

**CHINA NT PHARMA GROUP COMPANY LTD:  
IS THERE SOMETHING ELSE THAT NEEDS TO BE SAID, HERE ?**

The build-up of debt – all of which came from banks – of China NT Pharma Group Company Ltd () (Code: 1011, Main Board, The Stock Exchange of Hongkong Ltd) over the 38 months, ended February 28, 2011, is the most-striking (and, perhaps, worrying?) aspect of this Company's Global Offering Prospectus.

On April 8, 2011, Management of China NT Pharma Group Company Ltd pitched its story in the hope of reaping about \$HK1.26 billion from prospective shareholders of the Hongkong Special Administrative Region (HKSAR) of the People's Republic of China (PRC) as well as from International Institutional Investors.

Management, as history has proved, had been a little over-ambitious in its forecast of obtaining debt-free cash from prospective investors because, yesterday, it was announced that the Hongkong Public Offer of 35,703,500 New Shares had been oversubscribed by about 5.88 times, while the International Placing tranche of 321,328,500 Shares, comprising 234,775,500 New Shares and 86,553,000 Sale Shares, had been under-subscribed by about 10 percent.

The Offer Price Per Share was determined at the lowest level at \$HK4.54, netting the Company about \$HK1.07 billion, which is about 15 percent below original (ambitious) Management estimates.

Notwithstanding the severe cooling of Asian equity markets, of late, due to chaotic political problems, internationally, as well as the continuing and mounting concern over the dramatic events that befell the economy of Japan when, on March 11, 2011, the country was hit by an 8.90 level Richter-Scale earthquake, the tsunami that followed in its wake, and, then, the Fukushima Daiichi nuclear power plant disaster, it is clear that Management of China NT Pharma Group Company Ltd had badly misjudged the likely acceptance of its **Initial Public Offering (IPO)** for a number of very real and valid considerations.

One of those considerations was the matter of the build-up of debt, no doubt.

At Page 243 of the Global Offering Prospectus, it is clearly indicated that bank debt swelled from about 186.50 million renminbi to about 836.68 million renminbi within a period of just 38 months.

The following table is lifted from this Page:

|  | <i>As of December 31,</i> |                |                | <i>'As of<br/>February 28,</i> |
|--|---------------------------|----------------|----------------|--------------------------------|
|  | <u>2008</u>               | <u>2009</u>    | <u>2010</u>    | <u>2011</u>                    |
|  | <i>(RMB'000)</i>          |                |                |                                |
| <i>Unsecured bank borrowings . . . . .</i> | 9,000                     | 25,849         | 518,005        | 599,893                        |
| <i>Secured bank borrowings . . . . .</i>   | 176,628                   | 414,870        | 310,579        | 231,735                        |
| <i>Unsecured bank overdrafts . . . . .</i> | —                         | —              | 5,103          | 5,056                          |
| <i>Secured bank overdrafts . . . . .</i>   | 869                       | —              | —              | —                              |
| <i>Total . . . . .</i>                     | <u>186,497</u>            | <u>440,719</u> | <u>833,687</u> | <u>836,684</u>                 |

Servicing the above debt must have become more than a tiny bit of a burden to Management, the debt service, having risen by about 218 percent, during the 36 months, ended December 31, 2010, while the Turnover of the Company rose by about 89 percent, from about 1.41 billion renminbi to about 2.67 billion renminbi.

However, in the 24 months ... [CLICK TO ORDER FULL ARTICLE](#)

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