

WILL MR LI KA SHING COME TO MR RAYMOND CHAN'S RESCUE ?

Questions must, now, be asked as to whether or not the precious metals trading empire and the gold fabrication business of Mr Raymond Chan Fat Chu is in dire straits and, if so, what is the exact and true extent of the financial trouble.

Mr Raymond Chan is directly and deeply involved in not less than 5 publicly listed companies, all of which are listed on The Stock Exchange of Hongkong Ltd.

Cheung Kong (Holdings) Ltd (Code: 1, Main Board, The Stock Exchange of Hongkong Ltd) looks as though it might have to come to the rescue of Mr Raymond Chan, unless its associate company determines not to exercise its rights under an option agreement (more about that, later).

All this follows on from the filing, last week, of High Court Action Number 613 of 2001.

The Bank of East Asia Ltd (Code: 23, Main Board, The Stock Exchange of Hongkong Ltd) is seeking about \$HK3.30 million from publicly listed RNA Holdings Ltd (Code: 501, Main Board, The Stock Exchange of Hongkong Ltd) and its wholly owned subsidiary, Hing Fung Goldsmith and Refinery Ltd.

It is the relatively small amount of money, demanded by The Bank of East Asia, which is likely to cause eyebrows to be lifted – because, up until this Writ of Summons was filed in the High Court of the Hongkong Special Administrative Region (HKSAR) of the People's Republic of China (PRC), it was thought that Mr Raymond Chan's group of publicly listed companies would be able to pull through its current spate of problems.

The Statement of Claim, attached to The Bank of East Asia's Writ of Summons, alleges that Hing Fung Goldsmith and Refinery was given a line of credit by The Bank of East Asia, going back to March 19, 1999.

Paragraph 4 of the Statement of Claim alleges: *'By a Corporate Guarantee signed by the 2nd Defendant (RNA Holdings Ltd) dated 17th January 1997 (hereinafter referred to as "Guarantee"), in consideration of the Plaintiff making or continuing advance or advances or otherwise giving credit or affording banking facilities for as long as the Plaintiff saw fit to the 1st Defendant for HK\$56,200,000.00 in covering credit facilities extended to the 1st Defendant (Hing Fung Goldsmith and Refinery), the 2nd Defendant agreed to pay and satisfy the Plaintiff on demand all sums of money ...'.*

Pursuant to the Banking Facility Letter of March 19, 1999, made between The Bank of East Asia and Hing Fung Goldsmith and Refinery, and the purported Corporate Guarantee, signed by RNA Holdings in favour of The Bank of East Asia, The Bank of East Asia made cash advances to Hing Fung Goldsmith and Refinery.

As at January 19, 2001, it is alleged that Hing Fung Goldsmith and Refinery owed The Bank of East Asia \$HK3,196,152.32, the Principal Sum, plus interest of \$HK26,401.09, plus additional interest at the rate of \$HK1,050.79 per day, from January 20, 2001.

The Bank of East Asia alleges that it had written to the Defendants, but had obtained no joy ... and, more importantly, no money.

The amount of money must be the most worrying aspect of this matter (notwithstanding the poor legalese of Messrs Haldanes, solicitors for the Plaintiff) – because, relative to what had been thought to be the financial position of Chairman Raymond Chan's empire, it cannot be considered of material significance.

If, as has been suggested by innuendo in High Court Action Number 613 of 2001, the RNA Group cannot pay back the seemingly insignificant sum of \$HK3.30 million, or thereabouts, then a re-evaluation of Chairman Raymond Chan's Group of publicly listed companies would have to be undertaken ... as a matter of some urgency, one would suppose.

Certainly, the least that one could expect would be some kind of official statement to the shareholders of RNA Holdings, the shareholders of Tem Fat Hing Fung (Holdings) Ltd (Code: 421, Main Board, The Stock Exchange of Hongkong Ltd), the holding company of RNA (at least, as at April 30, 1999), and, perhaps, to the shareholders of Trasy Gold EX Ltd (Code: 8063, The Growth Enterprise Market (The GEM) of The Stock Exchange of Hongkong Ltd), a 37.74-percent associated company of RNA.

