

**HUAZHANG TECHNOLOGY HOLDING LTD:  
GIVE THIS COMPANY A GOOD MISS**

Buried deeply in the Placing Prospectus of Huazhang Technology Holding Ltd () (Code: 8276, The Growth Enterprise Market [The GEM] of The Stock Exchange of Hongkong Ltd) is a little ditty that one may like to suggest as being the '*ratio decidendi*' for this Company, coming to the secondary equity market of the Hongkong Special Administrative Region (HKSAR) of the People's Republic of China (PRC) in order to raise some money.

If reason of law is the soul of law (*ratio legis est anima legis*), then, the reason for Huazhang Technology, pitching its story in its 300-Page Prospectus (not including the Appendices), is money – and money may be considered the '*soul*' of this Company.

At Page 208 of the Placing Prospectus, dated May 9, 2013, Management has stated, very definitively, that it is having trouble, raising new funding from PRC banks.

Under the heading, '*Difficulty in Obtaining Financing*', one reads:

*'Our Group currently obtains financing from one of the four largest banks in the PRC. In the event that our Group's financing needs exceed the financial resources currently available to our Group, our Group may need to obtain additional borrowings from other commercial banks in the PRC. Our Group's ability to obtain bank financing or to access the capital markets for future offerings may be hindered by the Group's financial condition at the time of any such financing or offerings, as well as by adverse market conditions resulting from, among other things, general economic conditions, credit tightening policies, contingencies and uncertainties that are beyond our Group's control. Our Group's failure to obtain the necessary financing could impact our results of operations, financial condition and our ability to pay dividends.'*

Hence, Management of Huazhang Technology had determined to resort to going public in the HKSAR in order to raise a little less than \$HK60 million by Placing 68 million, 0.01-cent Shares at \$HK1.20 per share.

This money will be used for the following purposes, according to Pages 286 and 287 of the Placing Prospectus:

- About 30.40 percent (\$HK18.10 million) to increase production capacity by the building of a new plant and improving access roads to it;
- About 15.10 percent (\$HK9 million) for improving '*the production process using high/low voltage power supply systems, addition of new laboratory facilities and testing facilities*';
- About 30.40 percent (\$HK18.10 million) to create a new production line;
- About 10.10 percent (\$HK6 million) for product development and innovation;
- About 6.60 percent (\$HK3.90 million) '*for increasing the market awareness and enhancing the image ... of our Group ...*';
- About 0.50 percent (\$HK300,000) '*for improving our current information management system ...*'; and,
- About 6.90 percent (about \$HK4.10 million) to be tipped into the Working Capital Account.

**The Business of Huazhang Technology**

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