

**ARCONTECH CORPORATION:
WILL THIS BE THE STRAW TO BREAK THE COMPANY'S BACK ?**

The Hongkong and Shanghai Banking Corporation Ltd, being the principal banker of [Arcontech Corporation](#) (Code: 8097, The Growth Enterprise Market of The Stock Exchange of Hongkong Ltd), clearly afraid of being stiffed, demanded that its client, and/or its client's wholly owned subsidiary(ies), enter into a Factoring Agreement in order to give to the bank some degree of comfort.

As such, it required Arcontech's 100 percent-owned subsidiary, Arcon Technology Ltd, to assign to it its customers debts as they fell due.

The Bank sued 3 of Arcon's customers, last Wednesday, for about \$HK23.67 million, clearly because it did not get its money in a timely fashion.

The 3 customers of Arcon, which are, also, the corporate Defendants of the 3, High Court Writs, are:

Mighty Treasure Trading Ltd
Silver City China Ltd
Wealth-In Industrial Ltd

From Mighty Treasure, The Bank is demanding \$HK7,578,824.

From Silver City, The Bank is demanding \$HK11,830,993.95.

From Wealth-In, The Bank is demanding \$HK4,258,793.

The central theme of the 3 High Court Writs, all of which were filed in the Hongkong Special Administrative Region (HKSAR) of the People's Republic of China (PRC), follow similar wordings, along these lines:

'3. The Plaintiff entered into a factoring agreement with one of its clients, Arcon Technology Ltd, formerly known as Arcon Electronics Limited ("Arcon") by way of an agreement dated 25th June 1996 ("the Factory Agreement") whereby Arcon assigned to the Plaintiff debts owed to it by various of its customers, as defined in the factoring agreement, in consideration for which the Plaintiff made available to Arcon a sales ledger management service.

'4. The flowing terms and conditions of the Factoring Agreement are material in this action:-

- i) The ownership of all payment obligations of a customer of Arcon under any contract for the supply or provision of goods and services by Arcon ("the Debt") and, in relation to the Debt, all Arcon's rights provided by or retained under said contract, all instruments, securities, insurances, guarantees, indemnities and negotiable instruments and all rights to any ledger, computer or electronic data or any document recording or evidencing the same ("Associated Rights") shall, as regards Debts existing at 25th June 1996, vest in the Plaintiff on that date and shall, as regards future Debts, vest in the Plaintiff automatically upon coming*

into existence. (Clause 3.01)

- ii) *The Plaintiff shall have the exclusive right to collect and enforce payment of any Debt and its Associated Rights in such manner as it may decide and, for such purpose, to appoint legal advisers and others and to institute, conduct, defend any legal proceedings in relation to such Debt and its Associated Rights. (Clause 3.04)*
- iii) *Arcon undertakes and warrants to ensure that each invoice issued by it to any customer relating to a Debt covers goods and services which have been actually despatched and contains, in such form as the Plaintiff may require (a) a notice of assignment, (b) the terms of payment and (c) the customary trade particulars as to description, quality and quantity of the relevant goods and services. (Clause 14(f))*

'5. By a letter from Arcon to the Defendant, being a customer of Arcon, dated 17th July 2002, Arcon notified the Defendant of the assignment of its account to the Plaintiff and made clear to the Defendant that the Plaintiff had become the Defendant's creditor by virtue of the terms of that assignment and that payment under the Defendant's account should be made directly to the Plaintiff.

'6. By a letter from the Plaintiff to the Defendant dated 17th July 2002, the Plaintiff notified that Defendant that all invoices in respect of supplies from Arcon had been assigned to the Plaintiff and reminded the Defendant that all future payments should be sent to the Plaintiff direct.'

(The dates of various matters and demands, contained in the 3 Writs, vary)

According to **TOLFIN** (**TARGET**'s Computerised Online Financial Intelligence Service and Credit-Checking Provider), the legal ownership/Directors of the 3 corporate Defendants are ... [CLICK TO ORDER FULL ARTICLE](#)

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