Last December 8, Trasy Gold Ex Ltd went public on The Growth Enterprise Market, raking in about \$HK67 million from the investing public.

According to TOLFIN (TARGET's On-Line, Computerised Information Service), Trasy Gold Ex Ltd is 58.46 percent owned by RNA Holdings Ltd.

RNA Holdings Ltd, in turn, was 74.20 percent owned by Tem Fat Hing Fung (Holdings) Ltd, as at April 30, 1999.

This corporate structure is thought not to have changed, as least, not as at the date of this report.

When RNA Holdings went public in November 1996, it held a 22.30-percent stake in Oriental Metals (Holdings) Company Ltd (Code: 1208, Main Board, The Stock Exchange of Hongkong Ltd) and 48.36 percent of the Issued and Fully Paid-Up Share Capital of Simsen International Corporation Ltd (Code: 993, Main Board, The Stock Exchange of Hongkong Ltd) (Simsen International was formerly known as Simsen Metals (Holdings) Ltd).

TOLFIN's records indicate that, as at today's date, RNA Holdings's equity interest in Oriental Metals has been sold, but its interest in Simsen International Corporation Ltd remains at 48.36 percent, unchanged from the November 1996 situation.

Through a complicated, cross-shareholding structure, Tem Fat Hing Fung (Holdings) is materially interested in 21.78 percent of the Issued and Fully Paid-Up Share Capital of Simsen International Corporation Ltd via RNA Holdings.

The Losses

That there are financial problems in Chairman Raymond Chan's little group of publicly listed companies is undeniable because Tem Fat Hing Fung (Holdings) has already announced that its Results for the 6 months to April 30, 2000 showed a Loss Attributable to Shareholders of about \$HK216.15 million.

In early September last year, Tem Fat Hing Fung (Holdings) sought help from merchant bankers in order to pitch a \$HK357-million, Secured Redeemable Convertible Note Issue, the Notes to bear interest at 8 percent per annum.

When Trasy Gold EX Ltd went public on The GEM, last December, it was clearly stated in the Company's Prospectus that the Net Proceeds, amounting to about \$HK67 million, would be used as to about 46 percent to retire the company's debts as well as be used for general working capital purposes.

Trasy Gold EX, claiming to be a facilitator of trading in precious metals on international markets through its own electronic trading system, has never made a nickel in profits, and had a 2-year record of losses, aggregating not less than \$HK8 million.

RNA is the immediate parent company of Trasy Gold EX, but there existed an Option Agreement with a British Virgin Islands company, Rasam Ltd.

Rasam is owned as to 49-percent by Cheung Kong (Holdings) Ltd and 49 percent by Tem Fat Hing Fung (Holdings).

Mr Li Ka Shing, the Chairman of Cheung Kong, is listed as owning 2 percent of the Issued and Fully Paid-Up Share Capital of Rasam, according to TOLFIN.

According to this Option Agreement, Rasam could take over RNA if it exercised its options under the Agreement.

Trasy Gold EX, the Prospectus states, had, as at last December, just one customer: RNA.

As at September 30, 2000, Trasy Gold EX was about \$HK11 million in debt, all of which was owed to RNA.

Trading in the shares of Trasy Gold EX was suspended on January 15, 2001, just about 35 days after it was floated on The GEM.

The reason, given for its suspension, was that negotiations were taking place between various parties in respect of the issuance of new shares and that, as a result, it may result in there being a change in beneficial ownership of Trasy Gold EX.

On February 6, there was a further announcement, restating the reason for the continuing suspension of trading in the shares of Trasy Gold EX.

(For full analysis of [Trasy Gold EX](#), please see TARGET Intelligence Report, Volume II, Number 234, published on December 8, 2000)

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