

**CHINA SPECIAL STEEL HOLDINGS COMPANY LTD:
THIS COMPANY COULD WELL BE A WINNER**

The financial results of the latest company to seek, and obtain, a listing on the Main Board of The Stock Exchange of Hongkong Ltd for the 36 months, ended December 31, 2004, are something else, again.

The results are difficult to believe, but they must be true – because the Prospectus of the Company states that they are such.

The Turnover of this Company, during the 2002 Financial Year through to the 2004 Financial Year, rose by about 210.30 percent, while the Bottom Line swelled by 207 percent.

The Company is China Special Steel Holdings Company Ltd, now, popularly known as Stock Code Number 2889.

The Company issued its International Offering Prospectus on May 9, 2005, Offering 180 million, 10-cent Shares at a Premium of between \$HK1.48 per Share and \$HK1.85 per Share.

Of the number of Shares on Offer, only 18 million Shares formed part of the Public Offer tranche.

The Public Offer tranche was oversubscribed by about 9.84 times, while the International Offering was only fully subscribed.

Because of the interest in the Public Offer tranche, only 144 million Shares were, eventually, put on the market in order to satisfy the appetites of international institutional investors.

Clearly, that number of shares was sufficient, by all accounts.

The Company bagged about \$HK239 million, net of expenses, at the end of the day.

The amount of money, raised in this exercise, was a little less than had, at the time that the Prospectus was put to bed, been anticipated because Page 132 of the Prospectus suggested that the Net Proceeds would be in the neighborhood of about \$HK272 million.

China Special Steel is '*principally engaged in the production and sales of special steel, mainly bearing steel and spring steel ...*'.

Bearing Steel is defined as being '*steel which possesses excellent integrated mechanical properties and better toughness and abrasive hardness. It is widely used for the manufacturing of rolling parts in machines and equipment.*'

Spring Steel is defined as being '*steel which is specifically used for the manufacturing of springs and other components of similar functions with carbon content in the range of 0.15% to 0.65%. Spring steel contains alloy elements such as silicon, manganese, chromium, vanadium and boron, etc and is widely used in transportation vehicles, and machines and equipment.*'

China Special Steel went to the market for some money in order to fund the following:

1. \$HK94 million for the refinement of production processes in order to obtain optimum production capacity;
2. \$HK47 million for the development and the production of pearlite (a finely laminated mixture of ferrite and cementite, formed in cast iron and steel by the cooling of austenite, containing more than 0.80 percent

- carbon);
3. \$HK90 million to retire some bank loans;
 4. \$HK28 million to be used for purchasing raw materials; and,
 5. \$HK13 million to be used as General Working Capital.

Although the Company only obtained Net Proceeds from the flotation, amounting to about \$HK239 million and not \$HK272 million, as was, previously, expected, it has stated that, nevertheless, it will have a sufficient amount of fresh money to carry out its business plans, as stated in its Prospectus.

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