

**SHANXI CENTRAL PHARMACEUTICAL INTERNATIONAL LTD:
ANYBODY GOT AN ASPIRIN ?
IS THE COMPANY SOLVENT ?**

Two major banks of the Hongkong Special Administrative Region (HKSAR) of the People's Republic of China (PRC) have launched 2 separate attacks against publicly listed Shanxi Central Pharmaceutical International Ltd, a PRC company which was described by **TARGET** on July 21, 2000 as being close to a manufacturer of snake oil.

(Please see [TARGET Intelligence Report, Volume II, Number 137](#))

The 2 banks are Dao Heng Bank Ltd and CITIC Ka Wah Bank Ltd, the former, being part of the largest banking group in Asia, while CITIC Ka Wah is a PRC-owned bank, controlled, in the HKSAR, at least, by Mr Larry Yung, who is the son of one of the wealthiest men in the PRC.

The 2 banks are claiming about \$HK36 million from Shanxi Central Pharmaceutical.

Shanxi Central Pharmaceutical is listed on the Main Board of The Stock Exchange of Hongkong Ltd, being Stock Code Number 327.

Dao Heng Bank's claim is for about \$HK30.22 million, plus interest and costs.

The Statement of Claim, attached to the Writ of Summons, Number 1108, alleges that, on or about November 16, 2001, Shanxi Central Pharmaceutical signed a Deed of Continuing Guarantee and Indemnity in consideration of Dao Heng Bank, making loans and/or advances to Shanxi Zhengzhong Pharmaceutical Company Ltd.

Shanxi Zhengzhong Pharmaceutical Company Ltd is a subsidiary of Shanxi Central Pharmaceutical.

The limits of the loans, advanced to this subsidiary, were \$HK30 million, Paragraph 3 of the Statement of Claim, alleges.

Paragraphs 4 and 5, then, continue:

*'In reliance on the Guarantee, the Plaintiff (Dao Heng Bank) made available to the Principal (Shanxi Zhengzhong) a three years term loan of HK\$30,000,000.00 ("**the Term Loan**") under an agreement in writing between the Plaintiff and the Principal contained in or evidenced by the Plaintiff's facility letter to the Principal dated 5th November 2001 ("**the Loan Agreement**").*

'By the Loan Agreement, it was expressly agreed (inter alia) that :-

- (1) the Term Loan was to be repaid by 5 equal semi-annual instalments;*
- (2) interest period would be 1 ,2, 3 and 6 months and payable at the end of each interest period;*
- (3) interest would be charged at the Plaintiff's HIBOR* plus 3% per annum;*

- (4) *the Term loan was subject to the Plaintiff's overriding right to withdrawal and repayment on demand;*
- (5) *such right included the right to demand for repayment at any time at the Plaintiff's entire discretion whether or not the Term Loan was due for repayment;*
- (6) *the rates of interest on the Term Loan was subject to fluctuation at the Plaintiff's absolute discretion determined from time to time with or without notice to the Principal;*
- (7) *late payment/settlement of any loan/advance with specified due/repayment date would be subject to an overdue interest charged at the Plaintiff's then prevailing rate.'*

(* HIBOR: Hongkong Interbank Offered Rate)

It is, then, alleged that Dao Heng Bank demanded repayment from Shanxi Zhengzhong, within 7 days from February 26, 2003, 'in a total sum of HK\$30,110,063.14', together with interest accrued on the Term Loan.

Paragraph 8 of the Statement of Claim alleges:

'Despite the aforesaid demands, neither the Principal nor the Defendant (Shanxi Central Pharmaceutical) has paid the said sum of HK\$30,110,063.14 or any part thereof.'

Dao Heng Bank is claiming a total of \$HK30,220,117.93 ... [CLICK TO ORDER FULL ARTICLE](#)

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