

**COFCO INTERNATIONAL LTD:  
THE BANK OF EAST ASIA SUES SUBSTANTIAL SHAREHOLDER**

**Will Beijing Be Happy About This Matter ?**

It is highly unlikely that the Government of the People's Republic of China (PRC) has run out of money because, according to **TARGET's** latest statistics, the country has a treasure chest which is big enough to buy out every airline in the US, big and small, and most, if not all, of the oil companies in the country – and after spending that huge amount of money, the PRC Government would still have a great deal of money, left in its coffers.

These facts must make the recent legal Proceedings, filed in the High Court of the Hongkong Special Administrative Region (HKSAR) of the PRC, a little perplexing for hard-nosed financial analysts.

The Bank of East Asia Ltd () (Code: 23, Main Board, The Stock Exchange of Hongkong Ltd), which is the largest, Hongkong-Chinese-owned bank, operating in the HKSAR, recently sued COFCO (Hongkong) Ltd () for about \$HK15.17 million plus Interest and Costs of the Action.

High Court Action Number 13 of 2006 alleges that, on or about July 15, 2002, a purported Loan Agreement was engrossed between The Bank of East Asia Ltd and Guangzhou Garden Plaza Development Company Ltd, whereby The Bank of East Asia Ltd, Guangzhou Branch, agreed to make available to Guangzhou Garden Plaza Development the sum of \$HK10 million.

On the same day, it is alleged at Paragraph 3 of the Statement of Claim, attached to Writ of Summons Number 13, that The Bank of East Asia Ltd, Shenzhen Branch, agreed to make available to Guangzhou Garden Plaza Development the sum of 37 million renminbi (about \$HK34.91 million, as at July 15, 2002).

And, on the same day, COFCO (Hongkong) Ltd allegedly executed a '*Deed of Repayment Guarantee ... as the Guarantor in favour of the Plaintiff* (The Bank of East Asia Ltd, et alii)' whereby COFCO (Hongkong) Ltd allegedly '*unconditionally and irrevocably guaranteed, inter alia, the due and punctual payment by the Borrower* (Guangzhou Garden Plaza Development) *one-third (1/3) of the indebtedness in the manner and at the times set out in the said Loan Agreements.*'

As at December 1, 2005, it is alleged that Guangzhou Garden Plaza Development owed The Bank of East Asia Ltd, the sum of 37,410,256 renminbi (about \$HK35.97 million as at today's date) with interest, continuing to accrue .

Paragraph 7 of the Statement of Claim alleges:

*'Wrongfully and in breach of its repayment obligations, the Borrower failed to make repayments of the banking facilities extended by the Plaintiff as and when the same fell due and despite repeated demands.'*

The Bank of East Asia Ltd alleges that it reminded COFCO (Hongkong) Ltd of its obligations to the bank and demanded payment, pursuant to the Deed of Repayment Guarantee.

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