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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)

PLACING OF BONDS

This announcement is made by Youyuan International Holdings Limited pursuant to Rule 13.09(2) of the Listing Rules and the Inside Information Provisions (as defined in the Listing Rules) under Part XIVA of the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong).

On 23 April 2019 (after trading hours), the Company entered into the Placing Agreement with the Placing Agent relating to the placing of an aggregate principal amount of up to HK\$200,000,000 of 6% fixed coupon unsecured bonds to be issued in tranches for cash.

Completion of the Placing is subject to fulfillment of the conditions precedent under the Placing Agreement and the Placing Agent's rights of termination of the Placing under the Placing Agreement. Accordingly, the Placing may or may not proceed, Shareholders and potential investors should exercise caution when dealing in the Shares.

INTRODUCTION

This announcement is made by Youyuan International Holdings Limited pursuant to Rule 13.09(2) of the Listing Rules and the Inside Information Provisions (as defined in the Listing Rules) under Part XIVA of the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong).

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The principal terms of the Placing Agreement are summarised below:

THE PLACING AGREEMENT

Date:	23 April 2019 (after trading hours)
Issuer:	The Company
Placing Agent:	Mayfair & Ayers Financial Group Limited
Bondholder:	the Placees, each of them shall not be a connected person of the Company
Aggregate Principal Amount:	Bonds in an aggregate principal amount of up to HK\$200,000,000
Issue Price:	100% of the principal amount of the Bonds for which they are issued.
Placing Period:	the period commencing from the date of the Placing Agreement and ending on the first anniversary of the date of the Placing Agreement or such other longer period as may be agreed by the Company and the Placing Agent in writing.
Placing Commission:	The Company shall pay to the Placing Agent, and authorise the Placing Agent to deduct from the payment to be made by the Placing Agent the transaction fees equal to 5% of the aggregate principal amount of the Bonds successfully placed by the Placing Agent pursuant to the Placing Agreement.

In the event that the holder of any Bond exercises the Extension Option (as defined below) in accordance with the terms of the Bonds, the Company shall pay to the Placing Agent an additional extension fee equal to 2% of the principal amount of the Bond on the second anniversary of the date of the issue of the Bonds.

The placing commission was determined after arm's length negotiation between the Company and the Placing Agent by reference to the size, the current and the expected market conditions and the time allowed for the Placing Agent to procure Placees for the Placing. The Directors are of the view that the placing commission payable for the Placing is fair and reasonable.

Closing:

Subject to the fulfillment of the conditions by the Company set out in the Placing Agreement, and the Placing Agent having served a closing notice to the Company during the Placing Period, Closing shall take place in respect of the Bonds on the Closing Date. In order to be valid, such closing notice:

- (i) shall require the issue of Bonds of an aggregate principal amount of not less than HK\$1,000,000;
- (ii) shall not specify an aggregate principal amount that when aggregated with the principal amount of Bonds then issued or required to be issued under other closing notices exceeding HK\$200,000,000;
- (iii) shall state the names and addresses of the Placees;
- (iv) shall be irrevocable, save that in the event that the conditions set out in the Placing Agreement are not fulfilled or waived (as the case may be) immediately before Closing take place and/or the Placing Agent has exercised its right to terminate the Placing Agreement, such closing notice shall be revocable and deemed to be revoked by the Placing Agent.

PRINCIPAL TERMS OF THE BONDS

Aggregate Principal Amount:	Bonds in an aggregate principal amount of up to HK\$200,000,000.
Issue Price:	100% of the principal amount of the Bonds.
Denomination:	In registered form and in the denomination of HK\$1,000,000 each.
Maturity Date:	Unless previously redeemed, purchased or cancelled, the Company shall redeem each Bond at its outstanding principal amount together with any accrued interest thereon on the second anniversary of the date of its issue (“ Maturity Date ”), which its holder have the right to extend the Maturity Date of the Bond by one year to the third anniversary of its issue date (“ Extension Option ”) by giving notice to the Company at least three months before the second anniversary of the issue date of the relevant Bond.
Interest Rate:	Six per cent. (6%) per annum on the outstanding principal amount of the Bonds, payable by the Company once every six months in arrears on 30 June and 31 December.
Default Interest Rate:	If the Company fails to pay any sum when the same becomes due and payable under the conditions of the Bonds, interest shall accrue on the overdue sum at fifteen per cent. (15%) per annum on a daily compounding basis from the due date and ending on the date on which full payment on such sum and interest is made to the holder of the Bond.
Redemption:	<u>Redemption on maturity</u> The Company shall redeem each Bond at its outstanding principal amount together with any accrued interest thereon on the maturity date or if extended, the extended maturity date.

Redemption upon event of default

Upon the happening of an event of default set out in the Bonds, any holder of the Bonds may give written notice to the Company whereupon the Bonds shall immediately become due and payable by the Company at their principal amount together with accrued and unpaid interest.

