

**BLU SPA HOLDINGS LTD:  
IS IT HIGH TIME FOR THE AUTHORITIES  
TO HAVE MORE THAN A LOOK-SEE AT THIS DUD ?**

If some of the allegations, contained in a recently filed Writ, lodged in the District Court of the Hongkong Special Administrative Region (HKSAR) of the People's Republic of China (PRC), are substantiated, then, in should move the HKSAR Authorities.

Because, then, a fraud would appear to be in evidence, according to **TARGET**'s reading of the situation.

**The Writ**

District Court Action Number 1149 is between Fortune Chain Investments Ltd, the sole Plaintiff, and [Blu Spa Holdings Ltd](#), Stock Code Number 8176, The Growth Enterprise Market (The GEM) of The Stock Exchange of Hongkong Ltd.

The Statement of Claim, attached to the Writ of Summons, alleges that the Plaintiff, since March 2000, '*had been granted by the Defendant, or its subsidiary company, the sole distributorship of Blu Spa Products in Hong Kong.*' (Paragraph 2)

It is alleged that there was an oral agreement, made between the Plaintiff and the Defendant, via Ms Maggie Kwok of the Plaintiff and Ms Michelle Tam of the Defendant, whereby '*it was mutually agreed that the Plaintiff's sole distributorship of Blu Spa Products in Hong Kong would be terminated with effect from 1<sup>st</sup> May 2003 in accordance with the terms agreed between the parties.*' (Paragraph 3)

Then, at Paragraph 4, it is alleged that Blu Spa Holdings had agreed, among other things, to take over various Blu Spa branches, outlets and/or shops that had been established by Fortune Chain Investments, and that Blu Spa Holdings would purchase from Fortune Chain Investments, all of the Blu Spa products in the Plaintiff's stock at their wholesale prices and to pay the same to Fortune Chain Investments on or before April 30, 2003.

In April 2003, it is claimed, at Paragraph 5, that officials of Blu Spa Holdings '*conducted various inspections and examination of the Blu Spa Products in the Plaintiff's stock for the purpose of purchasing the same.*'

Then, comes the cruncher, which starts from Paragraph 6:

*'6. On or about 29<sup>th</sup> April 2003, the Defendant (Blu Spa Holdings), on the purported ground that there were among the Plaintiff's stock some Blu Spa Products imported from China or not supplied directly by the Defendant, refused to purchase from the Plaintiff all the Blu Spa Products in the Plaintiff's stock unless the Plaintiff would agree to sell the same at 50% of the Plaintiff's wholesale price.*

*'7. Eventually, by a written agreement dated 26<sup>th</sup> May 2003 made between the Plaintiff and the Defendant ("the Supplemental Agreement"), it was mutually agreed between the parties, inter alia, that, notwithstanding that there were among the Plaintiff's stock some Blu Spa Products*

*imported from China supplied directly by the Defendant or not, the Defendant shall purchase from the Plaintiff all Blu Spa Products in its stock at 50% of the Plaintiff's wholesale price.*

*'8. Pursuant to the terms of the Supplemental Agreement, the Defendant was obliged to complete the audit and examination of the said Blu Spa Products in the Plaintiff's stock and to purchase and pay for the same no later than one month after:-*

- (a) The Defendant has taken over the "Blu Spa" outlet at [Beaute@Sogo](#) and its inventory;*
- (b) The tenancy documents between the Defendant and "Sogo" has been completed.*

*'9. Despite that the matters pleaded in Paragraphs 8(a) and (b) were completed by the end of June 2003, the Defendant has failed to purchase from the Plaintiff the Blu Spa Products in its stock or proceed with any step for the said purchase until October 2003.*

*'10. On 7<sup>th</sup>, 8<sup>th</sup> and 9<sup>th</sup> October 2003, following the Plaintiff's repeated demands, the Defendant, in its purported performance of the Supplemental Agreement, conducted an audit and examination of the Blu Spa Products in the Plaintiff's. As a result of this audit and examination, the Defendant confirmed that there was a total of HK\$509,326.79 (wholesale price) worth of Blu Spa Products in the Plaintiff's stock and its particular has been set out in the list prepared by the Defendant, or its servant or agent.*

*'11. Accordingly, pursuant to the Supplemental Agreement, the Defendant is obliged to purchase from the Plaintiff and take delivery of all the said Blu Spa Products and pay to the Plaintiff a total sum of HK\$254,663.39 being 50% of the Plaintiff's wholesale price of the same.*

*'12. However, by a letter dated 3<sup>rd</sup> November 2003 written by the Defendant to the Plaintiff, the Defendant, in breach of the Supplemental Agreement, merely agreed to purchase from the Plaintiff part of the said audited Blu Spa Products in the Plaintiff's stock amounting to a total wholesale price of HK\$175,045.04 at 50% thereof (i.e. HK\$87,522.52).*

*'13. Despite repeated demands and requests, including inter alia, the letter dated 20<sup>th</sup> November 2003 written by the Plaintiff's solicitors to the Defendant, the Defendant has failed and refused to purchase from the Plaintiff the said Blu Spa Products or pay to the Plaintiff the same of HK\$254,663.39 referred to in Paragraph 11 above or any part thereof.*

*'14. The Plaintiff hereby gives account for the sum of HK\$16,652.71 being 50% of the outstanding payment for the wholesale price of the Blu Spa Products (HK\$33,305.04) and therefore the Plaintiff will accept the total sum of HK\$238,010.68 (being HK\$254,663.39 minus HK\$16,652.71) as full payment for the Defendant's purchase of the Blu Spa Products pursuant to the Supplemental Agreement.'*

Fortune Chain Investments is demanding a Declaration that Blu Spa Holdings is obliged to purchase and to take delivery of the Blu Spa Products in the possession of Fortune Chain Investments at the total price of \$HK254,663.39.

After deducting \$HK16,652.71, being 50-percent of the wholesale price of some of the Blu Spa Products, formerly in its possession, the sum of \$HK238,010.68 is being demanded as the purchase price of its Blu Spa Products, still in its possession, damages in the sum of \$HK4,536.00, being warehousing charges, damages, and cost of the Action.

### **The Frauds**

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