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## **YOUYUAN INTERNATIONAL HOLDINGS LIMITED**

**優源國際控股有限公司**

*(incorporated in the Cayman Islands with limited liability)*

*(Stock Code: 2268)*

### **PROPOSED ISSUE OF ONE YEAR HIBOR PLUS 3.62% GUARANTEED NOTES IN THE PRINCIPAL AMOUNT OF UP TO US\$50,000,000 DUE 2019 AND DISCLOSURE PURSUANT TO RULE 13.18 OF THE LISTING RULES**

#### **PROPOSED ISSUE OF THE NOTES**

On 11 October 2017 (after trading hours), the Company entered into the Subscription Agreement with the Investor, with the Guarantor joined in as guarantor, pursuant to which the Investor conditionally agreed to subscribe, and the Company conditionally agreed to issue the Notes in the aggregate principal amount of up to US\$50,000,000, upon satisfaction or waiver of the Conditions Precedent on the principal terms and conditions set out below.

The Notes will bear interest at the rate of one year HIBOR plus 3.62% per annum on the outstanding principal amount of the Notes.

The Company intends to use the net proceeds from the issue of the Notes for or in connection with the acquisition of the equity interest in Xin Wing Enterprises Limited as disclosed in the circular of the Company dated 25 May 2017 and as general working capital of the Group.

Mr. Ke Wentuo, who is the Chairman, an executive Director and a controlling shareholder of the Company, agreed to guarantee in favour of the Investor, the due and punctual performance of all obligations of the Company under the Subscription Agreement, the Notes and the other Transaction Documents.

No application will be made for the listing of the Notes on the Stock Exchange or any other stock exchange.

The Subscription is conditional upon satisfaction or waiver of the Conditions Precedent, brief particulars of which are set out in “**The Subscription Agreement — Conditions Precedent**” in this Announcement.

**The Subscription may or may not proceed to completion. Shareholders and potential investors should exercise caution when dealing in the Shares.**

## **PROPOSED ISSUE OF THE NOTES**

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## **THE SUBSCRIPTION AGREEMENT**

**Date:** 11 October 2017.

**Parties:**

- (1) the Company, as issuer of the Notes;
- (2) the Investor, as subscriber of the Notes; and
- (3) the Guarantor, as guarantor.

To the best of the knowledge, information and belief of the Directors and having made all reasonable enquiry, the Investor and its ultimate beneficial owner are Independent Third Parties.

**Subscription of the Notes:** Pursuant to the Subscription Agreement, the Company will, subject to the Conditions Precedent, issue the Notes to the Investor in the aggregate principal amount of up to US\$50,000,000 for cash.

## **Conditions Precedent**

Closing of the subscription and issuance of the Notes are conditional upon fulfilment of the following principal conditions no later than the Long Stop Date:

- (1) the Investor having performed and completed its due diligence review, checking and approval;
- (2) the representations and warranties of the Company and the Guarantor contained in the Transaction Documents being true, accurate and correct and not misleading;
- (3) the Company and the Guarantor have not failed to perform any of their obligations under any of the Transaction Documents and no Event of Default is continuing or would result from the proposed issue by the Company of the Notes to the Investor;
- (4) the trading of the Shares is not suspended;
- (5) the Guarantor is and remains (i) beneficially (directly or indirectly) interested in at least 30% of the issued Shares of the Company and the single largest Shareholder; and (ii) the Chairman and executive Director; and
- (6) the equity attributable to owners of the Company (“**Equity Attributable to Shareholders**”) and the ratio of the total asset value of the Company to the Equity Attributable to Shareholders shall not be lower than RMB2,800,000,000 and more than 2.7:1, respectively, as shown in its unaudited financial statements for the interim period of six months ended 30 June 2017.

## **Closing**

Closing of the issue and subscription of the Notes shall take place on a date no later than the 3rd Business Day after the fulfilment or waiver of the Conditions Precedent or at such other date as the Company and the Investor may agree in writing.

## **Termination**

The Subscription Agreement will be terminated if the Conditions Precedent are not fulfilled or (as the case may be) waived in accordance with the Subscription Agreement by the Long Stop Date.

