

**KANHAN TECHNOLOGIES GROUP LTD:  
THE ODDS ARE AGAINST THIS COMPANY LASTING VERY LONG**

One day, one may well ponder which, or both, of the following 2 propositions is correct:

1. The level of commissions, charged by Underwriters/Lead Managers, etc to a company, seeking an **Initial Public Offering (IPO)** on The Stock Exchange of Hongkong Ltd, is commensurate with the difficulty, perceived by the Underwriters/Lead Manager, etc, in placing the shares of the IPO candidate; and/or,
2. The level of commissions, charged by Underwriters/Lead Managers, etc to a company, seeking an **Initial Public Offering (IPO)** on The Stock Exchange of Hongkong Ltd, is commensurate with the prospective potential, or proven, frailty of the finances of the IPO candidate?

Now, in the case of KanHan Technologies Group Ltd (Code: 8175, The Growth Enterprises Market [The GEM] of The Stock Exchange of Hongkong Ltd), it was charged 7 percent by its Underwriters and, in addition, South China Capital Ltd, the Sponsor of this February 13, 2003 IPO, received a '*documentation fee*'.

In aggregate, \$HK10.30 million was paid out to the firms/companies that Placed the 60 million, New, one-cent Shares at a Premium of 32 cents per Share.

KanHan Technologies, therefore, banked \$HK14.70 million, net of all expenses, for its efforts in this cash-raising exercise.

This would appear to be 60-40 split of the '*cash pie*', with the Company, getting the 60 percent of the Net Proceeds, and the Underwriters, Sub-Underwriters and Sponsor, receiving 40 percent.

The lucky Underwriters of this IPO were:

South China Securities Ltd  
KGI Capital Asia Ltd  
Whole Win Securities Ltd  
First Shanghai Capital Ltd  
Toyo Securities Asia Ltd  
First Asia Finance Group Ltd  
OpenOffering Capital Ltd  
Sinomax Securities Ltd  
Horwath Capital Asia Ltd

Page 113 of the Placing Prospectus explains some of the details of the costs of sending this Company public.

It states:

*'The total expenses relating to the Placing are estimated to be approximately HK\$10.2 million. The estimate of such expenses includes a fee of approximately HK\$1.6 million in aggregate to Firstmax Investment Limited ("Firstmax"). Firstmax and its sole shareholder, Ms Dora Ho are independent*

*third parties (sic) to the Company, the shareholders of the Company and, or, its associates. The Group appointed Firstmax to provide principally the following services:*

- (a) to provide business and corporate development service to the Group, including assisting the Group to formulate its business strategies and corporate structure, providing accounting services to the Group, so as to improve its performance;*
- (b) to identify, introduce and assist in the coordination of professionals including the underwriters, lawyers, accountants, investment banks for the purpose of assisting the Company to go public in suitable markets;*
- (c) to identify and introduce public relations advisers and assist with public relations; and*
- (d) to give advice on the reorganisation of corporate structure and accounting policies of the Group.'*

Twaddle!

At this point, **TARGET** should, in the interests of its subscribers and in the interests of making full disclosure with regard to the salient points, contained in the Prospectus of this Company, state that, while KanHan Technologies flogged 60 million, New Shares, Mr Lawrence Mo Wai Ming, the 43-year-old Chairman of the Company, flogged 39.52 million of his personal Shares on the same basis as the Company, and 5 other shareholders took the opportunity to sell, in aggregate, another batch of 20.48 million Shares.

All of the 'Sales Shares' were Placed at 33 cents each.

Therefore, by simple arithmetic, Mr Lawrence Mo took home about \$HK12 million ... [CLICK TO ORDER FULL ARTICLE](#)

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