

**U-RIGHT INTERNATIONAL HOLDINGS LTD :
ARE THE BANKERS SQUEEZING THE COMPANY ?**

It seems only too obvious that one of the latest companies to go public on the Main Board of The Stock Exchange of Hongkong Ltd is doing so because its debts are getting to be more than a little bit of a drag.

The company is U-RIGHT International Holdings Ltd, designated Code 627, whose shares are due to start trading on Monday, November 13.

According to the Prospectus of the Company, as at August 31, 2000, the U-RIGHT Group of Companies *'had outstanding borrowings of approximately \$85.6 million. The borrowings comprised secured bank overdrafts of approximately \$19.4 million, secured bank loans of approximately \$33.4 million, unsecured other loans of approximately \$0.5 million, unsecured bank loans of approximately \$19.8 million, secured trust receipt loans of approximately \$10.9 million, and outstanding obligations under finance leases of approximately \$1.6 million.'* (Page 70)

Debts of \$HK85.60 million would mean next to nothing to a company, having assets of, say, \$HK1 billion, but, in this case, U-RIGHT, a Company, engaged in the design, manufacture, distribution and sales of men's and ladies' casual wear for the markets of the Hongkong Special Administrative Region (HKSAR) of the People's Republic of China (PRC) and the PRC, proper, it is a huge cross to bear.

Especially when one stacks the debt against fixed assets, having a market value of about \$HK52 million, as at today's date, with Total Assets of just about \$HK95 million, as at March 31, 2000.

U-RIGHT is coming to the market, cap in hand, asking for about \$HK55 million, gross, coming down to \$HK45 million, net of all expenses, by issuing 68.75 million, 10-cent new shares at a Premium of 70 cents per share.

It is a small flotation, to be sure, and one cannot help but wonder as to the logic behind the flotation, especially when one notes that about 18 percent of the money, raised in this exercise, is going into the pockets of those parties that put the flotation together on behalf of the Principal Shareholders.

The money is being raised for the following purposes:

1. \$HK15 million for expansion of the Group's retail network by establishing another 8 new outlets in the HKSAR and refurbishing existing outlets;
2. \$HK5 million to be used for further development of the Group's point-of-sale system and to try to obtain ISO9000 qualifications;
3. \$HK11 million to be used to expand the Group's distribution network in the PRC;
4. \$HK5 million to retire some bank borrowings; and,
5. \$HK9 million to be used as additional working capital.

That is the story, according to the Prospectus, but it appears to TARGET that, more than likely, the Company's bankers would feel much more secure, knowing that their borrower's shares could be turned into cash on an HKSAR Recognised Stock Exchange, as The Stock Exchange of Hongkong Ltd is deemed to be.

The Company's bankers are:

The Hongkong and Shanghai Banking Corporation Ltd
Bank of China

The China and South Sea Bank Ltd
Shanghai Commercial Bank Ltd

TARGET's contention, that the Company's debts are, probably, becoming top heavy, everything considered, is borne out by looking at the trading record ... [CLICK TO ORDER FULL ARTICLE](#)

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