If any of the Conditions Precedent have not been fulfilled or waived by the Investor on or before the Long Stop Date, the Subscription Agreement shall lapse immediately and be of no further effect and none of the parties to the Subscription Agreement shall have any claim against or liability or obligation to the other party under the Subscription Agreement save for any rights or obligations which may accrue prior to the date of such termination.

### **Guarantee by the Guarantor**

The obligations of the Company under the Subscription Agreement, the Notes and the other Transaction Documents are guaranteed by the Guarantor.

### **Use of proceeds**

The net proceeds from the issue of the Notes shall be used by the Company for or in connection with the acquisition of the equity interest in Xin Wing Enterprises Limited as disclosed in the circular of the Company dated 25 May 2017 and as general working capital of the Group.

## **PRINCIPAL TERMS OF THE NOTES**

The principal terms of the Notes are summarised below:

<b>Principal amount:</b>	Up to US\$50,000,000.
<b>Issue price:</b>	100% of the principal amount of the Notes.
<b>Form and denomination:</b>	The Notes will be issued in registered form and in the denomination of US\$5,000,000 each.
<b>Maturity Date:</b>	The second anniversary of the Issue Date (“ <b>First Maturity Date</b> ”).

The First Maturity Date may be extended to the third anniversary of the Issue Date (“**Extended Maturity Date**”) if agreed to by the Company and the Noteholders by the Company giving not less than 60 days notice in writing to the Noteholders.

**Interest:** One year HIBOR for Hong Kong dollars plus 3.62% per annum on the principal amount of the Notes from time to time outstanding, payable once every six months in arrears accruing from the Issue Date on the basis of a 360-day year, with the last payment of interest to be made on the First Maturity Date or if extended, the Extended Maturity Date.

**Default Interest:** 18% per annum on all amount overdue from the due date for payment up to and including the date of full payment in addition to the interest on the principal amount due under the Notes.

18% per annum on the principal amount of the Notes outstanding from the date of occurrence of an Event of Default (other than non-payment of principal and/or interest) until the date when the relevant Event of Default ceases to exist in addition to the interest on the principal amount due under the Notes.

**Redemption:**

**No early redemption:**

The Notes may not be redeemed by the Company at any time prior to the First Maturity Date or if extended, the Extended Maturity Date.

**Redemption at Maturity:**

Unless previously redeemed, purchased or cancelled, the Company shall redeem the Notes on the First Maturity Date or if extended, the Extended Maturity Date at:

- its outstanding principal amount together with outstanding interest thereon up to the First Maturity Date or if extended, the Extended Maturity Date;
- any other outstanding amount due but unpaid under the Notes; and

- an amount that would make up an aggregate internal rate of return on the relevant amount of the Notes at 6.5% per annum thereon (having included the interest and other fees paid but excluding all default interest (whether accrued, paid or unpaid)) calculated from the Issue Date to and including the First Maturity Date or if extended, the Extended Maturity Date.

**Redemption upon Event of Default:**

If an Event of Default exists and a written notice is served by a Noteholder on the Company to demand payment of all or such part of the outstanding principal amount of the relevant Note, the Company shall redeem the relevant Note at:

- all or such part of the outstanding principal amount of the relevant Note together with interest thereon up to the date of redemption;
- any other outstanding amount due but unpaid under the relevant Note; and
- an amount that would make up an aggregate internal rate of return on the relevant portion of the principal amount of the Note at 24.5% per annum (having included the interest paid, all fees and default interest (whether accrued, paid or unpaid)) calculated from the Issue Date to and including the actual date of payment.

**Events of Default:**

Among other customary events of default provisions as provided in the Notes, set out below are the principal events of default under the Notes:

- (1) the Guarantor fails to register the Guarantee in accordance with the relevant laws and regulation of the People's Republic of China;
- (2) the Shares cease to be listed or admitted to, or are suspended for trading on the main board of the Stock Exchange;
- (3) there is a Change of Control;

(4) the Equity Attributable to Shareholders and the ratio of the total asset value of the Company to the Equity Attributable to Shareholders shall be lower than RMB2,800,000,000 and more than 2.7:1;

**Ranking of the Notes:** The Notes constitute direct, unsecured, unconditional, unsubordinated, unconditional and guaranteed obligations of the Company and shall at all times rank pari passu and without any preference or priority among themselves. The payment obligations of the Company under the Notes shall, save for such exceptions as may be provided by mandatory provisions of applicable laws, at all times rank at least equally with all of the Company's other present and future direct, unsecured, unsubordinated and unconditional obligations.

