

**CODEBANK LTD:
THE SPOTLIGHT TURNS ON ITS FOUNDER
WHERE IS THAT \$HK10 MILLION ?**

Mr Herman Yu Hang Chung, the Founder of [Codebank Ltd](#) (Code: 8162, The Growth Enterprise Market [The GEM], The Stock Exchange of Hongkong Ltd), has just been sued for \$HK10 million by his former company: Codebank Ltd.

According to the Statement of Claim, attached to Writ of Summons Number 2463, Mr Herman Yu Hang Chung, at the time that he was Chairman of Codebank Ltd, allegedly ran roughshod over the publicly company and acted not in the best interests of the company, either by negligence or design.

Mr Herman Yu Hang Chung resigned as Chairman of Chief Executive of Codebank Ltd in April 2002, according to **TOLFIN** (The Computerised Online Financial Intelligence Service and Web-Based, Credit-Checking Provider).

The Statement of Claim sets out the complaints against the former Chairman and Founder of Codebank Ltd as follows:

- In December 2001, Codebank Ltd went public on The GEM by the Placing of 105.24 million New Shares to investors, raising Gross Proceeds of about \$HK52.62 million;
- As at December 31, 2001, *'there were an amount of about \$HK20,600,000.00 receivable which represented part of the proceeds from the Placing.'* (Paragraph 5)
- Mr Herman Yu Hang Chung failed to collect the sum of \$HK10 million from the investors *'being part of Proceeds on behalf of the Plaintiff, thereby causing losses and damages to the Plaintiff in the sum of HK\$10,000,000.00.'* (Paragraph 6)
- Mr Herman Yu Hang Chung, Paragraph 6 of the Statement of Claim alleges, is in breach of his duty of fidelity to Codebank in that he:
 - '(1) On or about 28th February 2002, the Defendant (Mr Herman Yu Hang Chung), without the approval of the board of the Plaintiff (Codebank Ltd), entered into a loan agreement ... with a third party lender, to borrow a loan in the sum of HK\$10,000,000.00 to be repaid with fixed interest of HK\$700,000.00 on 16th April 2002.*
 - '(2) the Defendant induced the Plaintiff, and/or other directors of the Plaintiff to believe that all the Proceeds had been received by the Plaintiff by representing a loan in the sum of HK\$10,000,000.00 borrowed under the Loan Agreement to be part of the Proceeds.*
 - '(3) On or about 16th April 2002, the Defendant disclosed to the management of the Plaintiff that HK\$10,000,000.00 of the Proceeds is still outstanding from the Placees.*

- (4) *On or about 17th April 2002, the loan in the sum of HK\$10,000,000.00 and interest were repaid to the third party lender.*
- (5) *The Defendant altered the underwriting agreement without the Plaintiff's knowledge and approval thereby failing to ensure that the underwriters should have received all of the Proceeds at the time of the listing, in particular, the said sum of HK\$10,000,000.00.'*

Codebank Ltd is ... [CLICK TO ORDER FULL ARTICLE](#)

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