

**CHINA RICH HOLDINGS LTD :
MANAGEMENT SAW THE WRITING ON THE WALL**

How fortuitous it was for publicly listed China Rich Holdings Ltd (Code: 1191, Main Board, The Stock Exchange of Hongkong Ltd) to unload its interests in 2 civil engineering subsidiaries – just before the proverbial balloon went up.

It was, indeed, a most opportune time for China Rich to sell its interests in both Wai Chun Construction Company Ltd and Wing Fai Construction Company Ltd because, on Tuesday, July 23, the offices of China Rich were invaded by irate subcontractors of the 2 companies, all wanting to get money that they claimed was due to them.

The subcontractors were demanding about \$HK70 million.

These subcontractors, in turn, owed money to their subcontractors, about 20 of them in total, reports have it, those sub-subcontractors, having employed some 500 labourers in the Hongkong Special Administrative Region (HKSAR) of the People's Republic of China (PRC).

These labourers, it was said, were owed about \$HK40 million.

The immediate effects could well lead to another 500 workers, or more, hitting the pavements of the HKSAR, looking for alternative employment.

That China Rich has been in financial trouble for some time is well known because, according to **TOLFIN** (**TARGET's** Computerised Online Information Service), the company and/or certain of its subsidiaries have received not less than 52 claims in various Courts of the HKSAR, during the first 7 months of this year, to July 31.

About 83 percent of the claims, made against China Rich and/or its subsidiaries were directly against Wing Fai Construction or Wai Chun Construction. (Please see attached Addendum)

It would appear that the walls are closing in on China Rich.

The company must be having serious trouble and it could, well, be the next victim of the dramatic downturn in business in the territory.

For the 2001 Financial Year, ended July 31, 2001, China Rich reported a Loss Attributable to Shareholders of about \$HK116.59 million.

That result compared rather unfavourably with the 2000 Financial Year when the company posted a Net Profit Attributable to Shareholders of about \$HK216.32 million.

The Interim Report for the 6 months, ended January 31, 2002, suggested a continuing poor-to-desperate situation in the company, with Losses Attributable to Shareholders of about \$HK37.48 million.

The Interim Report showed that the Turnover for the period was down to about \$HK107.27 million, against the like period when the Turnover was about \$HK135.36 million.

Note 23 of the Interim Report stated the following:

‘Post Balance Sheet Event

‘Subsequent to the balance sheet date (January 31, 2002), Benefit Holdings International Limited (“Benefit Holdings”), a wholly owned subsidiary of the Company, entered into:

(a) an unconditional agreement (“Wai Shun Agreement”) to dispose of all its shareholding interests in Wai Shun Construction Company Limited (“Wai Shun”); and

(b) an unconditional agreement (“Wing Fai Agreement”) to dispose of all its shareholding interest in Wing Fai Construction Company Limited (“Wing Fai”).

‘Pursuant to the agreements, Benefit Holdings sold all its shareholding interests in Wai Shun and Wing Fai for a total consideration of HK\$5,100,000. Benefit Holdings had also agreed in the Wing Fai Agreement that the interest free shareholders’ loan due and owing to it in the sum of HK\$40,000,000 be repaid within 6 months from the date of the Wing Fai Agreement. The directors intend to allocate the net proceeds from the disposal be used as general working capital of the Group.’ (This is a verbatim extract)

The disposal of the 2 civil engineering subsidiaries is going to mean that the Turnover of China Rich will drop dramatically in the future because, at Page 18 of the ... [CLICK TO ORDER FULL ARTICLE](#)

Other recent reports on China Rich may be seen by reference to:

[TARGET Intelligence Report, Volume IV, Number 31, published on February 18, 2002](#)

[TARGET Intelligence Report, Volume IV, Number 70, published on April 17, 2002](#)

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