

TARGET

Intelligence Report

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INNOCARE PHARMA LTD:
THE QUICKEST WAY TO LOSE MONEY –
AT THE HAPPY VALLEY RACE TRACK;
AT ONE OF THE MACAU CASINOS; OR,
BUYING SHARES IN THIS COMPANY ?

A total of eight pages of the 552-Page Global Offering Prospectus of InnoCare Pharma Ltd () (Code: 9969, Main Board, The Stock Exchange of Hongkong Ltd) were dedicated to warning prospective investors of the Company's many extant and prospective continuing weaknesses and the very likelihood that these weaknesses might well continue for some time to come into the foreseeable future.

These somewhat definitive warnings, numbering 10 in all, were contained under that section of the Global Offering Prospectus, labelled '**RISK FACTORS**':

1.

'We have incurred significant net losses and net operating cash outflows since our inception, and we anticipate that we will continue to incur net losses and net operating cash outflows for the foreseeable future and may never become profitable. Investors are at risk of losing substantially all of their investments in our Shares.'

2. *‘We had net operating cash outflow during the Track Record Period.’*
3. *‘We may need additional capital to meet our operating cash requirements, and financing may not be available on terms acceptable to us, or at all.’*
4. *‘We have a limited operating history, which may make it difficult to evaluate our current business and predict our future performance. The risks involved in our business may cause potential investors to lose substantially all of their investment in our business.’*
5. *‘We will need to obtain additional financing to fund our operations, and if we are unable to obtain such financing, we may be unable to complete the development and commercialization of our primary drug candidates.’*
6. *‘We incurred net current liabilities and net liabilities during the Track Record Period, and may continue to have net liabilities going forward, which can expose us to liquidity risk.’*
7. *‘Clinical drug development involves a lengthy and expensive process with an uncertain outcome, and results of earlier studies and trials may not be predictive of future trial results.’*
8. *‘Our drugs may cause undesirable side effects.’*
9. *‘We have no experience in launching and marketing drug candidates. If we are unable to maintain sufficient marketing and sales capabilities, we may not be able to generate product sales revenue.’*
10. *‘Because we do not expect to pay dividends in the foreseeable future after the Global Offering, you must rely on price appreciation of our Shares for a return on your investment.’*

However, despite the aforementioned warnings, the flotation of the shares of this Company were hotly received by investors of the **Hongkong Special Administrative Region (HKSAR)** of the **People’s Republic**

of China (**PRC**).

The Initial Public Offering (IPO) Of InnoCare Pharma Ltd

On Wednesday, March 11, 2020, Management of InnoCare Pharma Ltd launched its Global Offering Prospectus in the HKSAR.

The Company Offered a total of 250,324,000, \$US0.000002 Offer Shares at the Indicative Offer Price Per Share, ranging from a low of \$HK8.18 to a high of \$HK8.95.

Investors of the HKSAR were given the opportunity to subscribe to 25,034,000 Offer Shares (the HKSAR Offer Shares tranche) while International Investors – Institutional Investors, Professional Investors and select, Well-Heeled Investors along with their corporate entities in which this class of Investor had equity control – were induced to subscribe to 225,290,000 Offer Shares (the International Offering Shares tranche).

On Friday, March 20, 2020, Management of InnoCare Pharma Ltd announced that the Offer Price Per Share had been struck at \$HK8.95, at the zenith of the Indicative Offer Price range.

Management, also, stated that it envisaged, netting about \$HK2,093.08 million from the Global Offering.

As to the HKSAR Offer Shares tranche, it was stated, in the March 20 Announcement in respect of the Offer Price Per Share and the Allotment Results, that this tranche had *‘been very significantly over-subscribed.’*

A total of 132,798 valid applications had been received from investors in respect of the purchases of 7,478,826,000 HKSAR Offer Shares, representing approximately 298.75 times the total number of 25,034,000 Shares, initially available under the Shares tranche.

With regard to the International Offering Shares tranche, one was told that it had been *‘significantly over-subscribed’* and that there had been an over-allotment of 37,548,000 Offer Shares.

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