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# CHINA INFRASTRUCTURE MACHINERY HOLDINGS LTD: THIS IS A FIRST-CLASS COMPANY WHICH, TO DATE, HAS BEEN LARGELY IGNORED !

When a bank of the stature of DBS Bank Ltd (星展銀行有限公司) determines to invest in a company, domiciled in the People's Republic of China (PRC), there have to be good and valid reasons for such a determination because the people, managing DBS Bank, are far from being mugs.

In fact, DBS Bank is one of the largest, Chinese-controlled financial institutions of Asia, today, and it is well known for its very reserved approach to investing, especially when it comes to seed capital.

Back in December 2004, DBS Bank lent material sums of money to China Infrastructure Machinery Holdings Ltd (中國龍工控股有限公司) (Code: 3339, Main Board, The Stock Exchange of Hongkong Ltd) via China Longgong Group Holdings Ltd, the holding company of China Infrastructure Machinery, and, at the same time, entered into a Warrant Agreement with The China Longgong Group, which resulted in DBS Bank, being granted the right to obtain up to 8.87 percent of the Issued and Fully Paid-Up Share Capital of China Infrastructure Machinery on conversion of the Warrants.

China Longgong Group is controlled, completely, by the Mr Li San Yim (李新炎), the Chairman of China Infrastructure Machinery, and his wife, Ms Ngai Ngan Ying (倪銀英), who is the Vice Chairman of the Company.

Since the business of China Infrastructure Machinery is capital intensive as well as being labour intensive, no doubt Chairman Li San Yim must have been delighted to have a friend of the calibre of this Singapore bank, politics notwithstanding.

When China Infrastructure Machinery went public in the Hongkong Special Administrative Region (HKSAR) of the PRC on November 8, 2005, it was not well-received and the Public Offer Tranche of 30 million, 10-cent Shares were decidedly undersubscribed, with only 243 applications, being received from HKSAR investors for a total of 14,006,000 Shares.

To serious institutional investors, who know how to read a Profit and Loss Account and a Consolidated Balance Sheet, this may have appeared somewhat odd, but HKSAR investors are, more often than not, strange fish, preferring to gamble rather than put their money into intermediate or long-term investments.

## The Flotation

China Infrastructure Machinery pitched a Global Offering of 300 million, 10-cent Shares on November 8, 2005, with 30 million Shares, being designated as Public Offer Shares, and 270 million Shares, being designated as International Offer Shares.

With the response from the HKSAR, being sickly, to put it mildly – only 46.69 percent of the Public Offer Shares were taken up – the Global Coordinator, Cazenove Asia Ltd, reallocated the Public Offer Shares to the International Offering, which was, eventually, *'moderately over-subscribed'*.

The Share Price of the **I**nitial **P**ublic **O**ffering (IPO) was to be between a low of $HK1.41 and a high of $HK1.51, according to the Prospectus.

On November 16, 2005, after all of the applications for shares were counted, the Share Price was set at $HK1.43 – which must have been somewhat of a disappointment for Chairman Li San Yim and his wife.

The money ... **CLICK TO ORDER FULL ARTICLE**

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