

Conventional Private Equity

Savvy Investing

Lombard makes its mark in Taiwan and Thailand amid favourable market conditions

The motto that a depressed market presents the best investment opportunities certainly rings true for **Lombard Investment, Inc.** ('Lombard'), the US affiliate of the Hong Kong-based **Lombard Asian Private Investment Co. LDC** ('Lombard/APIC'). In the past three months, it has committed to two transactions, deploying over US\$45 million.

Lombard's most recently-added portfolio company is the Thailand-based Central Pattana Public Company Limited ('Central Pattana'). Shareholders of the property investment and development company recently approved an approximately Baht1 billion (US\$24 million) commitment from the US\$250 million **Thailand Equity Fund**, which is advised by Lombard Thailand Intermediate Fund Manager and managed by the local **MFC Asset Management Public Company** of Thailand.

The Thailand Equity Fund will acquire 35.7 million of Central Pattana's convertible preference shares at Baht28 apiece, representing an 8.2% stake upon conversion. The conversion can be exercised at anytime and will witness the company's principal shareholder, the Chirathivat family, decrease its equity position from 66% to 60% (fig.10). Thailand Equity Fund will become Central Pattana's single largest foreign institutional investor. Other foreign investors include State Street Bank and Trust Company, Morgan Stanley & Co. International Ltd, HSBC (Singapore) Nominees Pte Ltd as well as Citibank International plc. The new shareholder structure will see foreign entities assume around 25% of the company.

A retail property developer founded in 1980, Central Pattana has become one of Thailand's most well-known developers of modern quality shopping centres. One such development is the Central Plaza Ladprao, re-

puted as one of Asia's largest and most advanced integrated shopping centres and hotel complexes. In 1995, Central Pattana became a publicly-listed company on the Stock Exchange of Thailand.

The Thailand Equity Fund was established in October 2001 and is a collaborative effort between global and local institutions. They include the **Asian Development Bank**, **International Finance Corporation** and **California Public Employees' Retirement System (CalPERS)**. Domestic Thai organisations that have joined this prestigious list of foreign institutions include the Thai Bankers Association, Industrial Finance Corporation of Thailand as well as the Government Pension Fund.

In December last year, the Thailand Equity Fund made its maiden investment when it took up a 14.5% equity position in Trinity Wattana. The financial services and information holding company includes Trinity Securities Co. Ltd., Trinity Advisory 2001 Co. Ltd. and Trinity Information Co. Ltd. Like Central Pattana, Trinity Wattana is also listed on the Stock Exchange of Thailand. Thailand Equity Fund's investment in the former, however, is considerably more liquid than that of Trinity Wattana's in which it is committed to a two year lock-in period preceding divestment.

In between Thailand Equity Fund's commitments to Trinity Securities and Central Pattana, Lombard/APIC made an investment in Taiwan. Through its wholly-owned subsidiary, IntraAsia Partners Ltd, Lombard/APIC purchased 15,787,960 shares in Fusheng Industrial Company Ltd. ('Fusheng Industrial') and paid NT\$693.1 million (US\$20.2 million), which equates to an approximate 3% stake in the company.

Fusheng Industrial is listed on the Taiwan Stock Exchange and has three main business units, which include golf head manufac-

turing, industrial compressor manufacturing and lead frame manufacturing. The company's manufacturing base spreads across the Taiwan Strait to mainland China and southward to Vietnam. It currently employs around 10,000 people in 11 production plants.

Fusheng Industrial will use the funds from Lombard APIC to finance expansion and provide additional working capital.

After the transaction, Mr Lee Hou-Teng, who founded Fusheng Industrial in 1953, will retain control of the company in conjunction with his family and the management team. Excluding Lombard's stake, the public float for the company stands at approximately 44%.

In 2002, Fusheng Industrial's total sales stood at NT\$13.1 billion while its net earnings were at NT\$1.8 billion, representing a net margin of 13.6%.

Since 1998, Lombard has made a number of investments in Asia through its regional affiliates. Prior to the establishment of the Thailand Equity Fund, the firm committed US\$6 million to Bangkok First Investment Trust PCL in 1998, followed by two further investments in 1999. These included a US\$33 million investment in Indo Worth (Thailand), in which Lombard took up a 21% stake in the company, and a US\$42.5 million allocation to Thai Union Frozen Products Public Company.

Lombard is one of the investors that joined **H&Q Asia Pacific** in taking up a controlling position in South Korea's Good Morning Securities in 1998. In 2001, Good Morning Securities was sold to Shinhan Financial Group, returning five-fold of the invested capital to investors. (**Regional**).

