

**CHUENG FUNG TECHNOLOGY (HOLDINGS) LTD :
PAPER THAT HAS THE ABILITY TO GO UP IN SMOKE**

Cheung Fung Technology (Holdings) Ltd (Code: 1228), the latest company to go to the Big Board of The Stock Exchange of Hongkong Ltd in order to raise money, is an associated company of Raymond Industrial Ltd (Code: 229), as far as the definition of an associated company is concerned.

But, in reality, it must be considered a de facto subsidiary of Raymond Industrial.

This is due to the fact that Raymond Industrial owns 24.17 percent of the Issued and Fully Paid-Up Share Capital of Cheung Fung, while the Wong Family, the family with a controlling equity interest in Raymond Industrial, being, as an artificial entity, the largest single shareholder of that company, members of which comprise Executive Management, owns 36.33 percent is Cheung Fung's Issued and Fully Paid-Up Share Capital.

In aggregate, therefore, the Wong Family – Mr Wilson Wong Kin Lae, Mr Philip Wong King Hang, Mr John Wong Ying Man, Mr Kennedy Wong Ying Ho and Ms Teresa Wong Ying Lam – has indirect and direct control of about 60.50 percent of the Issued and Fully Paid-Up Share Capital of Cheung Fung.

This is not, necessarily, a bad thing, mind you, but prospective shareholders ought to know that, by this token, they shall always be subservient to the whims and good and/or bad Management (whatever may be the case) of the Wongs.

Cheung Fung, following a reorganization of Raymond Industrial, made its pitch for a separate listing and Placed a total of 84 million shares, issued 12 million new shares, which were Offered to prospective investors, and Offered 24 million other shares – designated as Reserved Shares.

The 120-million share offer was at \$HK1.08 per share, a 58-cent Premium over the 50-cent Par Value of the shares.

Due to the fact that Cheung Fung is a spin-off of Raymond Industrial, so to speak, the shareholders of Raymond Industrial were given the first crack at the shares of Cheung Fung, via the Reserved Shares.

This is not, also, a bad thing, but it means, of course, that the Wongs, the largest single shareholders of Raymond Industrial, will be able to increase their stake in Cheung Fung if they so desire.

What Is Cheung Fung ?

Cheung Fung is a company that manufactures cigarette papers in the People's Republic of China (PRC).

The manufacture of such papers is controlled in the PRC by the Tobacco Monopoly Laws.

What is known in the PRC as a Production Permit has to be issued, annually, to such companies.

The entry of the PRC as a full member to the World Trade Organisation (WTO), expected by the end of this year, will see the WTO's Executive demanding that the PRC Government afford uniformed tariffs to all WTO members.

That being the case, then the PRC Government will have to afford its co-WTO members the right to be allowed to export cigarette papers to the PRC, thus fanning the flames of competition on a level playing field – for the first time since the advent of the late Chairman Mao Ze Dong in 1949.

Then the feathers will, definitely, start to fly, and the cozy little situation, now prevalent in the PRC with regard to Cheung Fung and the imposition of the 45-percent import tariff on all imported cigarette papers, thus affording some large degree of comfort for Cheung Fung and the other 14, PRC manufacturers of cigarette papers, will come to a screeching halt.

This will cut deeply into the very nice Gross Profit Margin that the 15 ... [CLICK TO ORDER FULL ARTICLE](#)

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