

**SOUTH WEST ECO DEVELOPMENT LTD:
IT'S A TINY COMPANY WITH A TINY CAPITAL BASE**

The one guarantee about this publicly listed company is that impartiality and objectivity by senior management will never exist – and can never exist unless there are radical changes to the structure of management.

In the words of John Emerich Edward Dalberg Acton, first Baron Acton, who lived to the age of 68 years, dying in 1902 (known popularly, today, as, simply, Lord Acton), expressing his opinion in a letter to Bishop Mandell Creighton in 1887, said, among other things:

‘Power tends to corrupt, and absolute power corrupts absolutely ...’.

The company to which **TARGET** () is referring is South West Eco Development Ltd () (Code: 8291, The Growth Enterprise Market [**The GEM**] of The Stock Exchange of Hongkong Ltd).

The entire Issued Share Capital of this Company is held by no more than 153 parties – The Lee Family, the founding family, holding 75 percent of the Issued and Fully Paid-Up Share Capital, and 152 ‘*selected*’ individuals and/professional investors.

South West Eco is engaged, according to the Company’s Placing Prospectus, dated November 30, 2012, ‘*in the business of property development, property leasing, building management services and provision for advisory and consultancy services ...*’.

The Company has a two-decade long history, having been leasing and developing properties, primarily in Nanning, the People’s Republic of China (PRC), and a history of one decade of managing properties in that city, which is the Capital of the Guangxi Zhuang Autonomous Region of Southern China.

It is almost completely dependent on the continuing development and growth of Nanning, a prefecture with a known human population of about 7 million people (roughly similar to the human population of HKSAR), covering a land area of about 8,567 square miles, making it about 1,959 times larger than the land area of the HKSAR.

Based on the above **TARGET** statistics, it seems quite likely that there is plenty of room for future property development of this region of the PRC, but is this Company up to the task with its relatively tiny capital base?

The Prospectus makes it very clear that the reason for a listing on The GEM of the Hongkong Special Administrative Region (HKSAR) of the PRC instead of the Main Board is due, inter alia, to the Company, having no land reserves and having only two property projects under development ‘*and, in aggregate, (having) only two developed projects since the group was founded (in 1993).*’

The Share Placement

South West Eco Placed a total of 75 million, one-cent shares at 66 cents per share. The Prospectus stated that the Company would Place the shares at between 65 cents and 93 cents. The Placing Price, therefore, just

squeezed into the target price range.

The Net Proceeds of the Placing are to be utilised for three purposes, only:

1. 72.40 percent (about \$HK17.20 million) *'for the development and operation of featured theme shopping mall and maintenance of other investment properties ...'*;
2. 21.80 percent (about \$HK5.20 million) to look round for other investment opportunities; and,
3. 5.80 percent (about \$HK1.40 million) to be tossed into the General Working Capital Account.

The Executive Board Of Directors

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