

**XINCHEN CHINA POWER HOLDINGS LTD:
BIG BROTHER WILL WATCH OVER YOU, TO BE SURE**

A question that **TARGET** () would like to pose to its many Subscribers, succinctly put, is:

‘For what reason would the Government of the People’s Republic of China (PRC) want to sell some, or any, of its family jewels?’

Xinchen China Power Holdings Ltd () (Code: 1148, Main Board, The Stock Exchange of Hongkong Ltd) is, in fact, a company that is, beneficially, owned and controlled as to about 49.15 percent by the PRC Government and yet it is going through the process of ‘*going public*’ in order to garner about \$HK733 million in an Initial Public Offering (**IPO**).

While it has cash and bank deposits, amounting to nearly 552 million renminbi (about \$HK682 million)!

To the Government of the PRC, a sum of money in the amount of \$HK733 million is hardly enough for a 12-member family of the ruling patrician class to enjoy a 10-course banquet in a swank Beijing restaurant and, yet, this Company is willing to gamble about \$HK50 million, representing about seven percent of the estimated net proceeds of the IPO, in order to obtain a listing on the premier equity market of the Hongkong Special Administrative Region (HKSAR) of the PRC.

Having said all of the above, Xinchen China Power looks to be a winner – and, most likely, it will be a winner for years to come.

The next question is whether or not prospective shareholders will benefit from this Company’s future financial success.

This Company issued its Global Offering Prospectus on February 28, 2013, when it Offered 313.40 million, one-cent Shares at an Indicative Offer Price Per Share, ranging from \$HK2.20 to \$HK2.80.

The HKSAR investing public was Offered 10 percent of the Global Offering, the remainder of the 282.06 million shares, having been reserved for Placements with International Investors.

The chief reason for this fund-raising activity, one is told at Page 245 of the Prospectus, is to expand the Company’s production facilities.

On the assumed share price of \$HK2.50, being the midway point of the Indicative Offer Price Range, the Net Proceeds, estimated to be about \$HK733.10 million, will be utilised as follows:

- About \$HK476.50 million, being about 65 percent of the net proceeds, for funding expansion of production capacity;
- About \$HK175.90 million, being about 24 percent of the net proceeds, for ‘*new product development activities*’; and,
- About \$HK80.60 million, being about 11 percent of the net proceeds, ‘*for the construction of the new research and development center in Chengdu (the PRC)*’.

The Business of Xincheng China Power

The business of Xincheng China Power is the manufacture of engines for motor vehicles.

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