

**TECH PRO TECHNOLOGY DEVELOPMENT LTD:
THIS WAS THE FORMER 'BANK' OF THE CHAIRMAN**

Once again, **TARGET** () notes that a publicly listed company, recently quoted on the Main Board of The Stock Exchange of Hongkong Ltd, has been used as the private little bank of its Chairman, his friends, and/or his family and their friends.

This time, it is Tech Pro Technology Development Ltd () (Code: 3823, Main Board, The Stock Exchange of Hongkong Ltd), a company which is engaged in the manufacture and sales of aluminium electrolytic capacitors.

This Company pitched its **Initial Public Offering (IPO)** on August 24, 2007, when it Offered a total of 150 million, one-cent Shares at the price of \$HK1.30 per Share.

It was only last week that the Company announced that the Placing and Public Offer had been '*moderately oversubscribed*'.

Management of Tech Pro Technology netted about \$HK166.50 million from this IPO.

Of the money that was raised in this cash-raising exercise, about 15.38 percent, that is \$HK25.60 million, will be utilised to retire some debt to the bankers of the Company, it is stated at Page 144 of the Prospectus.

At Page 129 of the Prospectus, however, it is clearly stated that the gearing ratio – Total Debts divided by Total Assets – for the 41 months, ended May 31, 2007, '*had a high level of gearing ratio which was primarily due to substantial bank borrowings to finance the Group's operations ...*'.

TARGET () has a little problem with the above statement because, at Pages 137 and 138 of the Prospectus, it is stated, inter alia:

'During the Track Record Period, the Group has made advances to certain related parties comprising Changzhou Qihua [Changzhou Qihua Electronics Company Ltd ()], HK Huarisheng [Hua R Sheng (Hongkong) Company Ltd ()], Reflective Material [Changzhou Huawei Reflective Material Company Ltd ()], Changzhou Hengwei Real Estate Development Company Limited (), Changzhou Hanhua Textile Printing & Dyeing Company Limited (), Huawei Group Limited, Mr. Yan [Mr Yan Qi Xu ()], certain employees and a supplier of the Group.

'The advances to related parties and Mr. Yan represented the lending of funds to companies controlled by Mr. Yan and his close relatives for their funding needs when the Group is a private group controlled by Mr. Yan. The advances to employees were principally for providing assistance for funding needs of certain employees so as to provide them with an incentive to establish long term and stable relationship with the Group. The advance to a supplier represented deposits made to the supplier in order to obtain better terms of purchase.

'As advised by the Company's PRC legal advisers, the laws and regulations in the PRC do not permit the advances made by the Group to Changzhou Qihua, HK Huarisheng, Reflective Material, Changzhou Hengwei Real Estate Development Company Limited, Changzhou Hanhua Textile Printing & Dyeing Company Limited, Huawei Group Limited and the supplier, respectively. Since (i) all such advances had been repaid as at the Latest Practicable Date and (ii) the Group had not charged any interest on such advances and the

purpose of the Group was not to derive profit from such loan arrangements, the relevant governmental authority will not penalize the Group for such advances. On the other hand, the laws and regulations in the PRC do not prohibit the advances by the Group to its employees and directors and the Group will not be penalized by the relevant governmental authority for the loan arrangements between the Group on the one part and its employees and directors on the other part.

‘The Directors have confirmed that these loans have been property approved in accordance with Group’s internal control procedures, and these loans have been fully settled and such loan arrangement will not repeat after Listing.’

At Appendix I-5, **TARGET** notes in the Combined Balance Sheets for the 41 months, ended May 31, 2007, that, under Current Assets, ‘Amounts due from directors’ and ‘Amounts due from related companies’ were ...
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