**Transferability of the Notes:** The Notes may not be assigned or transferred by its Noteholder to any connected person of the Company.

**Listing:** No application has been or will be made for the listing of the Notes on the Stock Exchange or any other stock exchange.

## **REASON FOR, AND BENEFITS OF, THE ISSUE OF THE BONDS**

The principal activity of the Company is investment holding, and through its subsidiaries, is principally engaged in the business of manufacturing and trading of wrapping tissue paper, wall paper backing paper, copy paper and other specialty paper products, and manufacturing and distribution of wallpaper products.

Given (i) no security is required other than the Guarantee by the Guarantor; and (ii) the issue of the Notes represented an opportunity for the Company to strengthen its financial position by providing flexibility to the Group in its deployment of working capital for other business operation, the Directors consider that the terms and conditions of the Subscription Agreement and the transactions contemplated thereunder (including the issue of the Notes), which were arrived at after arm's length negotiations between the Company and the Investor, are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

## **USE OF PROCEEDS**

The gross proceeds from the Subscription would be up to US\$50,000,000. Assuming subscription in full of the Notes, the net proceeds from the Subscription, after deducting all fees and expenses, including professional fees, are estimated to be approximately US\$49,400,000 (equivalent to approximately HK\$385,320,000). The net proceeds of the Subscription are intended to be used by the Company for or in connection with the acquisition of the equity interest in Xin Wing Enterprises Limited as disclosed in the circular of the Company dated 25 May 2017, the subsidiaries of which are engaged in the manufacturing and distribution of wallpaper products and as general working capital of the Group.

## **INFORMATION OF THE INVESTOR**

The Investor is a limited liability company incorporated under the laws of the British Virgin Islands. It is indirectly and wholly-owned by CCB International (Holdings) Limited (“CCBI”). CCBI is an investment services flagship which is indirectly and wholly-owned by China Construction Bank Corporation, a joint-stock company incorporated in the People’s Republic of China and listed on the main board of the Stock Exchange (stock code: 0939) and the Shanghai Stock Exchange (stock code: 601939).

## **THE GUARANTEE — LISTING RULES’ REQUIREMENTS AND DISCLOSURE PURSUANT TO RULE 13.18 OF THE LISTING RULES**

### **Listing Rules’ requirements**

Mr. Ke Wentuo, agreed to guarantee in favour of the Investor, the due and punctual performance of all obligations of the Company under the Subscription Agreement, the Notes and other Transaction Documents. The giving of the Guarantee by the Guarantor, who is an executive Director and a controlling shareholder of the Company and a connected person of the Company, in favour of the Investor for securing the obligations of the Company constitutes financial assistance by a connected person for the benefit of the Company under Chapter 14A of the Listing Rules. The Company will not provide any security to the Guarantor for the Guarantee. The Directors considered that the provision of the Guarantee by the Guarantor is on normal commercial terms or better and is fully exempt from the reporting, announcement, annual review and independent shareholders’ approval requirements under Chapter 14A of the Listing Rules.



## **Disclosure pursuant to Rule 13.18 of the Listing Rules**

Under the Transaction Documents, Mr. Ke Wentuo, as the guarantor, will undertake to maintain his status as the single largest shareholder of the Company holding not less than 30% Shares in the Company and remain as a Director and the Chairman of the Company and at all times during the subsistence of the Transaction Documents (collectively, the “**Specific Performance Obligations**”). A breach of the Specific Performance Obligations will constitute an event of default under the Notes which would entitle the Noteholders to require the Company to redeem the Notes.

The Company will make continuing disclosure in its subsequent interim and annual reports for so long as the Specific Performance Obligation continues to exist pursuant to the requirements of Rule 13.21 of the Listing Rules.

The Subscription is conditional upon satisfaction or waiver of the Conditions Precedent, brief particulars of which are set out in “**The Subscription Agreement — Conditions Precedent**” in this Announcement.

**The Subscription may or may not proceed to completion. Shareholders and potential investors should exercise caution when dealing in the Shares.**

## **DEFINITIONS**

In this announcement, unless the context otherwise required, the following terms and expressions have the following meanings when used herein.

