

**SENYUAN INTERNATIONAL HOLDINGS LTD:  
THIS COMPANY PROBABLY WENT PUBLIC  
IN ORDER TO ALLAY THE FEARS OF ITS BANKERS**

Whenever a company determines to expand its manufacturing base and/or infrastructure, materially, that is when that company may become vulnerable because bank borrowings, usually, have to be increased and this, normally, leads to somewhat of a drain on existing cash-flows, not to mention making provisions for the repayment of the principal amount of the loan(s).

This, to some extent, at least, appeared to have been a major reason behind the flotation of Senyuan International Holdings Ltd on the Main Board of The Stock Exchange of Hongkong Ltd at the end of June when this Company raked in about \$HK75.10 million from the investing public.

This Company, now known by Stock Code Number 3333, Main Board, The Stock Exchange of Hongkong Ltd, which is engaged in the manufacture of vacuum circuit breakers (VCBs) and other switchgear, operates exclusively in the People's Republic of China (PRC) and has been in business since 1997.

Currently, it is engaged in constructing a new plant and office building in the Jiangsu Province of the PRC on a site area of about 65,100 square metres.

The Capital Value of this project is said to be about 75 million renminbi (about \$HK70.75 million).

In order to finance this project, in the past Financial Year, ended December 31, 2004, it had to enlarge its borrowings very substantially, as will become evident, later on in this financial analysis.

**The Flotation**

Senyuan International pitched its story on June 28, 2005, when it Offered a total of 76.25 million, 10-cent Shares at a Premium of \$HK1.08 per Share.

Of the 76.25 million Shares on Offer, the Public Offer tranche was 7,625,000 Shares, the remaining 68,625,000 shares, being Placed with institutional investors.

After the applications for the Shares were counted, the Public Offer tranche was seen to have been oversubscribed by a little more than 2 times, with the Company describing the Placing tranche as being '*moderately over-subscribed*'.

Having been able to achieve Stage One of the exercise, that is obtaining a cash injection of about \$HK75.10 million, it is the intention of Management to use the net proceeds for the following purposes:

1. \$HK51.90 million to be used for research and development of new products as well as provide funding for the acquisition of production machinery and testing equipment;
2. \$HK3.30 million to be used to finance the final stage of the construction of the Company's new factory at Jiangsu Province;

3. \$HK12 million to retire some bank loans, which are due to be repaid in August, at any rate;
4. \$HK3.60 million to be used to finance the establishment of a testing laboratory; and,
5. \$HK4.20 million to be used as Working Capital.

Long term, according to Page 145 of the Prospectus, this Company plans *'to grow through acquisitions or formation of joint ventures with other manufacturers in our industry.'*

However, to date, no target company or companies has been found, this section of the Prospectus states.

Turning to the matter of Point Number 3 above, at Page 127 of the Prospectus, it is stated that, as at April 30, 2005, Senyuan International had total outstanding borrowings of about 84.80 million renminbi (about \$HK80 million), all of which are short-term loans and all of which are repayable on or before the end of January 2006. That is ... [CLICK TO ORDER FULL ARTICLE](#)

***While TARGET makes every attempt to ensure accuracy of all data published, TARGET cannot be held responsible for any errors and/or omissions.***

*If readers feel that they would like to voice their opinions about that which they have read in TARGET, please feel free to e-mail your views to [editor@targetnewspapers.com](mailto:editor@targetnewspapers.com) or [targnews@hkstar.com](mailto:targnews@hkstar.com). TARGET does not guarantee to publish readers' views, but reserves the right so to do subject to the laws of libel.*