

**WAFER SYSTEMS LTD :
THE TUNG CHEE HWA CHOSEN ONE ?**

For what reason the Government of the Hongkong Special Administrative Region (HKSAR) of the People's Republic of China (PRC) would want to get involved to the extent of an investment of about \$HK46.50 million in a newly formed company, proposing to engage in the provision of computer networking in the HKSAR and the PRC, proper, TARGET has no idea.

But it would be fun to ask the Chief Executive of the HKSAR, Mr Tung Chee Hwa, as to the rationale behind the December 1998 move, and, also, to enquire about the transparency of the HKSAR Government with regard to this, and, obviously, other investments for which it has used public funds, without informing the citizenry of the HKSAR of its determinations.

The company in which the \$HK46.50 million was invested was Wafer Systems Ltd, now a publicly listed company, quoted on The Growth Enterprise Market (The GEM) of The Stock Exchange of Hongkong Ltd.

Wafer Systems went public on The GEM on May 10, 2002, when it Placed 52.02 million New, one-cent shares at a Premium of 54 cent per share.

At the same time, Mr Albert Cheng Shu Lok, a shareholder of Wafer Systems, holding 4.02 percent of the Enlarged Issued and Fully Paid-Up Share Capital, took the opportunity to sell 3,952,000 of his shares, also at 55 cents per share.

(Mr Albert Cheng is the Managing Director of The Hongkong Chiap Hua Manufactory Company (1947) Ltd and is not associated with Wafer Systems or its management, other than being an investor in the Company) (Page 83 of the Placing Prospectus)

According to the Prospectus at Page 85:

'The (Wafer Systems) Group was established in November 1998 by Mr. Ringo Chan (Sek Keung), who has many years of experience in the networking industry. The Group was established to provide network infrastructure solutions, together with value-added Professional Services, through creating a transmission channel by interconnecting all clients and server stations as well as all supporting hardware and software with its clients in Hong Kong and the PRC. The Group was founded on the back of an investment of approximately US\$6,000,000 (HK\$46,500,000) by ARC in exchange for an interest in the Company in the form of a note and warrants issued by the Group in December 1998 ...'.*

* (ARC = The **A**ppplied **R**esearch **C**ouncil, a venture capital investment vehicle, incorporated in the HKSAR on August 11, 1992 as a limited company by the Innovation and Technology Commission of the then Hongkong Government, the entity, having a mandate to support technology ventures in the HKSAR)

While one may applaud a government that supports its fledgling industries, one may, also, wonder as the reason(s) that one new concept company, proposed to be founded by a 39-year-old businessman, should be favoured over another concept company.

Be that as it may, today, Wafer Systems is publicly listed on The GEM, being Stock Code Number 8198.

It went public in May this year in order to raise \$HK19 million, net of expenses, that tranche of money to be used as follows:

1. \$HK6 million to be used to strengthen its overall research and development capabilities;
2. \$HK4 million to be used to expand the Company's sales and services;
3. \$HK3 million to be used to establish a network monitoring centres in the PRC;
4. \$HK2 million to be used for marketing and promotional activities; and,
5. \$HK4 million to be used as additional Working Capital.

Since the founding of this Company, it would appear to have been a loss-maker, in real ... [CLICK TO ORDER FULL ARTICLE](#)

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