

JOHNSON STOKES AND MASTER SUED FOR \$HK138 MILLION

One of the largest solicitors' firms of the Hongkong Special Administrative Region (HKSAR) of the People's Republic of China (PRC) has been sued for more than \$HK138 million.

This is one of the largest claims, ever made against an HKSAR solicitors' firm for many a year.

HKSAR High Court Action Number 1015 is between China United Holdings Ltd (Code: 273, Main Board, The Stock Exchange of Hongkong Ltd), the First Plaintiff, and Large Investments Ltd, a wholly owned subsidiary of China United, the Second Plaintiff, and Johnson Stokes and Master (JSM), the lone Defendant.

The 16-Page, Statement of Claim, attached to the Writ of Summons, alleges, inter alia, that JSM was totally negligent in its perusal of certain documents and that it failed to advise the Plaintiffs adequately or at all in respect of certain legal matters.

Paragraphs 4 to 9 of the Statement of Claim give the background of the matters, complained of by the 2 corporate Plaintiffs.

It is alleged, at Paragraph 4:

- '4. By an agreement in writing dated 13th May, 1997 ("**the Agreement**"), Great Gains International Limited ("**Great Gains**"), a company incorporated under the laws of Hongkong, and a wholly owned subsidiary of the 1st Plaintiff, agreed to purchase the properties known as the whole of Basement, No. 28, Marble Road, North Point, Hong Kong ("**the Basement**") from a company called Get Rich Enterprises Limited ("**Get Rich**") at a consideration of HK\$470 million, of which HK\$235 million to be paid by cash and HK\$235 million to be paid by the allotment and issuance of 556,872,037 new ordinary shares of the 1st Plaintiff at nominal value of HK\$0.02 each.*
- '5. Get Rich was a joint venture company whereas 80% of its shareholdings were held by a Hong Kong listed company called Asia Standard International Group Limited ("**Asia Standard**") [Code: 129, Main Board, The Stock Exchange of Hongkong Ltd] and 20% were held by another Hong Kong listed company Paul Y-ITC Construction Holdings Limited ("**ITC**") [Code: 498, Main Board, The Stock Exchange of Hongkong Ltd] for the development and construction of the building where the Basement was part of it.*
- '6. It was one of the conditions for completion in the Agreement that, inter alia, Get Rich was required to arrange a loan of not more than HK\$235 million to meet the consideration price to be repayable by 120 monthly instalments at the interest rate of 1.5% above the prime rate quoted by the Hongkong and Shanghai Banking Corporation Limited.*
- '7. By a sub-sale agreement dated 26th May, 1997, Great Gains sub-sold all its interests in the Agreement to a company known as East Champion Limited ("**East Champion**"), a Hong Kong Company and another wholly owned subsidiary of the 1st Plaintiff, at the same consideration price of HK\$470 million to be paid as the same as in the Agreement.*

- ‘8. By a facilities letter dated 22nd July, 1997, (**“the Facilities Letter”**) issued by the International Bank of Asia Limited (**“IBA”**) [Code: 636, Main Board, The Stock Exchange of Hongkong Ltd], IBA agreed to advance a term loan to East Champion for the sum of HK\$235 million repayable by 60 monthly instalments calculated at 10 years amortization schedule. It was one of the conditions in the Facilities Letter that Asia Standard and ITC had to provide two separate corporate guarantees to guarantee the repayment by East Champion of the respective sums of HK\$94 million and HK\$23.5 million together with accrued interests.
- ‘9. On 11th August, 1997, East Champion entered into a loan agreement (**“the Loan Agreement”**) with IBA whereby, inter alia, it was required that Asia Standard and ITC to provide two separate corporate guarantees in form and substance satisfactory in all respects to IBA.’

The Statement of Claim, at Paragraph 10, then, continues to state that, on August 11, 1997, Asia Standard executed ‘a corporate guarantee in favour of IBA guaranteeing, inter alia, the repayment of the sum to the extent of HK\$94 million and interests (**“Asia Standard Corporate Guarantee”**)...’.

Paragraph 11 follows along similar lines, as recited in Paragraph 10, except that, in this case, it was ITC, which executed a Corporate Guarantee in favour of IBA ‘of the sum to the extent of HK\$23.5 million and interests (**“ITC Corporate Guarantee”**) ...’.

The Statement of Claim, then, recites some ... [CLICK TO ORDER FULL ARTICLE](#)

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