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LIJUN INTERNATIONAL PHARMACEUTICAL (HOLDINGS) COMPANY LTD: MANAGEMENT HAS THE PERSONALITY OF A POLYP !

Over the 42 months, ended June 30, 2005, debt service cut deeply into the Net Profits Attributable to Shareholders of Lijun International Pharmaceutical (Holdings) Company Ltd (()) (Code: 2005, Main Board, The Stock Exchange of Hongkong Ltd) and the matter of rising indebtedness, though far from being critical, at this time, at any rate, may have been one of the contributory reasons for the Company to tap the money markets on December 2, 2005, with its **I**nitial **P**ublic **O**ffering (IPO).

According to **TARGET**'s () analysis of the Consolidated Balance Sheet, contained in the Placing and Public Offer Prospectus of Lijun International Pharmaceutical, published in the Hongkong Special Administrative Region (HKSAR) of the People's Republic of China (PRC), financing costs rose about 372 percent between the beginning of the 2002 Financial Year and the end of the 2004 Financial Year: From about 1.51 million renminbi (about $HK1.42 million) to about 7.11 million renminbi (about $HK6.71 million).

During this period of time, the Turnover of the Company rose only about 5 percent.

For the 6 months, ended June 30, 2005, financing costs were about 4.74 million renminbi (about $HK4.56 million), an increase of about 61 percent, compared with the like period in 2004.

Page 194 of the IPO Prospectus states that, as at October 31, 2005, the total borrowings of Lijun International Pharmaceutical were about 93 million renminbi (about $HK89.42 million), with about 88 million renminbi (about $HK84.62 million), being unsecured, short-term bank loans.

This section of the Prospectus shows that bank loans rose from 50 million renminbi (about $HK47.17 million) in the 2002-Year to 137 million renminbi (about $HK131.73 million) by the close of the 2004-Year.

With interest rates rising, debt service could well pose a problem for any company which is carrying a material amount of debt, relative to its Turnover.

So far, Lijun International Pharmaceutical has weathered all interest-rate increases over the past few years quite well, but profits can be eroded only too quickly when interest rates start galloping to higher levels.

The Flotation

Lijun International Pharmaceutical went public on the Main Board of The Stock Exchange of Hongkong Ltd on December 2, 2005, when it Offered and Placed a total of 70 million, 10-cent (Hongkong) Shares at a Premium of $HK2.05 per Share.

The Public Offer tranche was 21 million shares and it was over-subscribed by some 30.80 times.

As for the Placing tranche, it was described by the Company as being *'significantly over-subscribed'*.

On December 21, 2005, the Lead Manager of the flotation, Guotai Junan Securities (Hongkong) Ltd, exercised in full its Over-Allotment Option and Placed another tranche of 10.50 million Lijun International Pharmaceutical Shares.

The **...** **CLICK TO ORDER FULL ARTICLE**

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