

**SHANGHAI PRIME MACHINERY COMPANY LTD:
WHEN YOU BUY INTO THIS COMPANY, REMEMBER YOUR P's AND Q's**

Considering that the People's Republic of China (PRC) is experiencing record-breaking, annual industrial growth and that this happy state of affairs is likely to continue for the foreseeable future, the chances are very strong, all things being equal, that Shanghai Prime Machinery Company Ltd (Code: 2345, Main Board, The Stock Exchange of Hongkong Ltd) will ride the crest of that industrial wave in fine fettle.

However, one must never forget that this Company, which fired off its Initial Public Offering (IPO) in the Hongkong Special Administrative Region (HKSAR) of the PRC on April 13, 2006, is, after all, a company which is completely under the control of a PRC, State-run entity, namely, Shanghai Electric Corporation (O).

As such, the requirements of the PRC State will, always, take precedence over the interests of the minority shareholders, especially, foreigners, known as gweilos in the Cantonese vernacular.

Shanghai Prime Machinery is engaged in the production of precision tools and parts, in the main.

At Page 45 of its Global Offering Prospectus, it describes itself, thusly:

'We are a precision parts, components and accessories manufacturing platform of Shanghai Electric Corporation, one of China's leading industrial conglomerates in the power generation and transmission equipment, electromechanical equipment, transportation equipment, environmental protection systems, and other industry sections. Our products are used in a wide range of industries. We design, manufacture and sell the following four key products and provide related services in the mechanical parts and components industry ...'.

This section of the Prospectus, then, lists the following 4 products:

1. Turbine blades, used in power station turbines;
2. Bearings, used in railways, motor vehicles, freight carriages, electric motors, appliances, and aviation and navigation equipment;
3. Cutting tools, used in the manufacture of motor vehicles, electrical appliances, moulds, aeronautical and astronautical equipment and electronic and communication equipment; and,
4. Electric motors, used in heavy equipment, including lifts, metropolitan,
rail-transportation traction systems, cement production equipment, steel manufacturing equipment and harbour construction equipment.

All good stuff and all of which the PRC is hungry to obtain in ever-increasing quantities.

On reading the above description of this Company, one cannot help but come to the immediate conclusion that the future of this Company is assured.

And that conclusion is correct.

The Flotation

When Shanghai Prime Machinery went public on the Main Board of The Stock Exchange of Hongkong Ltd, initially, it Offered 600,562,000, one renminbi Shares at \$HK2.10 per Share, along with the tranche of shares, labelled '*Hongkong Offer Shares*', being just 60,058,000 Shares.

The remaining 540,504,000 Shares were allocated for '*International Offering Shares*'.

The response from the investing public to this IPO was that the Hongkong Offer Shares were oversubscribed about 513 times, equivalent to 30,804,636,000 Shares.

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