“Board”	the board of Directors
“Business Day”	a day other than Saturday, Sunday and public holiday on which commercial banks are open for business in Hong Kong
“Change of Control”	the Guarantor ceases to be (i) beneficially (directly or indirectly) in more than 30% Shares in the Company and the single largest shareholder of the Company; and (ii) an executive director and the Chairman of the Company

“Closing”	completion of the issue and subscription of the Notes in accordance with the terms and conditions of the Subscription Agreement
“Closing Date”	the date scheduled for Closing, being the 3rd Business Day after the fulfilment of the Conditions Precedent or (as the case may be) waiver thereof or such other date as the Company and the Investor may agree in writing
“Company”	Youyuan International Holdings Limited (優源國際控股有限公司), an exempted company incorporated under the laws of the Cayman Islands whose issued Shares are listed on the main board of the Stock Exchange
“Conditions Precedent”	the conditions precedent to Closing, brief particulars of which are set out in “ <b>The Subscription Agreement — Conditions Precedent</b> ” in this announcement
“connected person”	has the same meaning ascribed to it under the Listing Rules
“controlling shareholder”	has the same meaning ascribed to it under the Listing Rules
“Directors”	the directors of the Company
“Extended Maturity Date”	has the meaning as defined in “ <b>Principal terms of the Notes — Maturity Date</b> ” in this announcement
“Event of Default”	the event of default as specified in the Notes Instrument, the principal ones are set out in “ <b>Notes — Event of Default</b> ” in this announcement
“First Maturity Date”	has the meaning as defined in “ <b>Principal terms of the Notes — Maturity Date</b> ” in this announcement
“Group”	the Company and its subsidiaries from time to time

“Guarantee”	the guarantee to be given by the Guarantor in favour of the Investor
“Guarantor”	Mr. Ke Wentuo, the Chairman, an executive Director and a controlling shareholder of the Company
“HIBOR”	the Hong Kong Interbank Offered Rates, being the rates of interest for Hong Kong dollars deposit for the relevant period (except Saturdays and general holidays) calculated by the Hong Kong Association of Banks each day
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Third Party”	party who is not a connected person of the Company and is independent of the Company and its connected persons
“Investor”	Cheer Hope Holdings Limited, a company incorporated in the British Virgin Islands with limited liability and the subscriber of the Notes
“Issue Date”	the date of the issue of the Notes
“Long Stop Date”	31 October 2017 (or such later date as may be agreed by the Company, the Investor and the Guarantor), being the date for fulfilment or (as the case may be) waiver of the Conditions Precedent
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Notes”	the one year HIBOR plus 3.62% guaranteed Notes in the principal amount of up to US\$50,000,000 due 2019 proposed to be issued by the Company to the Investor pursuant the Subscription Agreement upon Closing, or as the context may require, any portion of it
“Notes Certificate”	the definitive certificate in respect of the Notes
“Notes Instrument”	means the terms and conditions to be endorsed to the Notes, on and subject to which the Notes are to be issued

“Noteholders”	a person who is for the time being registered as the holder of the Notes in the register of Noteholders maintained by the Company
“Shares”	ordinary shares of par value of HK\$0.10 each in the share capital of the Company
“Shareholder”	the holder of any one or more Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription”	the subscription of the Notes by the Investor in accordance with the terms of the Subscription Agreement
“Subscription Agreement”	the conditional subscription agreement dated 11 October 2017 entered into between the Company and the Investor, with the Guarantor joined in as guarantor, in respect of the subscription of the Notes
“Transaction Documents”	the Subscription Agreement, the Notes Instrument, the Notes Certificates, the Guarantee and any other documents designated in writing as such by the Company and the Investor
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“US\$”	the lawful currency of the United States of America
“%”	per cent.

*The translation of US\$ into HK\$ throughout this announcement is based on the exchange rate of US\$1 to HK\$7.8 and is provided for information purposes only.*

By order of the Board  
**Youyuan International Holdings Limited**  
**Ke Wentuo**  
*Chairman*

Hong Kong, 11 October 2017

*As at the date of this announcement, the executive Directors are Mr. Ke Wentuo, Mr. Ke Jixiong, Mr. Cao Xu and Mr. Zhang Guoduan and the independent non-executive Directors are Prof. Zhang Daopei, Prof. Chen Lihong and Mr. Chow Kwok Wai.*