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CHINA VAST INDUSTRIAL URBAN DEVELOPMENT COMPANY LTD:
THIS COMPANY HAS BEEN IN TROUBLE BEFORE …
AND CAN GET INTO TROUBLE, AGAIN

When a company is forced to borrow money at an interest rate of 25 percent per annum, which is excessive in this medium's opinion, then, that borrower is desperate for funds.

According to the Global Offering Prospectus of China Vast Industrial Urban Development Company Ltd () (Code: 6166, Main Board, The Stock Exchange of Hongkong Ltd), it was in default of the repayment of a three-year term loan in the amount of $US21.50 million (about 132.85 million renminbi or about $HK166.63 million) on which the interest on the principal amount was 25 percent per annum.

The loan, obtained on August 20, 2007, was, originally, made available by CDH Hillside Company Ltd, but OCBC Capital Investment I Pte Ltd (OCBC Capital), after about six months from the commencement date of the CDH Hillside Loan, came to the '*party*', so to speak, taking a keen interest in the group of companies, now under the '*umbrella*' of China Vast Industrial.

Both CDH Hillside and OCBC Capital are independent third parties, that is to state that they are not associated with China Vast Industrial and/or its Directors, according to Appendix I-71 of the Global Offing Prospectus.

OCBC Capital is a subsidiary of Oversea-Chinese Banking Corporation Ltd (), a bank, domiciled in Singapore.

The following two paragraphs are copied from Appendix I-71, verbatim:

> *'On 20 August 2007, the Group entered into an agreement with CDH, pursuant to which the Group obtained a three-year term loan of US$21,500,000 from CDH (the "CDH Loan") with an agreed return of 25% per annum. This CDH Loan was matured on 11 September 2010 and should be repaid in full on that date. The Group did not repay the CDH Loan in 2010. As at 31 December 2010, the outstanding principal of the CDH Loan together with unpaid interest amounted to approximately US$36,125,000 (equivalent to approximately RMB238,695,000). Pursuant to the agreement, this outstanding amount at 31 December 2010 carried interest at a rate of 25% per annum.*

> *'On 1 February 2008, the Group entered into preferred share agreements with CDH and OCBC Capital (the "Preferred Share Agreements"), pursuant to which Shing Cheong Holdings* (Shing Cheong Holdings Ltd [], a wholly owned subsidiary of China Vast Industrial) *issued 45,000,000 preferred shares to CDH and 10,000,000 preferred shares to OCBC Capital (the "Preferred Shares"), for an aggregate consideration of US$55,000,000. As the Preferred Shares contain conversion option feature which is not closely related to host debt component, this feature is considered as derivative and required to be remeasured to its fair value at the end of each reporting period with the resulting gain or loss recognized in profit or loss immediately. The fair value of this derivative as at 31 December 2010 is considered to be insignificant. The debt component of the Preferred Shares carried at amortized cost at 31 December 2010 was approximately RMB698,013,000.'*

(**TARGET []** is not responsible for any and all gramatical/spelling mistakes in the above.)

Whether or not the above arrangements were, in effect, a force-majeure situation, this medium cannot say, but it, certainly, appears to be such.

The Prospectus refers to this arrangement as being '*Restructured Loan Agreements*'. With such a nomenclature, what else is one to think?

The Initial Pubic Offering (IPO)

China Vast Industrial published and disseminated its Global Offering Prospectus on August 13, 2014, when it Offered 328 million, one-cent Shares at the Indicative Offer Price Per Share, ranging from a low of $HK2.75 to a high of $HK3.75.

Investors of the Hongkong Special Administrative Region (HKSAR) of the People's Republic of China (PRC) are Offered 32.80 million Shares and the remaining 295.20 million Shares are being Offered to International Investors.

By this Friday, it is anticipated that Management will inform the world of the success or otherwise of this IPO.

The amount of money, expected to be raised, based on the assumption that the Offer Price Per Share is struck at the midpoint of the Indicative Offer Price range, being $HK3.25, is about $HK1,002.10 million, net of expenses.

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