

### CAN KIN DON HOLDINGS SURVIVE THIS ATTACK ?

Garment retailer Kin Don Holdings Ltd (Code: 208, Main Board, The Stock Exchange of Hongkong Ltd) must be feeling the pressure from its creditors, following The China State Bank Ltd, Hongkong Branch, issuing its challenge to the Company in an attempt to recover a little more than \$HK29 million.

The China State Bank's High Court Writ is the latest major attack, following Kin Don, coming into an agreement with a Cayman Islands company, Stone Church LLC, which slapped a Winding-Up Petition on Kin Don, last December.

The Stone Church Winding-Up Petition was settled just last month when Kin Don finessed a compromise agreement in order to retire the \$HK34.37-million debt, by issuing 271,471,023 New Kin Don shares at 11.55 cents per share, plus cash of a little more than \$HK3 million.

The China State Bank's claim, however, is unlikely to be settled in a similar fashion to that of Stone Church, because banks, normally, do not like to get involved in selling clothing to the masses, and especially not in the People's Republic of China (PRC).

The China State Bank, in its Statement of Claim, attached to the Writ of Summons, alleges that Kin Don (Group) Ltd was a customer of the PRC bank and that Kin Don Holdings Ltd was a guarantor of the loans, afforded to its wholly owned subsidiary.

Paragraph 3 of the Statement of Claim alleges that Kin Don (Group) entered into 2 Facility Letters with the bank, those Letters, dated November 12, 1999 and September 8, 2000.

Under these Letters, The China State Bank granted a loan of \$HK15 million, overdraft facilities of up to \$HK18 million, and Letters of Credit of up to \$HK10 million.

As far back as November 13, 2000, The China State Bank informed Kin Don that was in default of its contractual obligations to the bank.

Paragraph 5 states, inter alia: '*... The Plaintiff (The China State Bank) has obtained a judgment in default against the Borrower (Kin Don (Group)) under High Court Action No. 1397 of 2001 on 15<sup>th</sup> May 2001 whereby it was adjudged, inter alia, that the Borrower do pay to the Plaintiff the sum of HK\$28,586,877.92 together with further interest on the outstanding principals of (i) the Loan of HK\$13,674,012.91 at 11.5% per annum or at a daily rate of HK\$4,308.25; (ii) 1<sup>st</sup> Overdraft of HK\$10,000,000.00 at 11.5% per annum or at a daily rate of HK\$3,150.68; and (iii) 2<sup>nd</sup> Overdraft of HK\$3,653,238.13 at 10.5% per annum or at a daily rate of HK\$1,050.93, all subject to fluctuation, from 20<sup>th</sup> March 2001 to 15<sup>th</sup> May 2001 and thereafter at the judgment rate until the date of actual payment in full and HK\$1,550.00 fixed costs.*'

As at May 15, 2001, The China State Bank alleges that Kin Don 'is still indebted to the Plaintiff for the sum of HK\$29,045,788.73.'

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