

**HONGHUA GROUP LTD:
THE COMPANY NEEDED AN INJECTION OF CASH –
THAT IS THE REAL REASON FOR THE FLOTATION**

The Combined Income Statements of Honghua Group Ltd () (Code 196, Main Board, The Stock Exchange of Hongkong Ltd) cannot, really, be taken to indicate anything of materiality because of the numerous reorganisational activities of the Company over the past 8 years.

However, what is telling about the forecast of the Bottom Line for the Financial Year, ended December 31, 2007, is that it is expected to grow by about 16 percent, Year-On-Year.

Considering that which is stated in the Global Offering Prospectus of Honghua Group Ltd, dated February 25, 2008, one would have expected a great deal more than a Year-On-Year growth of just 16 percent.

Honghua Group Ltd claims, at Page 141 of its Prospectus, to have attained the status of being the second-largest, land oil rig manufacturer in the world and the largest such company on the People's Republic of China (PRC).

The Company has manufacturing facilities in Texas, the United States of America, as well as in the PRC.

It employs some 2,828 workers and its business tentacles cover most of the PRC, one is told.

The Company pitched a Global Offering of 833.36 million, 10-cent Shares at an Offer Price of not less than \$HK3.16 per Share and not more than \$HK4.50 per Share.

It went public on the Main Board of Hongkong Special Administrative Region (HKSAR) of the PRC in order to raise money for the following purposes:

1. About 60 percent of the net proceeds from the Initial Public Offering *'to be used for the construction of an offshore equipment manufacturing base in the eastern coastal area of China, to produce jack-up rigs and fixed rigs as well as large structures ...'*;
2. About 12 percent of the net proceeds from the Initial Public Offering *'to be used for increasing production capacity, and for the development of new land rig equipment and rig parts and components ...'*;
3. About 20 percent of the net proceeds from the Initial Public Offering *'to be used for acquisitions, establishing joint ventures and strategic alliances with international partners ...'*;
4. The remaining 8 percent of the net proceeds from Initial Public Offering will be used as Working Capital.

The basis of the above uses of the net proceeds of the Initial Public Offering was that the Offer Price per Share would be at \$HK3.83, being the midway point between \$HK3.16 and \$HK4.50, resulting in the Company, netting about \$HK2,972 million.

As at August 31, 2007, Honghua Group Ltd was not, exactly, flush with cash, according to the Combined Balance Sheets for the 44-month, track-record period.

As at that date, the Company had cash and cash equivalents of about 212.79 million renminbi and pledged

cash deposits of another 198.85 million renminbi.

Against ... [CLICK TO ORDER FULL ARTICLE](#)

***While TARGET makes every attempt to ensure accuracy of all data published,
TARGET cannot be held responsible for any errors and/or omissions.***

*If readers feel that they would like to voice their opinions about that which
they have read in **TARGET**, please feel free to e-mail your views to
editor@targetnewspapers.com. **TARGET** does not guarantee to publish
readers' views, but reserves the right so to do subject to the laws of libel.*