

**SINO GAS GROUP LTD:
YOU OWE ME MONEY! PAY UP!**

When taking a controlling interest of a company, be it public or private, one is buying a controlling interest in both the assets of the acquired company as well as its liabilities.

The new Management of Sino Gas Group Ltd (中油潔能集團有限公司) (Code: 260, Main Board, The Stock Exchange of Hongkong Ltd), formerly known as Millennium Group Ltd (豐泰集團國際有限公司), probably has just learned this little lesson – if it did not fully understand the concept before – because, today, it has to deal with a claim, which, no doubt, has just come completely out of the wild blue yonder.

CATIC International Holdings Ltd (中國航空技術國際控股有限公司) (Code: 232, Main Board, The Stock Exchange of Hongkong Ltd) took control of Millennium Group Ltd in August, this year, after the company's name had been changed to represent, more accurately, the activities of the newly structured group: Sino Gas Group Ltd.

CATIC, of course, is, beneficially, controlled by China National Aero-Technology Import and Export Corporation, which is an entity of the Government of the People's Republic of China (PRC), at the end of the day.

On December 17, 2004, Billirich Investment Ltd, a wholly owned subsidiary of CATIC, agreed to purchase from 2 independent third parties, a total of 885 million Millennium shares, representing about 26.42 percent of the Issued and Fully Paid-Up Share Capital of that company.

The cost of those shares was about \$HK31 million, records indicate.

The acquisition was completed in January 2005.

This date, January 2005, would appear to be crucial to that which follows in this report.

What CATIC must not have known at the time of its acquisition of the shares of Millennium, was that Mr Zhang Yan (張雁) was about to make a claim against Sino Gas, formerly known as Millennium.

According to Mr Zhang Yan, on October 12, 2004, he agreed to lend \$HK2.50 million to Sino Gas.

TARGET can find no reference to this purported agreement and subsequent loan, but, probably, because of its size, there was unlikely to be a requirement in accordance with The Listing Rules of The Stock Exchange of Hongkong Ltd for it to be made public.

By the same token, however, one may wonder, assuming that there is merit to the claim of Mr Zhang Yan, as to the reason that Millennium required this relatively small loan in the first place.

But that, no doubt, are questions to be posed by somebody else at another venue.

The matter of the purported loan agreement and subsequent drawdown of the money is contained in the Statement of Claim, attached to Writ of Summons Number 1938, lodged in the High Court of the Hongkong Special Administrative Region (HKSAR) of the People's Republic of China (PRC).

Paragraph 2 of that Statement of Claim alleges:

'On 13 January 2005, as evidenced by a Promissory Note dated the same day ("the Promissory Note"), the Defendant (Sino Gas) drawn (sic) down a sum of HK\$2,150,000.00 on account of the Loan and agreed to repay the same to the Plaintiff within 30 days from 13 January 2005, (i.e. on or before 11 February 2005). The Defendant further agreed that if the Defendant failed to repay the amount drawn down by the time limited, the Plaintiff should have the right to take legal action against the Defendant for all outstanding sum, accrued interest and penalty which the Plaintiff might suffer, and the Defendant should be obligated to reimburse the Plaintiff for all expenses and costs necessary and/or incidental for the collection of full payment.'

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