

WILL KIN DON HOLDINGS BE ABLE TO KEEP AFLOAT ?

The financial noose appears to be tightening round the proverbial neck of publicly listed Kin Don Holdings Ltd (Code: 208, Main Board, The Stock Exchange of Hongkong Ltd).

The Company has, now, been accused of not being able to pay rent of \$HK139,000 on its Wanchai offices, located at Suite 5605-5606, 56th Floor, Central Plaza, Wanchai.

A claim was laid at the doorstep of Kin Don on Monday by its landlords, Cheer City Properties Ltd and Protasan Ltd, also of Central Plaza.

The allegations, made by the Company's landlords, follows The China State Bank Ltd, Hongkong Branch, suing a wholly owned subsidiary of Kin Don Holdings: Kin Don (Group) Ltd.

The China State Bank alleges that it is owed about \$HK28.59 million by Kin Don's subsidiary, which is listed as being an outsourcing company.

The claim, lodged by The China State Bank, alleges that the bank executed a Facility Letter on November 12, 1999, and another Facility Letter was executed by the bank on September 8, 2000 in favour of Kin Don.

By virtue of these Facility Letters, the bank made a loan of \$HK15 million to Kin Don, extended overdraft facilities to the extent of \$HK18 million to the company, and issued Letters of Credit to the extent of \$HK10 million to Kin Don.

Paragraph 5 of the Statement of Claim, attached to the Writ of Summons, Number 1397 of 2001, alleges that Kin Don drew down on the Facility Letters and, as at March 19, 2001, owed \$HK28,586,877.92 to The China State Bank.

The interest clock is ticking, the bank claims, but Kin Don appears to be unable or unwilling to pay back that which is, allegedly, owed to the PRC bank.

That Kin Don has been in financial trouble for some time is hardly news because its auditors, Ernst and Young, disclaimed its opinion of the Company on November 23, 2000, in the following terms:

'Because of the significance of each of (1) the fundamental uncertainty relating to the going concern basis, and (2) the possible effects of the limitations in evidence available to us as set out in each of paragraphs 1, 3 and 5 in the basis of opinion section of this report, we are unable to form an opinion as to whether the financial statements give a true and fair view of the state of affairs of the Group and of the Company as at 30 November 1999 and of the loss and cash flows of the Group for the year then ended and as to whether the financial statements have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

'Had we not disclaimed our opinion in respect of the matters detailed above, we would otherwise have qualified our opinion in respect of each of the matters listed in paragraphs 2 and 4 in the basis of opinion section of this report and referred also to the fundamental uncertainty surrounding the Group's ability to continue as a going concern.'

For the Interim Period, ended May 31, 2000, Kin Don recorded a Net Loss Attributable to Shareholders of about \$HK94.39 million.

This was slightly better than the Net Loss for the comparable period of 1999 -- when the Company recorded a Net Loss of about \$HK42.81 million.

The Principal Activities of this Company are claimed to be an investment holding company and a manufacturer and distributor of men's garments, leather goods and accessories under the Kin Don name in the PRC. This Company is technically potentially insolvent, with Shareholders Funds of a negative value ... [CLICK TO ORDER FULL ARTICLE](#)

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