

**VENTUREPHARM LABORATORIES LTD:
THE HOUSE THAT WILLIAM GUO BUILT IN BEIJING**

In the commercial world of the People's Republic of China (PRC), it seems that anything and everything is possible – especially when the Government of the PRC is lurking, somewhere in the background.

Take, for instance, Venturepharm Laboratories Ltd, which went public on The Growth Enterprise Market (The GEM) of The Stock Exchange of Hongkong Ltd on June 30, 2003 and was handed Stock Code Number 8225 for its troubles.

At the time of its listing, it was sitting on a chest of cash, amounting to not less than 23.62 million renminbi (about \$HK22.07 million).

It went public, the Placing Prospectus claimed, in order that the Net Proceeds of the Placing of 90 million, 10-cent Shares at a Premium of 31 cents per Share, amounting to about \$HK28 million, be used for the following purposes:

1. \$HK7.50 million to finance a portion of the research and development costs *'for developing innovative drug product technologies that the Group expects to register as Category A drugs* after an estimated development period of 6 years'*;
2. \$HK10 million to be used for marketing activities, brand building and expansion of the Group's sales network in the PRC, proper (as opposed to the Hongkong Special Administrative Region (HKSAR) of the PRC);
3. \$HK7 million to be used for financing part *'of the establishment of a GMP-compliant** manufacturing facility'*;
4. \$HK2.50 million to be used for expansion of overseas markets; and,
5. \$HK1 million to be tipped into the General Working Capital Account.

*	Category A drugs are defined in the Prospectus as being drug products, which have not yet been previously approved for sale in the PRC or overseas,
**	according to the relevant State Food and Drug Administration (SFDA) regulations on the classification of new drugs

	GMP = Good Manufacturing Practice
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All of the above could have been financed from internal resources, but the Company chose to seek a listing on The GEM in order to raise an amount of money, which was not too different from the nest egg that it already had at its disposal.

In addition, this Company, which claims to be engaged in research and development, and in the commercialisation of drug products in the PRC, proper, boasted of bumper profits in the 2002 Financial Year, ended December 31.

The following table is lifted from Page 153 of the Prospectus:

	Financial Year ended December 31	
	2001	2002
	All Figures are Denominated in Renminbi	
Turnover	15,870,999	32,453,049
Cost of Sales	(3,793,743)	(6,940,930)
Gross Profit	12,077,256	25,512,119
Other Operating Income	123,248	94,409
General and Administrative Expenses	(3,353,061)	(6,055,731)
Operating Profit	8,847,443	19,550,797
Taxation	Nil	(237,471)
Profit after Taxation, but before Minority Interests	8,847,443	19,313,326
Minority Interests	(376,360)	(186,109)
Net Profit Attributable to Shareholders	8,471,083	19,127,217

For the first 4 months of the Current Financial Year, to April 30, 2003, this Company recorded a Loss Attributable to Shareholders of about 83,000 renminbi.

This is easily ascertainable on scanning the calculation of the Adjusted Net Tangible Assets, shown at Page 144 of the Prospectus, as follows:

Audited Combined Net Assets, as at December 31, 2002	37,314,000 renminbi
Add: Combined Loss after Taxation for the 4 Months, ended April 30, 2003	(83,000 renminbi)
Estimated Net Proceeds from the Placing of 90 million Shares	29,680,000 renminbi
ADJUSTED NET TANGIBLE ASSETS	66,911,000 renminbi
ADJUSTED NET TANGIBLE ASSET VALUE PER SHARE*	0.186 renminbi

* 360 million shares in issue

However, on August 8, 2003, 39 days after going public, Venturepharm Laboratories announced that, for the first half of this Financial Year, to June 30, 2003, on a Turnover of about 11.08 million renminbi, it had logged in a Net Profit Attributable to Shareholders of about 4.20 million renminbi.

Those results were a reduction of about 9.53 percent, the official announcement said, compared with the like period in 2002.

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