

**PAN ASIA ENVIRONMENTAL PROTECTION GROUP LTD:
INVESTORS THOUGHT THAT THE FLOTATION WAS NOT EXCITING ...
FOR GOOD REASON, IT SEEMS**

The flotation of Pan Asia Environmental Protection Group Ltd () (Code: 556, Main Board, The Stock Exchange of Hongkong Ltd) of December 10, 2007, required the services of 9 underwriters in respect of the sale of the Public Offer of only 20 million shares.

This suggests to this medium that Senior Management of the Company knew, prior to the pitching of its Initial Public Offering (IPO), that there could well be problems in finding buyers for the shares on Offer.

Senior Management was clever – because it was spot on in its original determination.

The flotation was said to have been oversubscribed about 2.24 times, at the end of the day, when 2,705 valid applications were lodged, those applications, requesting the issue of some 44.70 million shares.

At the Offer Price of \$HK2.80 per Share, the Company netted about \$HK500 million from its hard work.

There was, also, a tranche of 180 million, Placing Shares, which were said by Senior Management to have been ‘moderately oversubscribed’.

In short, this flotation was not the biggest success story of an IPO, launched in the Hongkong Special Administrative Region (HKSAR) of the People’s Republic of China (PRC), probably for good reason as will become only too clear by the time that **TARGET** Subscribers finish reading this analysis.

This statement is underscored when, on January 12, 2008, Pan Asia Environmental Protection announced that the Over-Allotment Option, granted to Taifook Securities Company Ltd (), with regard to 30 million Shares, had not been exercised, at all.

Since the flotation, the share price of Pan Asia Environmental Protection has, slowly, drifting down to much lower levels.

As at today’s date, its share price is about \$HK2.00, down about 28.57 percent from the \$HK2.80 Offer Price per Share.

The business of Pan Asia Environmental Protection is outlined at Page 68 of the Placing and Public Offer Prospectus as follows:

‘The Group is principally engaged in the sale of pipes, water treatment and flue gas treatment products and equipment, as well as undertaking of environmental protection (“EP”) construction engineering projects. During the Track Record Period (42 months, ended June 30, 2007), the Group has completed about 68 contracts for the sale of products and equipment, among which, about 53 contracts were related to water treatment, about nine contracts were related to pipes and about six contracts were related to flue gas treatment. The Group has also undertaken four EP construction engineering projects, including three FGD projects (Flue gas desulphurisation – the removal of sulphur dioxide from the gases, produced by burning minerals or fuels) for power plants with a total installed capacity of 1,755 MW and one solid waste incineration power plant project. The Group plans to devote more resources to enhance the Group’s capabilities to increase the varieties of EP solutions it can offer to its customers.

‘The Group offers its customers a variety of services covering engineering design, ancillary product design, procurement, manufacturing and processing, assembly, installation and construction, project management and after-sales services. Subject to factors such as licensing requirements, internal resources availability, cost effectiveness and the complexity of works involved, the Group may engage sub-contractors to carry out certain services as offered by the Group to its customers. The Group has production facilities located in Yixing, the PRC for the manufacture and processing of certain EP products and equipment. For details of the services offered by the Group, please refer to the paragraph headed “Overview of integrated services” under the section headed “Business” in this prospectus.

‘In general, services such as product design and installation involved in the sale of EP products and equipment are ancillary in nature without separate charges; while services such as engineering design, installation and construction involved in the EP construction engineering projects are non-ancillary in nature and separate fees are charged. In general, the completion time for the sale of EP products and equipment is less than six months, whereas the completion time of EP construction engineering projects is generally more than a year.’

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