with the restructuring proposal for US\$5.6 billion in debt that it presented in July.

Sino-Ocean Group on Tuesday announced in an exchange filing that more than 75 per cent of its loan creditors had agreed to the restructuring plan. The company did not disclose the consent rate among bondholders, who

account for some 55 per cent of the debt.

The 75 per cent assent could clear the way for a court in Britain to become the next battleground for mounting tension between the company and a group of its major creditors. Yesterday's hearing in Hong Kong was the first since the Bank of New York Mellon's London branch, a trustee for

bondholders, filed a liquidation petition in June for US\$400 million in debt and accrued interest.

Beijing-based Sino-Ocean in July unveiled its overdue workout after it defaulted nearly a year ago. Under the proposal, creditors are grouped into four classes, with loan creditors in one class and three classes of bondholder.

The proposal provides creditors with options such as US\$2.2 billion of new debt linked to offshore assets, or exchanging debt for mandatory convertible bonds or new perpetual securities, according to an exchange filing.

Divergence of opinions among the different creditor groups has weighed on the restructuring process. A key group, which owns more than 25 per cent of the group's defaulted US-dollar-denominated bonds, was

opposed to the restructuring, citing an estimated 63 per cent average haircut, the Post reported.

That group filed a counter proposal, suggesting options such as more new equity issuance, shorter tenors, reduced haircuts and credit enhancement support from major stakeholders, according to a person with direct knowledge of the matter.

Another group of investors may join the petitioner in legal action against the developer, the person said.

Sino-Ocean's US-dollar-denominated debts are governed by British law under Part 26A of the Companies Act of 2006. The builder is expected to submit an application to a British court later this month to carry out its restructuring, according to a person familiar with the matter.

**US\$5.6b**

The amount of debt Sino-Ocean Group is seeking to restructure. The developer defaulted on its debts almost a year ago

## COMPANIES

# Crime probe into Evergrande-linked wealth manager

Shanghai police detain two suspects as Hywin investigated for alleged illegal fundraising

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Hywin Wealth, a wealth management firm with ties to bankrupt China Evergrande Group, is being investigated by authorities for alleged criminal acts after several suspects at the firm were taken away by Shanghai police.

The public security bureau in southern Fengxian district said it had taken "coercive measures" against at least three Hywin employees, according to a statement released yesterday.

The investigations would be expanded to protect investors, it added.

"The police force is collecting criminal evidence on all fronts, making all-out efforts to deepen the investigations to recover losses and protect investors' interests to the maximum," the bureau said.

Two suspects, surnamed Han and Wang, have been detained for illegal fundraising, although the sum was not disclosed.

In mainland China, prosecutors can be involved in criminal cases if police request them to support further investigations.

This crackdown comes nine months after Hywin failed to repay investors when some of its wealth management products matured, sparking a crisis of confidence as thousands of depositors worried about the safety of its bets on property projects after the nation's housing market crashed.

Hywin, once the largest distributor of real estate wealth management products, is controlled by Nasdaq-listed Hywin Holdings. Its 2021 listing prospectus contained remarks about its good business relationship with Evergrande and Sunac, and funds it raised were invested into their property projects.

Hywin Holdings changed its name to Santech Holdings early

this year to distance itself from the repayment default.

Santech said in June that Hywin Wealth would be owned by Han Hongwei, the person responsible for investment redemption issues.

"Criminal investigations mean the firm had either defrauded investors when raising funds or committed wrongdoings when managing the assets," said Ding Haifeng, a consultant at financial advisory firm Integrity.

"Probes into the suspects may stir up a hornet's nest of criminal acts."

Founded in 2006, Hywin Wealth has more than 2,500 employees and offers asset management and consulting services to over 146,000 high-net-worth individuals and institutions, according to its website.

Its parent had 8.5 billion yuan (HK\$9.3 billion) in assets under management as of June 2023.

Wealth management products, part of China's US\$3 trillion shadow banking system, are normally designed for depositors with low risk tolerance. Funds are typically invested in bonds, money-market funds and trust notes tied to property projects.

In a statement in December, Hywin blamed the slowing Chinese economy for its predicament.

Its troubles mirror the debt crisis at Evergrande.

