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JIN CAI HOLDINGS COMPANY LTD:
NEPOTISM IN BUSINESS AND GOVERNMENTAL FAVOURITISM
ARE NOT, ALWAYS, GOOD BEDFELLOWS

If one, really, is determined to get ahead in business, knowing the right people in the People's Republic of China (PRC) may well be the path to the Middle Kingdom's *'Heaven'*.

In the PRC, it is the *'elected'* Government officials and their appointed followers who hold the reins of power, not just in matters political, but in quite a number of the key industries of the country, from aerospace, to the production of medicines, to the operations of public transportation … to the controls that are in place, statutory, over which company/entity is awarded the tenders for the production of cigarette packaging.

Today, the number of smokers of cigarettes in the PRC – 95 percent of which are males – is about 347 million. That number is expected to top 354 million in the next four years.

So, as one can imagine, those PRC companies/entities that produce cigarette packages stand to gain, handsomely, at least in the next four years and, likely, far into the future.

Jin Cai Holdings Company Ltd () (Code: 1250, Main Board, The Stock Exchange of Hongkong Ltd) just happens to be in the thick of it, being well entrenched in the industry that manufactures and sells cigarette packages in the smokiest country in the world, today.

Jin Cai Holdings has come to the Hongkong Special Administrative Region (HKSAR) of the PRC in order to flog 80 million, one-cent Shares at the Indicative Price Per Share of between 70 cents and 90 cents.

Yesterday, it was announced that the Offer Price Per Share had been struck at 82 cents.

The Initial Public Offering (IPO)

Of the 80 million Shares on Offer, 8 million Shares were originally Offered to HKSAR Investors, with the remaining 72 million Shares, being Placed with Institutional Investors.

According to the Public Offer and Placing Prospectus, at the midpoint of the Indicative Offer Price Per Share, being 80 cents, the Company expected to net about $HK44.80 million.

As it turned out, with the Offer Price Per Share at 82 cents, the net proceeds are, now, expected to be about $HK46.10 million.

That amount of money is intended to be utilised as follows:

- About $HK27.70 million, being about 60 percent of the net proceeds, to purchase and install some equipment and machinery at Phase I of its Huizhou Production Base;
- About $HK4.60 million, being about 10 percent of the net proceeds, to expand the Company's sales and marketing network;
- About $HK4.60 million, being about 10 percent of the net proceeds, to enhance the design and development capabilities of the Company;

- About $HK4.60 million, being about 10 percent of the net proceeds, to be spent on potential vertical integration in the Company’s manufacturing processes; and,
- About $HK4.60 million, being about 10 percent of the net proceeds, to be tipped into the General Working Capital Account.

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