

## China to Spend \$618 Million To Bail Out State Conglomerate

Associated Press

December 1, 2005 4:49 a.m.

SHANGHAI - China has arranged a five-billion-yuan (\$618 million) bailout for one of the country's biggest state-run conglomerates -- a Shanghai-based company set up in 1992 as a model for restructured enterprises.

China Chengtong Group, newly designated as a state-owned asset-management company, will take over China Worldbest Group and help the company cope with outstanding loans totaling 25 billion yuan, the official Xinhua News Agency and other state media reported Thursday.

The funds from Chengtong will be used to help reduce China Worldbest's liabilities and resolve a cash crunch, the reports said.

The reports didn't explain why China Worldbest was having trouble repaying its loans. Worldbest, set up in 1992, is a conglomerate of drug makers and textile companies formed through about 90 mergers of smaller state enterprises. It has 60,000 employees and reported assets of 57 billion yuan in 2004.

Xinhua said Beijing-based Chengtong, which was founded in 1992 as a logistics company, would take control of Worldbest.

Chengtong's subsidiary, China Chengtong Development Group, whose shares are traded in Hong Kong, reported a net loss in the first half of this year of 61.9 million Hong Kong dollars (US\$7.7 million), compared with a net profit of HK\$149 million in the year-earlier period.

China has been gradually reducing government holdings in many smaller companies, while boosting state control of industries considered to be strategically important.

The state-owned Assets Supervision and Administration Commission and the China Development Bank laid the groundwork for the bailout in September, arranging a 20 billion yuan policy loan for Chengtong Group, through 2008, Xinhua said. Part of those funds will be used to pay for the cost of taking over Worldbest, it said.

According to Worldbest's Web site, the company is Shanghai's fourth-largest industrial group. The company owns China's largest pharmaceutical group and its largest textile group. The company originally was set up as part of Shanghai's massive restructuring of its textile industry.

