

**WHO WILL BITE THIS \$HK326-MILLION PRC ‘BULLET’ ?**

A total of 7 banks and 2 finance companies have slapped a Writ on publicly listed Northeast Electrical Transmission and Transformation Machinery Manufacturing Company Ltd (Code: 42, Main Board, The Stock Exchange of Hongkong Ltd), claiming \$US41,848,257.50 (about \$HK326.42 million).

Enjoined in this Action is Liaoning Trust and Investment Corporation, the Second Defendant, which is said to be the guarantor of the First Defendant, Northeast Electrical.

The consortium of banks, making their joint claim against Northeast Electrical, which is domiciled in the People's Republic of China (PRC), comprise:

Sumitomo Mitsui Banking Corporation – Second Plaintiff  
Bank of China, Bangkok International Banking Facility – Third Plaintiff  
The Bank of East Asia Ltd, Dalian Branch – Fourth Plaintiff  
Westdeutsche Landesbank Girozentrale, Hongkong Branch – Fifth Plaintiff  
Bank of China, Seoul Branch – Sixth Plaintiff  
The Development Bank of Singapore Ltd, Shanghai Branch – Seventh Plaintiff  
Bank of China, Shenyang Branch – Ninth Plaintiff

The 2 finance companies are:

Shanghai International Finance Company Ltd (a PRC Government company) – Eighth Plaintiff  
CCIC Finance Ltd – First Plaintiff

According to the Statement of Claim, attached to the Writ of Summons, the 9 Plaintiffs entered into a loan agreement with Northeast Electrical on May 5, 1998 whereby Northeast Electrical was granted a loan facility of up to \$US40 million in 2 tranches, both tranches, permitting drawdown of \$US20 million, each.

The Second Defendant guaranteed the loan, it is alleged.

Paragraph 19 of the Statement of Claim alleges that, by Clause 5 of the Loan Agreement, Northeast Electrical *‘shall pay to the Plaintiffs interest on the Tranche A Loan at a rate calculated in accordance with the Loan Agreement, being 7.95% per annum for the period ending 7<sup>th</sup> May, 2001, and on the Tranche B Loan at a rate calculated in accordance with the Loan Agreement, being 8.175% per annum for the period ending 7<sup>th</sup> May, 2001 ...’*.

Paragraph 26 of the Statement of Claim alleges that *‘Pursuant to the Loan Agreement, the First Defendant drew from the Plaintiffs a total amount of US\$40 million, comprising sums of US\$5 million, US\$9 million, US\$5 million, US\$5 million, US\$5 million, US\$3 million, US\$3 million, US\$3 million and US\$2 million’* from the 9 Plaintiffs.

Paragraphs 27 through to Paragraph 30, then, alleges:

*‘27. On 16<sup>th</sup> March 2001, the Plaintiffs exercised their options under clause 6.7 of the Loan Agreement and, through the First Plaintiff, served on the First Defendant a written notice to demand the First Defendant to repay in full the entire outstanding principle under the Loan together with all accrued interest and other monies outstanding in connection with the Loan, being a total sum of US \$41,632,944.44 on 7<sup>th</sup> May 2001 (“the Maturity Date”).’*

*'28. On 19<sup>th</sup> April 2001, the Plaintiffs further requested repayment of the aforesaid sum from the First Defendant on the Maturity Date.*

*'29. On 8<sup>th</sup> May 2001, the Plaintiffs served on the First Defendant a further demand for repayment of the sum of US \$41,632,944.44.*

*'30. In breach of the Loan Agreement, the First Defendant has failed to repay the Plaintiffs any of the sum as mentioned in paragraphs 27 and 29 on the Maturity Date or since.'*

The Statement of Claim gives a breakdown of how much money was lent ... [CLICK TO ORDER FULL ARTICLE](#)

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