

**FITTEC INTERNATIONAL GROUP LTD:  
THIS COMPANY'S FORTUNES SHOT UP IN 2005,  
BUT IT IS, STILL, A FAMILY ENTERPRISE  
... AND IT WILL, ALWAYS, BE SUCH**

The (sadly) inevitable situation at publicly listed Fittec International Group Ltd ()(Code: 2662, Main Board, The Stock Exchange of Hongkong Ltd) demonstrates, pointedly, what can happen – and, only too often, does happen – when a company's business grows very materially in a short space of time, but senior management continues to treat the corporate entity as the fiefdom of the founding family and the immediate and extended members of that family.

Fittec International published its Global Offering Prospectus on November 30, 2005, and, within a fortnight of that date, its Chairman had to sign the Company's Supplemental Prospectus, following substantial claims, made against the Company, a wholly owned subsidiary of the Company, Fittec Electronics Company Ltd () – and the brother of the wife of the Chairman, Mr David Sun Sai Keung ().

The Supplemental Prospectus, in a nutshell, states that Mr Hideki Okauchi, a Japanese national, is alleging that he is entitled to 10 percent of the Issued and Fully Paid-Up Share Capital of the Company.

Mr Hideko Okauchi alleges that, in consideration of him, bringing in business to Fittec Electronics Company Ltd, he is entitled to receive, on the listing of Fittec International, remuneration in the form of 10 percent of the Issued and Fully Paid-Up Share Capital of Fittec International.

Mr Hideki Okauchi filed a Writ of Summons in the High Court of the Hongkong Special Administrative Region (HKSAR) of the People's Republic of China (PRC) subsequent to the issue of the Prospectus of Fittec International, that is, on December 9, 2005.

The Supplemental Prospectus – the first of its kind ever issued in the HKSAR, as far as **TARGET** () can ascertain – brought to light the fact that, prior to the issuance of the Prospectus on November 30, 2005, *'the lawyers acting for the Plaintiff (Mr Hideki Okauchi) also sent various letters to, amongst other recipients, the controlling shareholder of the Group [Mr Lam Chi Ho ()], the Stock Exchange (The Stock Exchange of Hongkong Ltd), copying the Sponsor and the SFC (The Securities and Futures Commission of Hongkong), setting out various allegations which are believed to be the subject matter of the writ.'*

This Supplemental Prospectus continues with the following explanatory note:

*'The Plaintiff was a director of Fittec HK (Fittec Electronics Company Ltd) from 11 January 2000 to 10 February 2003. He was principally involved in promoting the Company's business to, and maintaining relationships with, Japanese customers. He did not have any executive role in Fittec HK and the Group during the above period. During this period, the other directors on the board of Fittec HK were Mr. Lam (the controlling shareholder of the Company) and Ms. Sun Ming Yee () (one of the sisters of the wife of the Chairman of Fittec International). Ms. Sun Ming Yee ceased to be a director of Fittec HK on 30 June 2003.'*

*'Mr. David Sun Sai Keung is the brother of Ms. Sun Mi Li and Ms. Sun Ming Yee. Mr. David Sun Sai Keung is the same person as Mr Sun Shek Keung as mentioned on page 80 of the Prospectus. There is a mistake in the writ in respect of the name of Mr. Sun Shek Keung.'*

Fittec International claims that the allegations of Mr Hideki Okauchi are false and untrue.

The legal battle has commenced: Select solicitors and barristers of the HKSAR are in for a financial windfall – and Fittec International will be financially bled in trying to defend this Action.

It is really a pity that the above-mentioned matter should mar the flotation of Fittec International because, on scanning the Global Offering Prospectus, the Company would appear to be a winner.

But, when a company of this size fails to institutionalise and continues to rely on directions, passed on to staff by the controlling shareholder's family, things can go terribly wrong.

And even today, Management of Fittec International appears to continue to go its merry way as it did as a privately held company.

### **The Flotation**

Fittec International made a Global Offering of 240 million, 10-cent Shares at a Premium of \$HK2.20 per Share.

The Public Offer Share tranche was 72 million Shares and the International Placing Share tranche was 168 million Shares.

A total of 3,604 valid applications for the Shares of the Public Offer tranche, aggregating 450.75 million Shares, were received, representing an over-subscription of about 18.78 times.

The International Placing Shares were over-subscribed 'moderately', a Company announcement stated on December 12, 2005.

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