

**LOGIC INTERNATIONAL HOLDINGS LTD :
THIS COMPANY MAKES LITTLE, LOGICAL SENSE**

For the past few years, it would appear that the Government of the People's Republic of China (PRC) has been indirectly subsidising the affairs of publicly listed Logic International Holdings Ltd (Code: 1193 – Main Board of The Stock Exchange of Hongkong Ltd).

The Group of Companies under the '*umbrella*' of China Resources Enterprise Ltd (Code: 291 – Main Board) owned about 38.69 percent of the Issued and Fully Paid-Up Share Capital of Logic, as at March 31, 2000, but, even with this, less-than-dominant shareholding, China Resources had absolute control of this office furniture manufacturer, nevertheless.

Since the end of the 2000 Financial Year, China Resources increased its hold on Logic to just below the 75-percent level of the Issued and Fully Paid-Up Share Capital.

On October 16, 2000, Logic made an announcement to the effect that China Resources had wrested control of the publicly listed company, via one of its subsidiaries.

The announcement was hardly necessary because, since Day One when Logic first went public on The Stock Exchange of Hongkong Ltd, in the middle of 1994, China Resources was cracking the whip over Logic Board of Directors.

TARGET's assumption, that China Resources had had control of Logic, all along, has to be the case because it has been financing Logic with tens of millions of dollars for the past few years, at least, and the money that China Resources lent to Logic was unsecured and interest free, for the most part.

From Day One, China Resources Enterprise Ltd had about 22.52 percent of the Issued and Fully Paid-Up Share Capital of Logic.

For what reason a company, controlled completely by the Government of the People's Republic of China (PRC), should want to invest in this loser, TARGET has no idea.

Clearly, there has to be some logical reason ... hopefully.

The latest missive about this loser is that China Resources is proposing to change the direction of the Company, completely.

The November 8, 2000 announcement states that the China Resources Group of Companies will pump an additional amount of about \$HK851.72 million into Logic and to turn it into a different '*animal*', completely.

The idea of pumping more money into Logic is to allow it to purchase from China Resources certain manufacturing assets, such as a plant that makes air-conditioner compressors in the PRC and another PRC plant that manufactures semiconductors.

It all makes a great deal of sense – if one appreciates shuffling PRC asset cards and dealing them around the table of companies.

The Past

The 2000 Annual Report of Logic paints a very grim picture of a once proud manufacturer of up-market office furniture, the management of which has had to bite the bullet, year after year.

China Resources has been keeping Logic's credit 'wolves' at bay for at least the past 2 Financial Years, but, following the sales of large chunks of Logic's assets, the Company has been able to clear the decks for action and is, today, debt-free.

But things are about to change, of that there can be no question.

The Annual Report of Logic for the Financial Year, ended March 31, 2000, shows that China Resources lent to Logic at least \$HK35 million, during the 2000 Year, and had lent not less than \$HK23 million to the Company, during the 1999 Year.

Note 34 of the 2000 Annual Report states:

'During the year, China Resources Enterprise, Limited ("CRE"), a substantial shareholder of the Company, through one of its subsidiaries, advanced further loans of HK\$35,000,000 (1999: HK\$23,000,000) to the Company. The loans are unsecured, interest bearing at prevailing prime rates and have no fixed terms of repayment. At March 31, 2000, the total outstanding balance of loans due to (the) substantial shareholder was HK\$74,323,340 (1999: HK\$31,000,000) and the total interest payable during the year in respect of such loans was HK\$4,007,747 (1999: HK\$928,218).'

That appears to be about right, but Page 42 of the same Report indicates that, up to October 26, 1998, shareholders of Logic were getting a free cash ride, compliments of China Resources.

Page 42 shows the outstanding balance, owed to China Resources (\$HK74,323,340), but the note at the foot of the page states:

'The amount (of \$HK74,323,340) represents loans from (the) substantial shareholder and its subsidiary, which are unsecured. The loans were interest free up to October 26, 1998, and have become interest bearing at prevailing prime rates since then.

'The loans from (the) substantial shareholder were fully repaid subsequent to March 31, 2000 and accordingly, the amount is classified as current liabilities.'

It is safe to assume that, in the past, China Resources found itself in a force majeure situation and, rather than lose everything, it kept Logic afloat with China Resources's cash.

However, one cannot help ... [CLICK TO ORDER FULL ARTICLE](#)

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