

**SHANGHAI PHARMACEUTICALS HOLDING COMPANY LTD:
HOW MANY COMPANIES HAVE AN ANNUAL TURNOVER
OF 37 BILLION RENMINBI WITH NO DEBTS, AT ALL ?**

While the indebtedness of Shanghai Pharmaceuticals Holding Company Ltd () (Code: 2607, Main Board, The Stock Exchange of Hongkong Ltd) has risen by about 75 percent, during the 39 months to March 31, 2011, it seems only too evident that the Company's 3 major bankers are not in the least bit worried about what must be one of their biggest borrowers.

In fact, probably, the main bankers of this publicly listed company – Industrial and Commercial Bank of China Ltd () (Code:1389, Main Board, The Stock Exchange of Hongkong Ltd), Bank of Communications Company Ltd () (Code:1328, Main Board, The Stock Exchange of Hongkong Ltd), and China Construction Bank Corporation () (Code:939, Main Board, The Stock Exchange of Hongkong Ltd) – would appreciate this Company, borrowing a little more money from them.

Because Shanghai Pharmaceuticals Holding Company Ltd looks as though it is a very solid company, in the right industry, and doing very nicely, thank you very much.

Shanghai Pharmaceuticals Holding Company Ltd launched its **Initial Public Offering (IPO)** in the Hongkong Special Administrative Region (HKSAR) of the People's Republic of China (PRC) on May 6, 2011, and, today, dealing commences in the shares of this Company.

The Company Offered 664,214,000, one renminbi Shares at an Offer Price Per Share, ranging between \$HK21.80 and \$HK26.00.

On Thursday, May 19, 2011, it was announced that the Offer Price Per Share had been struck at \$HK23.00.

Not a penny of the net proceeds of this IPO is slated to be used to repay debts, according to Pages 245 and 246 of the Global Offering Prospectus.

The Company was hoping to garner about \$HK15,275.20 million from this cash-raising exercise, based on an Offer Price Per Share of \$HK23.90. However, as it turned out, it only managed to net about \$HK14,772.00 million, that amount of money to be utilised for the following purposes:

- About 40 percent of the net proceeds from the IPO, that is about \$HK5,909.00 million, *'for expanding and strengthening our distribution network'* in the PRC, proper, being separate and distinct from the HKSAR of the PRC;
- About 30 percent of the net proceeds from the IPO, that is about \$HK4,432.00 million, *'for strategic acquisitions of pharmaceutical manufacturing businesses both within the PRC and internationally'*;
- About 10 percent of the net proceeds from the IPO, that is about \$HK1,477.00 million, for product research and development;
- About 10 percent of the net proceeds from the IPO, that is about \$HK1,477.00 million, for investments in information technology systems; and,

- About 10 percent of the net proceeds from the IPO, that is about \$HK1,477.00 million, to be tipped into the Working Capital Account of the Company.

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