Once the mainland's largest developer by sales, the home builder was fined 4.2 billion yuan in May by China's market regulator for inflating its sales by 564 billion yuan in the years leading up to its collapse.

Hui Ka-yun, the founder and chairman of Evergrande, was arrested for unspecified crimes in September last year.

At the peak, Hui was credited with a US\$42 billion fortune in 2017, making him Asia's second richest person.

## THE INFORMER

### EVENTS

**Today:** Belt and Road Summit.

ReThink HK - Sustainable Business Forum & Solutions Expo (until tomorrow). Hong Kong Convention and Exhibition Centre.

Asia Society Hong Kong lunch seminar: "Bangladesh: The road ahead". Asia Society Hong Kong Centre.

**Thursday, September 19:** Canadian Chamber of Commerce evening event: "Hong Kong talent & future of work".

**Thursday, September 26:** Asia Society Hong Kong afternoon seminar: "When AI creates: Ethics and economics". Asia Society Hong Kong Centre.

**Thursday, October 24:** Austria Connect China 2024 (until October 26). The Murray Hotel.

### RESULTS

**Today AGM:** Ausupreme International Holdings, B & S International Holdings, China Health Group, Dashan Education Holdings, Herald Holdings, MOS House Group, Stream Ideas Group, Vicon Holdings

**Tomorrow AGM:** DL Holdings Group, IWS Group Holdings, King International Investment, Lumina Group, Styland Holdings, Wai Chun Group Holdings, Yee Hop Holdings

**September 16 AGM:** China Hongbao Holdings, China Tangshang Holdings, Rykadan Capital, Shun Wo Group Holdings

**September 17 AGM:** Expert Systems Holdings, Universe Printshop Holdings

**September 19 AGM:** Aceso Life Science Group, Capital Realm Financial Holdings Group, Hao Tian International Construction Investment Group, Hua Yin International Holdings, K. H. Group Holdings

**September 20 Final:** Tai Ping Carpets International

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## INVESTMENT



Fang Fenglei of Hopu Investment Management speaks at the AVCJ Private Equity Forum China in Beijing yesterday. Photo: Coco Feng

# Tech sector reliance on state funds prompts warning

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The mainland's technology sector has been heavily reliant on capital from state-owned enterprises (SOEs) and government-backed funds, which could eventually create "a big problem" for the industry, according to investment guru Fang Fenglei.

Fang, founder and chairman of private equity firm Hopu Investment Management, said at Mergermarket's AVCJ Private Equity Forum China event in Beijing yesterday that roughly 80 per cent of investments in the country's tech sector last year came from funds backed by the government and SOEs.

Although some government guidance funds had set up so-called patient funds, which prioritised long-term growth instead of short-term financial returns, "most of them are not able to do it", Fang - widely known as the mainland's "first investment banker" - said at the event.

The current state-of-affairs was a "sharp contradiction" that could lead to "a big problem" in the industry because it went against the mainland's Partnership Enterprise Law, enacted in 2007, that barred SOEs from becoming general partners of private businesses, he said.

The state-owned firms have circumvented that restriction by conducting investments through subsidiaries, which Fang maintained as "against the legislative intent".

He suggested the creation of a national-level fund of funds - a scheme that invested in a portfolio of other investment funds - to comply with the enterprise law and prevent local governments from solely focusing on their own regional growth plans.

Fang's view reflects how state-backed funds, which are typically risk-averse and prioritise investments in certain jurisdictions, vastly differ from the nature of the venture capital market, which embraces high risk and high reward.

His assessment carries considerable weight in the technology and banking industries because of the Hopu chairman's broad experience in the country's private and public sectors.

Formerly chairman at Goldman Sachs Gao Hua Securities, Fang previously served as deputy chief executive at China International Capital Corporation, chief executive at BOC International Holdings and chief executive at Hong Kong-based ICEA Finance Holdings. He also served in the Ministry of Foreign Trade and Economic Cooperation, which was renamed the Ministry of Commerce in 2003.

Various local governments on the mainland have been active in setting up government guidance funds, which totalled 2,086 at the end of 2023, according to data from research firm Zero2IPO. These funds aim to eventually raise a combined 12.2 trillion yuan (HK\$13.3 trillion), up from 7.13 trillion yuan in committed capital as of 2023.

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**Mainstage Highlights**

- Future AI
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