

**CHINA RAILWAY SIGNAL AND COMMUNICATION CORPORATION LTD:
COME ONE, COME ALL ! ...
AND, BY THE WAY, GIVE ME YOUR MONEY**

It is exceedingly difficult not to be cynical on scanning the Global Offering Prospectus of China Railway Signal and Communication Corporation Ltd () (Code: 3969, Main Board, The Stock Exchange of Hongkong Ltd).

But how else can one be expected to respond as one tries to plough through the 737-pages of twaddle that one is supposed to digest in order to try to get to grips with the financials of this Company?

The Initial Public Offering (IPO)

China Railway Signal published and disseminated its Global Offering Prospectus on July 28, 2015.

The Company Offered a total of 1.75 billion, one-renminbi ‘H’ Shares at the Indicative Offer Price Per Share, ranging from a low of \$HK6.30 to a high of \$HK8.00.

Investors of the Hongkong Special Administrative Region (HKSAR) of the People’s Republic of China (PRC) were Offered 87.50 million ‘H’ Shares and the remaining Shares – 1,662,500,000 ‘H’ Shares – were being Offered to International Investors.

The Company has stated, at Page 363 of the Global Offering Prospectus, that, at the midpoint of the Indicative Offer Price Per Share, being \$HK7.15, it would receive, net of expenses, about \$HK12,226,600,000.

However, last Thursday, Management announced that the Offer Price Per Share had been struck at \$HK6.30, the lowest, acceptable Offer Price.

With this announcement in respect of the Allotment Results, China Railway Signal only managed to bag about \$HK10,765,600,000 which is about 11.94 percent less than had formerly been anticipated as published in the Global Offering Prospectus.

This massive amount of money will be utilised as follows:

- Approximately, \$HK3,229,680,000, that is about 30 percent of the net proceeds from the Global Offering, will be used for long-term **R**esearch and **D**evelopment (**R&D**), with 72 percent for R&D investment on railway and urban transit control systems and the establishment of relevant research centres, 15 percent for R&D on communication **I**nformation **T**echnology (**IT**), seven percent for R&D on modern tram technologies and six percent for ‘others’;
- Approximately, \$HK2,153,120,000, that is about 20 percent of the net proceeds from the Global Offering, will mainly be used in the purchase of fixed-asset investments. With the development and re-zoning of the cities where some of the Company’s production bases are located, China Railway Signal plans to take the opportunity to relocate current production bases and upgrade equipment for better product quality assurance. The Company, also, plans to expand its

businesses into fields, such as Smart Cities and electronic information, in order to complement its products' value chain. Key production machinery generally has a useful life of approximately eight years to 10 years;

- Approximately, \$HK2,153,120,000, that is about 20 percent of the net proceeds from the Global Offering, will be used for general domestic and overseas acquisitions that, among others, accommodate the Company's business strategies, complement its technologies, strengthen its core-value chain as well as widen marketing channels;
- Approximately, \$HK2,153,120,000, that is about 20 percent of the net proceeds from the Global Offering, will be used for investment in rail transportation, **Private Public Partnership (PPP)** projects that are in compliance with the PRC Government policies; and,
- Approximately, \$HK1,076,560,000, that is about 10 percent of the net proceeds from the Global Offering, will be used to supplement the Company's Working Capital.

By dint of luck or due to the widespread call to 'alms' in the PRC, prior to the launching of this Global Offering Prospectus, a total of 16 corporations had committed to contribute about \$HK7,526,360,000 in cash to bolster the Company's coffers that were well-expected to be filled to overflowing by this IPO.

Of those 16 Cornerstone Investors, only ... [CLICK TO ORDER FULL ARTICLE](#)

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