

**GUOTAI JUNAN INTERNATIONAL HOLDINGS LTD:  
THIS I.P.O. IS AKIN TO SENDING OUT DEBIT NOTES**

The company makes no bones about its intentions: It wants as much money as it can raise on the premier equity market of the Hongkong Special Administrative Region (HKSAR) of the People's Republic of China (PRC) in order, inter alia, to reduce its borrowings to next to nothing.

And the company succeeded.

The company is Guotai Junan International Holdings Ltd () (Code: 1788, Main Board, The Stock Exchange of Hongkong Ltd).

It was, until its listing on the Main Board of The Stock Exchange of Hongkong Ltd, wholly owned by corporate entities of the Government of the People's Republic of China.

It issued its Global Offering Prospectus on June 25, 2010, Offering 410 million, 10-cent Shares at an Offer Price of not greater than \$HK5.63.

On July 7, 2010, it was announced that the Offer Price Per Share had been fixed at \$HK4.30 and that the Company estimated that the net proceeds of the **Initial Public Offering (IPO)** would be about \$HK1,658,000,000.

This amount of money would be utilised as follows:

1. \$HK663 million for the expansion of the Company's share-margin, finance portfolio;
2. \$HK166 million for the expansion of new business;
3. \$HK497 million for reducing bank borrowings;
4. \$HK166 million for the expansion of direct investments; and,
5. \$HK166 million to be used as General Working Capital.

The Global Offering Prospectus, at Page 195, had assumed that the Offer Price would be about \$HK4.755, netting the Company about \$HK1,846,300,000, thus allowing about \$HK554 million to be used to retire bank borrowings.

Page 190 of the Global Offering Prospectus made it very clear that, as at December 31, 2009, Guotai Junan International Holdings Ltd owed its bankers \$HK500 million.

But, as at April 30, 2010, 4 months after the closing of the Company's books in respect of the 2009 Financial Year, bank borrowings stood at \$HK500 million, with unsecured credit facilities, granted by the Company banks, of \$HK700 million.

**TARGET** () is not suggesting anything untoward, but it does appear that Guotai Junan International Holdings Ltd came to the HKSAR to raise money, mainly to reduce borrowings.

The IPO's net proceeds, no doubt, will give the bankers of Guotai Junan International Holdings Ltd, a great deal of comfort.

### **The Flotation**

Guotai Junan International Holdings Ltd made a Global Offering of 410 million, 10-cent, New Shares, with 41 million Shares, designated HKSAR Offer Shares, and 369 million Shares, reserved for International Investors.

Trading in the shares of the Company commenced last Thursday and the share price went from a high of \$HK4.31 to a low of \$HK4.13.

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