

**YOUYUAN INTERNATIONAL HOLDINGS LTD:
THIS IS A TISSUE, PAPER-MAKING COMPANY,
WITH MANAGEMENT,
APPLYING THE MENTALITY OF A FISHMONGER'S SHOP**

Not that it is, or could, in the short term, be a major problem for the company, but it is, nevertheless, fact that, within a period of just 3 months, Youyuan International Holdings Ltd () (Code: 2268, Main Board, The Stock Exchange of Hongkong Ltd) found it necessary to increase bank borrowing by 45 million renminbi to the record level of 568 million renminbi.

This is shown in the Global Offering Prospectus of the Company, dated May 14, 2010.

At Page 210 of this Prospectus, it is shown that all of the 45 million renminbi was required for what is commonly known in the parlance of bankers as bridge financing.

The following is lifted from this Page of the Global Offering Prospectus and requires no further comment from this medium:

	<u>As of 31 December</u>			<u>'As at</u> <u>31 March</u>
	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
	<u>(RMB in MN)</u>	<u>(RMB in MN)</u>	<u>(RMB in MN)</u>	<u>(RMB in MN)</u>
				<i>(unaudited)</i>
Secured bank borrowings	128.0	286.5	403.0	448.0
Unsecured bank borrowings	<u>166.0</u>	<u>24.5</u>	<u>120.0</u>	<u>120.0</u>
Total.	<u>294.0</u>	<u>311.0</u>	<u>523.0</u>	<u>568.0</u>
<i>The amount is repayable as follows:</i>				
Within one year.	294.0	311.0	182.8	200.9
More than one year, but not exceeding				
two years	—	—	71.3	98.4
More than two years, but not exceeding				
five years	—	—	<u>268.9</u>	<u>268.7</u>
Total.	<u>294.0</u>	<u>311.0</u>	<u>523.0</u>	<u>568.0</u>

The sum of 568 million renminbi, in terms of the Turnover of this Company with regard to the 2009 Financial Year, ended December 31, is equivalent to about 78 percent.

So one could state that the indebtedness of Youyuan International Holdings Ltd, as at March 31, 2010, is material and is significant.

The Flotation

Youyuan International Holdings Ltd is Offering 250 million, 10-cent Shares at an Offer Price, ranging from \$HK2.58 per Share and \$HK3.38 per Share.

At the midway point of \$HK2.98 per Share, the Company will net about \$HK677.90 million, that amount of money to be utilised as follows:

- a. About \$HK305.10 million, or about 45 percent of the net proceeds of this **Initial Public Offering (IPO)**, will be earmarked for the purchase of new machinery and other equipment, relating to new production facilities;
- b. About \$HK271.20 million, or about 40 percent of the net proceeds of the IPO, will be earmarked for the construction of a new plant and supporting facilities;
- c. About \$HK67.70 million, or about 10 percent of the net proceeds of the IPO, will be earmarked for boosting the Working Capital of the Company; and,
- d. About \$HK33.90 million, or about 5 percent of the net proceeds of the IPO, will be earmarked for marketing expenses.

Not a penny of the net proceeds ... [CLICK TO ORDER FULL ARTICLE](#)

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