Event of Default:

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

- (1) there is a default in the payment of any principal or interest or fees due in respect of the Bonds on the due date for such payment and in the case of interest only, such default continues for a period of more than fourteen (14) Business Days;
- (2) the Company does not perform or comply with or is in material breach of one or more of its other warranties, representations, covenants or obligations in the Bonds and the Bond Instrument which default is incapable of remedy in the opinion of the holders of the Bonds or, if capable of remedy in the opinion of the holders of the Bonds, is not remedied with thirty (30) days after written notice of such default shall have been given to the Company by the holders of the Bonds;
- (3) there is a material adverse change to the business, financial condition or operations of the Company; and
- (4) the Company is solvent, bankrupt or dissolved or unable to pay its debts as they fall due.

Status: The Bonds, upon its issuance, will constitute direct, unsubordinated, unconditional and unsecured obligations of the Company and shall at all times rank pari passu in all respects and without any preference or priority among themselves.

The payment obligations of the Company under the Bonds shall at all times rank at least equally with all of the Company's other present and future unsecured and unsubordinated obligations.

Transferability: The Bonds may be transferred without the consent of the Company, however, that a Bond may not be transferred unless the principal amount of the Bonds transferred is an authorised denomination and the transferee is not a connected person of the Company.

Redemption at Maturity: The Company shall redeem each Bond at its outstanding principal amount together with any accrued interest thereon on the maturity date or if extended, the extended maturity date.

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

REASONS FOR, BENEFITS OF THE PLACING AND USE OF PROCEEDS

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 products, copy paper and other paper products.

Given no security is required, the issue of the Bonds 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 considered the terms and conditions of the Placing Agreement (including the issue of the Bonds) and the Bond Instrument are on normal commercial terms, fair and reasonable and in the interests of the Company and its Shareholders as a whole, and that the terms of the Placing Agreement (including the issue of the Bonds) and the Bond Instrument were arrived at after arm's length negotiation between, and are the respective commercial decisions of, the Company, the Placing Agent and the potential Placees.

The gross and net proceeds of the Placing will be HK\$200,000,000 and HK\$190,000,000, respectively (assuming the Bonds are placed in full). The Directors intend to apply the net proceeds of the Placing as working capital and other general corporate purposes of the Group.

Completion of the Placing is subject to fulfillment of the conditions precedent under the Placing Agreement and the Placing Agent's rights of termination of the Placing under the Placing Agreement. Accordingly, the Placing may or may not proceed, 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 shall have the following meanings when used herein:

“Board”	the board of Directors
“Bondholder(s)”	the holder(s) of the Bonds
“Bonds”	6% fixed coupon unsecured bonds to be issued by the Company in the aggregate principal amount of up to HK\$200,000,000 to be placed pursuant to Placing Agreement and to be created and constituted by the Bond Instrument
“Bond Instrument”	means the terms and conditions to be endorsed to the Bonds, on and subject to which the Bonds are to be issued

“Business Day(s)”	a day (excluding Saturday, Sunday, public holiday and any day on which a tropical cyclone warning no. 8 or above or a “black” rainstorm warning signal is hoisted or remains hoisted in Hong Kong at any time between 9 a.m. to 12 noon and is not lowered or discontinued at or before 12 noon) on which licensed banks in Hong Kong are generally open for business during their normal business hours
“Closing”	in respect of each closing notice given by the Placing Agent, the completion of the subscription of the Bonds in accordance with the terms and conditions of the Placing Agreement
“Closing Date”	in respect of each Closing, the 3rd Business Day after the date on which the relevant closing notice is given to the Company by the Placing Agent or such other date as the Company and the Placing Agent may agree
“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
“connected person”	has the same meaning ascribed to it under the Listing Rules
“Directors”	the director(s) of the Company
“Group”	the Company and its subsidiaries from time to time
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange

“Placee(s)”	any professional, institutional or other investor who is not a connected person of the Company and procured by the Placing Agent to subscribe for any Bonds pursuant to the Placing Agent’s obligations under the Placing Agreement
“Placing”	the placing of the Bonds on the basis as set out in the Placing Agreement
“Placing Agent”	Mayfair & Ayers Financial Group Limited, a corporation licensed to carry out type 1 (dealing in securities), type 2 (dealing in futures contracts), type 4 (advising on securities), type 5 (advising on futures contracts), and type 9 (asset management) regulated activities under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Placing Agreement”	the placing agreement dated 23 April 2019 entered into by the Company and the Placing Agent relating to the placing of an aggregate principal amount of up to HK\$200,000,000 of 6% fixed coupon unsecured bonds to be issued in tranches for cash
“Placing Period”	the period commencing from the date of the Placing Agreement and ending on the first anniversary of the date of the Placing Agreement or such other longer period as agreed by the Company and the Placing Agent in writing
“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

“HK\$” Hong Kong dollar, the lawful currency of Hong Kong
“%” per cent.

By Order of the Board
Youyuan International Holdings Limited
Ke Wentuo
Chairman

Hong Kong, 23 April 2019

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