

**TWISTS OF FORTUNE FOR
COSCO INTERNATIONAL HOLDINGS LTD**

An indirect subsidiary of publicly listed COSCO International Holdings Ltd appears to have its knickers in a \$HK400-million twist.

'Twists' may be a better way to describe this matter instead of employing the singular noun, but the word, *twist*, is, definitely, the only way to describe the situation between Yick Fung Shipping and Enterprises Company Ltd, seemingly, the COSCO indirect, wholly owned subsidiary, assuming that there had been no material corporate changes since the date of the 1998 Annual Report of this publicly listed company.

A recently filed High Court Action indicates that COSCO may be suing itself!

Or, at least, it may be suggested that it is shooting itself in the foot.

If these 2 scenarios are not correct, then this Company owes a number of people a number of explanations.

New Central International (Holdings) Company Ltd is on the receiving end of an Action, filed in the High Court of The Hongkong Special Administrative Region (HKSAR) of the People's Republic of China (PRC), whereby Yick Fung Shipping has made allegations of a purported Breach of a Loan Agreement, dating back to May 1992.

According to the Statement of Claim, attached to the Writ of Summons, filed by the solicitors firm of Holman Fenwick and Willan, on behalf of Yick Fung Shipping, *'In or about May 1992, the Plaintiff (Yick Fung Shipping) lent a total sum of HK\$138,000,000 to Guangzhou Central Properties Development Ltd ... As at May 1998, the total outstanding amount under the Loan is HK\$273,000,000.'*

The Statement of Claim, then, alleges that, up to July 1998, the Defendant had *'failed to repay any sum under the Loan to the Plaintiff.'*

By another purported agreement, dated July 16, 1998, it is alleged that New Central International agreed *'to act as surety to assume joint and several liability with Guangzhou Central Properties Development Limited in respect of the Loan'* in order to have Yick Fung Shipping stay any legal proceedings against Guangzhou Central Properties Development *'for the time being.'* (Paragraph 3 of the Statement of Claim)

This purported new agreement is alleged to have specified that New Central Properties Development and/or Guangzhou Central Properties must repay renminbei 181.63 million (about \$HK170 million) within 16 months of July 16, 1998 and that, if this sum of money was not repaid, then New Central International *'should repay HK\$273,000,000 ... In addition, interest at the rate of 30% per annum should accrue on HK\$273,000,000 and be payable from 1st June 1998 ...'*

Paragraph 5 of the Statement of Claim alleges that only renminbei 5 million (about \$HK4.67 million) has ever been repaid on the Loan and that, as at September 30, 1999, the *'total amount and outstanding under the Loan is HK\$380,401,729.68.'*

And Yick Fung Shipping wants its money, now, and interest, at the rate of 30 percent per annum.

Twist Number One

Who beneficially owns New Central International (Holdings) Company Ltd, the Defendant to the Action, brought by Yick Fung Shipping, is not known to TARGET, but the 1998 Annual Report of COSCO indicates the

existence of a company, known as New Central International Enterprises Company Ltd.

New Central International Enterprises Company Ltd was incorporated in Hongkong and is operated in the PRC. It is 90 percent owned by COSCO International Holdings Ltd, as at December 31, 1998.

New Central International Enterprises Company Ltd is stated as being an investment holdings company.

However, according to the Companies Registry, as at March 26, 1998, New Central International Enterprises Company Ltd was owned as to 79 percent by COSCO Industrial Investments Ltd, 11 percent by COSCO Nominees Ltd and 10 percent by New Central International (Holdings) Company Ltd.

On the same day, March 26, 1998, there was a transfer of ownership of New Central International Enterprises Company Ltd with COSCO Industrial Investments Ltd, transferring its holdings to High Grove Developments Ltd.

At the same time, COSCO Nominees Ltd transferred its holdings in New Central International Enterprises Company Ltd to Capital Properties Ltd, which, in turn, is a 100-percent-owned subsidiary of COSCO International Holdings Ltd, the publicly listed company.

Bottom line: COSCO International Holdings Ltd, a publicly listed company, formed a subsidiary company, New Central International Enterprises Company Ltd, in which it had 90 percent interest and in which New Central International (Holdings) Company Ltd had a 10-percent interest.

It was to this company, New Central International (Holdings) Company Ltd, that COSCO lent \$HK273 million.

According to the Companies Registry, there is a company, registered with the name New Central International (Holdings) Company Ltd.

This company is held by 2 shareholders: (1) Cheng Hui; and, (2) New Central International Holdings Ltd (BVI).

The shareholding structure is that New Central International (Holdings) Company Ltd, not the BVI company but the HKSAR company, owns 9,999,999 shares out of 10 million shares, being the Issued and Fully Paid-Up Share Capital.

The Directors of the New Central International (Holdings) Company Ltd are (1) Cheng Hui and (2) Jian Wen Juan.

The 2 Directors of New Central International (Holdings) Company Ltd appear to be unrelated to parties, associated with Yick Fung Shipping/COSCO International Holdings Ltd, the publicly listed company.

Question: For what reason would a PRC-State-Controlled enterprise, as is COSCO International Holdings Ltd, lend \$HK273 million to a corporation, controlled in the British Virgin Islands, as in the case of the Ultimate Holding Company of New Central International (Holdings) Company Ltd?

Twist Number Two

Who or what owns High Growth Developments Ltd, the BVI company which owns 79 percent of New Central International Enterprises Company Ltd, is not clear.

Further, there has never been an explanation to shareholders of COSCO International Holdings Ltd as to the beneficial recipient of the transfer of assets from COSCO Industrial Investments Ltd to High Growth Developments Ltd.

It may be held that this is a matter of little significance, but it appears to TARGET that any matter, approaching a figure of about \$HK400 million, is of material significance – especially to a publicly listed company, which has suffered a Loss Attributable to Shareholders of about \$HK715.22 million in the 1998 Financial Year, ended December 31.

Twist Number Three

Yick Fung Shipping is not mentioned in the 1998 Annual Report of COSCO International Holdings Ltd.

TOLFIN * (TARGET's Computerised On-Line Financial Service) discovered that Yick Fung Shipping's shareholders are (1) COSCO (Hongkong) Shipping Company Ltd and (2) COSCO Nominees Ltd.

The shareholders of COSCO (Hongkong) Shipping Company Ltd are (1) COSCO (Hongkong) Group Ltd (2) COSCO Nominees Ltd (3) Golden View Investment Ltd and (4) Oriental Crown International Ltd.

COSCO (Hongkong) Group Ltd owns just about all of the shares of COSCO (Hongkong) Shipping Company Ltd.

In turn, the HKSAR publicly listed company, COSCO International Holdings Ltd, owns 100 percent of COSCO (Hongkong) Group Ltd.

The Ultimate Holding Company of all the COSCO companies is China Ocean Shipping (Group) Company, a PRC State-Owned enterprise.

So, what all this comes down to is that the publicly listed COSCO ... [CLICK TO ORDER FULL ARTICLE](#)