

**JIAYUAN INTERNATIONAL GROUP LTD:
THIS COMPANY'S FUTURE SUCCESS IS QUESTIONABLE**

With an historic, record level of debt, amounting to 6,136,660,000 renminbi (about \$HK7,308,762,060), as at December 31, 2015, Jiayuan International Group Ltd () (Code: 2768, Main Board, The Stock Exchange of Hongkong Ltd) has pitched a Global Offering of Shares in an attempt to bag somewhere in the region of \$HK835 million.

However, according to the Global Offering Prospectus, dated February 26, 2016, not a penny of the net proceeds will be used to retire any of the Company's massive debt load.

Jiayuan International is a '*property developer of large-scale residential complexes and integrated commercial complex projects in the Jiangsu Province*' of the People's Republic of China (PRC), according to Page 126 of the Global Offering Prospectus.

It is Offering a total of 450 million, one-cent Shares at the Indicative Offer Price Per Share, ranging from a low of \$HK1.49 to a high of \$HK2.48.

At the midpoint of the Indicative Offer Price Per Share, being \$HK1.99, Management estimates that it will be able to net about \$HK834.90 million.

This seemingly modest amount of money, compared with the massive debt load of the Company, is intended to be utilised for the following purposes:

1. '*Up to 60%, or approximately HK\$500.9 million, of the net proceeds is expected to be used as the construction costs for the development of our existing property development projects, namely Zijin Mansion and Jiayuan New World*' ...;
2. '*Up to 30%, or approximately HK\$250.5 million, of the net proceeds is expected to be used as the land acquisition and construction costs of our potential property development projects and acquisition of land reserves by seeking and acquiring land parcels in cities in which we are currently operating and plan to expand. As at the Latest Practicable Date (February 17, 2016), our Directors confirm that we had not identified any specific projects or lands for acquisition*'; and,
3. '*Up to 10%, or approximately HK\$83.5 million, of the net proceeds is expected to be used for general working capital purposes.*'

Two paragraphs down from the above, proposed three utilisations of the net proceeds from this cash-raising exercise, at Page 339, one reads:

'To the extent that the net proceeds from the Global Offering are not immediately required for the above purposes or if we are unable to effect any part of our future development plans as intended, we intend to hold such funds in short-term deposits with licenced banks and/or authorised financial institutions for so long as it is in our best interests.'

While the above statement has become standard in many prospectuses of Initial Public Offerings (IPOs),

lodged in the Hongkong Special Administrative Region (HKSAR) of the PRC, these days, one cannot help but ponder whether or not the lion's share of the net proceeds from this Global Offering will end up, sitting in the Company's bankers' coffers, offering them more than a modicum of comfort in these difficult times, especially in the PRC where equity prices have been under siege for many months, now.

The Business of Jiayuan International Group Ltd

Jiayuan International, as already stated, is in the business of developing large-scale residential estates in the PRC, proper, being separate and distinct from the HKSAR of the PRC.

The Company is only 13 years old, having been the brainchild of Mr Shum Tin Ching (), also known by the alias of Mr Shen Yu Xing ().

In ... [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. TARGET
does not guarantee to publish readers' views, but reserves the right so to do subject to the
laws of libel.*