

**PURAPHARM CORPORATION LTD:  
THIS COMPANY'S SHARE PRICE IS LIKELY  
TO FALL ... FALL ... FALL**

Ever since trading in the shares of PuraPharm Corporation Ltd () (Code:1498, Main Board, The Stock Exchange of Hongkong Ltd) commenced on the premier equity market of the Hongkong Special Administrative Region (HKSAR) of the People's Republic of China (PRC), its share price has been slowly but determinedly falling.

Its Offer Price Per Share of \$HK5.98 has never been achieved and, by the looks of things, today, it is unlikely (conditionally upon a great deal of price manipulation) to rise to that level in the near future – and, perhaps, it may never achieve that level, again.

There is good and valid reasons for this opinion of **TARGET** () as will become very evident as Subscribers scan the analysis of this Hongkong-based, Chinese medicine company.

**The Initial Public Offering (IPO)**

On June 25, 2015, PuraPharm Corporation launched its Global Offering of 71.13 million, \$US0.10 Shares at the Indicative Offer Price Per Share, ranging from a low of \$HK5.15 to a high of \$HK6.19.

Of the total number of Shares on Offer, 56.25 million were New Shares and 14.88 million was designated as 'Sale Shares'.

The Sale Shares were those, Offered by Cosy Good Ltd, a wholly owned subsidiary of ENM Holdings Ltd () (Code: 128, Main Board, The Stock Exchange of Hongkong Ltd), as to 6,837,000 Shares, and PCL Investment Holdings Ltd, a wholly owned subsidiary of DBS Group Holdings Ltd (), as to 8,043,000 Shares.

Both of the Selling Shareholders were Pre-IPO Investors, the Global Offering Prospectus states.

HKSAR Investors were Offered only 7,113,000 Shares and International Investors were Offered 64,017,000 Shares.

On July 7, 2015, Management announced that the Offer Price Per Share had been struck at \$HK5.98.

While the HKSAR Share tranche had been over-subscribed by about 38.80 times, the International Offer tranche had been under-subscribed by about 30 percent.

Be that as it may, the Company netted about \$HK288.90 million from this IPO after all costs had been retired in respect of Listing Fees.

The net proceeds of this IPO will be utilised, one is told, as to:

1. Approximately 30 percent, that is about \$HK86.70 million, '*will be used to expand our manufacturing facilities and improvement of our existing production line*';

2. Approximately 25 percent, that is about \$HK72.20 million, *‘will be used to establish new Nong’s () Chinese medicine clinics in Hong Kong and the PRC’*;
3. Approximately 20 percent, that is about \$HK57.80 million, *‘will be used to expand our distribution network into our new target cities in the PRC mainly through our collaboration with Sinopharm (Sinopharm Group Company Ltd [], the shares of which are traded on The Stock Exchange of Hongkong Ltd, being Stock Code, Number 1099) including: (i) purchases of CMCMS (Chinese Medicine Clinic Management System) equipment for new customers (with an average cost of HK\$150,000 for each dispensary system); (ii) training of new distributors and hospital personnel on the operation and maintenance of our CMCMS; (iii) provision of after-sales and maintenance services; and (iv) the establishment and renovation of our direct sales Chinese medicine dispensaries in approved hospitals and medical institutions in the PRC’*;
4. Approximately 15 percent, that is about \$HK\$43.30 million, *‘will be used to fund for the development and launch of the following two new PCM (Proprietary Chinese Medicines) products, including: (i) completion of the required clinical trials in the PRC; (ii) new product registrations in Hong Kong and the PRC; and (iii) relevant testing, sampling and project management’*; and,
5. Approximately 10 percent, that is about \$HK28.90 million, *‘will be used for our working capital and other general corporate purposes’*.

### **The Business of PuraPharm Corporation**

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