

**CHINA RESOURCES PHARMACEUTICAL GROUP LTD:
ONE MAY WELL QUESTION THE COMPETENCE
OF SENIOR MANAGEMENT**

The Global Offering of Shares of China Resources Pharmaceutical Group Ltd () (Code: 3320, Main Board, The Stock Exchange of Hongkong Ltd) is, just about, guaranteed to be a success in terms of the 1,543,141,500 Shares on Offer because, among other things, prior to the publication and dissemination of the Global Offering Prospectus, dated October 17, 2016, Management had entered into eight Cornerstone Investment Agreements.

In aggregate, these eight Cornerstone Investments agreed to spend about \$HK7,101,500,000 in purchasing Shares on Offer.

That amount of money is equivalent to about 50.82 percent of the total amount of money, expected to be raised from this **Initial Public Offering (IPO)**, on the assumption that the Offer Price Per Share is \$HK9.30, being the midpoint of the Indicative Offer Price Per Share, ranging from a low of \$HK8.45 to a high of \$HK10.15.

(More about the Cornerstone Investors, later on in this analysis.)

The IPO of China Resources Pharmaceutical Group Ltd

A total of 1,543,141,500 Shares were put on the (auction) block for investors to consider, with 77,158,000 Shares, being Offered to investors of the Hongkong Special Administrative Region (HKSAR) and 1,465,983,500 Shares, reserved for International Investors (which included the commitments of the eight Cornerstone Investors).

At Pages 400 to 402 of the Global Offering Prospectus, one is informed how the net proceeds from the Global Offering are intended to be utilised:

1. Approximately, 45 percent of the net proceeds, that is about \$HK\$6,288,400,000, ‘*is expected to be used for making strategic acquisitions to expand our pharmaceutical manufacturing and pharmaceutical distribution businesses*’;
2. Approximately, 15 percent of the net proceeds, that is about \$HK\$2,096,100,000, ‘*is expected to be used for establishing more advanced logistics centers and warehouses in China for our pharmaceutical distribution business*’;
3. Approximately, 10 percent of the net proceeds, that is about \$HK\$1,397,400,000, ‘*is expected to be used for investment in our research and development platform to enhance our research and innovation capabilities and promote cooperation with research partners to jointly develop new products and optimize our product portfolio*’;
4. Approximately, 10 percent of the net proceeds, that is about \$HK\$1,397,400,000, ‘*is expected to be used for improving and upgrading our information technology systems to strengthen our internal control management and improve operational efficiency, particularly for our “Hospital Logistics Intelligence” and “Network Hospital Logistics Intelligence” solutions*’;

5. Approximately, 10 percent of the net proceeds, that is about \$HK\$1,397,400,000, *'is expected to be used for repaying a portion of the outstanding bonds issued by CR Pharmaceutical Holdings (China Resources Pharmaceutical Holdings Company Ltd [], a company, domiciled in the People's Republic of China (PRC) and being a wholly owned subsidiary of China Resources Pharmaceutical Group Ltd), which bear a fixed annual interest rate of 2.9% and will mature on January 20, 2017. We primarily used the proceeds from the bonds for working capital needs';* and,
6. Approximately, 10 percent of the net proceeds, that is about \$HK\$1,397,400,000, *'is expected to be used for working capital and general corporate purposes.'*

The Business of China Resources Pharmaceutical Group Ltd

China Resources Pharmaceutical Group Ltd makes the claim of being, inter alia, a leading pharmaceutical company in the PRC, proper, being separate and distinct from the HKSAR of the PRC.

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