COMPUTIME GROUP LTD: IT'S BIG, BUT IT'S, STILL, A FATHER-AND-SON ENTERPRISE

While Computime Group Ltd () (Code 320, Main Board, The Stock Exchange of Hongkong Ltd) has, clearly, been somewhat of a success story in the past, with the Turnover of this manufacturer of electronic and electrical control devices, rising by about 90 percent in the past 3 Financial Years, the Company might well, as the American expression goes, have shot its wad.

Financing charges have shot up by more than 120 percent in the past 3 years and, by the look of things, they will continue to rise.

Management must well realise the potential of the problems that it faces because, at the time of the launching of its **I**nitial **P**ublic **O**ffering (IPO), about 10 percent of the net proceeds was earmarked for a reduction of debt.

In view of the successful launch of Computime Group Ltd as a publicly listed company of the Hongkong Special Administrative Region (HKSAR) of the People's Republic of China (PRC), no doubt its 6 principal bankers were delighted.

The Flotation

Computime issued its IPO Prospectus on September 25, 2006, when it announced a Global Offering of 200 million, 10-cent Shares at between $HK1.83 per Share and $HK2.28 per Share.

The reception from the investing public of the HKSAR might well have surprised many people because the 20 million, HKSAR Shares on Offer were over-subscribed about 682 times for a total of 13,643,526,000 Shares, resulting in a great deal of shuffling of scrip to take place by the Global Coordinator, Bookrunner, Sponsor and Lead Manager.

At the end of the day, after the clawback mechanism had been executed, the HKSAR Offer tranche had been increased to 100 million Shares, equal to the Global Offering Share tranche.

On October 11, 2006, it was announced that the Over-Allotment Option of 30 million Shares had been exercised in full by JP Morgan Securities (Asia Pacific) Ltd, which was the Global Coordinator, Bookrunner, Sponsor and Lead Manager.

After all of the shekels had been counted, Computime Group Ltd had banked about $HK470 million, net of expenses.

According to the Prospectus, at Page 137, the net proceeds from the flotation would be utilised as follows:

1. 30 percent of the net proceeds ($HK141 million) *'for the funding of our equity investment in joint venture or strategic alliance arrangements that we may enter into with third parties; we do have a fixed scope of investment and have not, at this stage, identified specific investments which we would want to participate in'*;

2. 30 percent of the net proceeds ($HK141 million) *'for expanding our product offerings and our distribution networks'*;

3. 20 percent of the net proceeds ($HK94 million) *'for acquiring proprietary technologies that are*

relevant to our business …';

4. 10 percent of the net proceeds ($HK47 million) *'for repayment of borrowings in respect of trade facilities offered by certain banks with maximum tenor of 90 days …'*; and,

5. 10 percent of the net proceeds ($HK47 million) *'for general corporate purposes'*.

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