

FUJIAN GROUP'S MONEYBAGS LOOKS DOOMED

The company, which was thought to be the savior of publicly listed Fujian Group Ltd (Code: 181, Main Board, The Stock Exchange of Hongkong Ltd), has foundered on the financial rocks of the Hongkong Special Administrative Region (HKSAR) of the People's Republic of China (PRC).

The company is Sino Earn Holdings Ltd, a 32.70-percent shareholder of Fujian Group Ltd.

Kincheng Banking Corporation recently sued Sino Earn Holdings for about \$HK72.25 million in respect of banking facilities, granted to Sino Earn in the amount of \$HK80 million.

If Kincheng Banking Corporation is successful in its legal Action against Sino Earn, it could well mean that the control of Fujian Group could pass onto another party.

Alternatively, Fujian Group could end up in the knacker's yard.

High Court Action Number 3557, between Kincheng Banking Corporation and Sino Earn, alleges that, on September 5, 1997, Kincheng Banking Corporation granted Sino Earn an overdraft facility of \$HK80 million.

One year and 19 days later, on September 24, 1998, Sino Earn pledged 221,346,000 shares in the Issued and Fully Paid-Up Share Capital of Fujian Group Ltd *'as security for repayment of all sums of money in respect of general banking facilities granted by the Plaintiff to the Defendant ...'* (Paragraph 4 of the Statement of Claim)

Paragraph 7 of the Statement of Claim alleges that, as at September 14, 2000, Sino Earn was indebted to Kincheng Banking Corporation to the extent of \$HK72,246,432.34.

Interest on the Principal Sum was clocking up at the rate of \$HK34,638.70 per day, equal to an annual rate of 17.50 percent, the Statement of Claim states.

The bank's solicitors wrote to Sino Earn last September 27, demanding repayment of monies, owed to the bank, *'but the Defendant has failed and/or refused to pay the same sums or any part thereof to the Plaintiff.'* (Paragraph 8)

For Management of Fujian Group Ltd, the financial health of Sino Earn is crucial because Fujian Group is on its financial knees, in any event, and requires its Principal Shareholder's continued support.

The Managing Director of Fujian Group, Mr So Kwok Hoo, on August 30, 2000, made mention of Sino Earn in his statement to shareholders, in the following terms:

'The Company (Fujian Group Ltd) is currently facing liquidity difficulties. The Company has obtained the consent of its substantial shareholder, Sino Earn Holdings Limited, for continuous support and continues to negotiate with its bankers for possible solution on reducing the Group's debts and possible informal standstill ...'

Sino Earn has been lending money to Fujian Group for some time, but Fujian Group has been unable to repay its obligations to Sino Earn.

The loans, advanced to Fujian Group by Sino Earn, are interest-free ... [CLICK TO ORDER FULL ARTICLE](#)

While TARGET makes every attempt to ensure accuracy of all data published, TARGET cannot be held responsible for any errors and/or omissions.

If readers feel that they would like to voice their opinions about that which they have read in TARGET, please feel free to e-mail your views to editor@targetnewspapers.com or targnews@hkstar.com. TARGET does not guarantee to publish readers' views, but reserves the right so to do subject to the laws of libel.