

**ADVANCE PHARMACEUTICAL COMPANY LTD:  
CHENG YU TUNG'S GRANDSON ACCUSED OF NOT PAYING UP**

A knock-em-down, shoot-it-out fight has broken out between the grandson of Mr Cheng Yu Tung (), the Chairman of publicly listed New World Development Company Ltd () (Code: 17, Main Board, The Stock Exchange of Hongkong Ltd), and 2 minority shareholders of a company which, at one time, at least, was a candidate for a listing on The Stock Exchange of Hongkong Ltd.

Mr Cheng Chi Heng (), Mr Cheng Yu Tung's grandson, is the Second Defendant in High Court Action Number 463.

The other 2 Defendants are Asialand Ltd (First Defendant) and Advance Pharmaceutical Company Ltd () (Third Defendant), both of which are said to be controlled by Mr Cheng Chi Heng.

The Plaintiffs to this Action are:

Mr Lam Yiu Cho ()	First Plaintiff
New Rainbow Overseas Incorporated	Second Plaintiff

The First Plaintiff, according to **TOLFIN** () (The Computerised Online Financial Intelligence Service and Web-Based, Credit-Checking Provider), was, as at April 2005, the registered legal owner of 5 percent of the Issued and Fully Paid-Up Share Capital of Advance Pharmaceutical, while the Second Plaintiff was, as at April 2005, legally, a 10-percent shareholder of Advance Pharmaceutical.

The other 2 shareholders of Advance Pharmaceutical are:

Asialand Ltd (the First Defendant)	65 percent
Koon Hay Development Ltd	20 percent

According to the Statement of Claim, attached to High Court Action Number 463, the First Plaintiff and the Second Plaintiff agreed to sell their interests in the Third Defendant to the First Defendant.

There is said to exist a purported agreement, dated September 17, 2002, written in the Chinese language, to that effect.

The total effect of the share sales was that Asialand Ltd acquired, in aggregate, an additional 29.33 percent of the Issued and Fully Paid-Up Share Capital of Advance Pharmaceutical.

The Second Defendant, Mr Cheng Chi Heng, was said to have been a party to the share transactions by virtue of a purported Guarantee, which stipulated that Asialand Ltd would honour, fully, its obligations under the agreement.

It is alleged, however, that Asialand Ltd *'has failed to perform and therefore the Plaintiffs have commenced the present proceedings inter alia against the 1<sup>st</sup> Defendant for damages for breach of Agreement and against the 2<sup>nd</sup> Defendant as guarantor.'*

Under the purported agreement, it was agreed that the Plaintiffs would deposit \$HK10 million with a solicitors' firm, which was to act as stakeholder *'for the purpose of settling 1/3 of any possible unpaid tax*

*liabilities of the 3<sup>rd</sup> Defendant and the 3<sup>rd</sup> Defendant's subsidiary company namely Loyal Advance Limited ("Loyal") for years ended 19<sup>th</sup> July 2001 as well as possible related fines that might be imposed by the Inland Revenue Department (of the Government of the Hongkong Special Administrative Region [HKSAR] of the People's Republic of China [PRC]) ... '.*

After The Commissioner of The Inland Revenue Department of Hongkong had made his assessment as to the obligations of Advance Pharmaceutical and its subsidiary company, if any, any remaining balance of the \$HK10-million deposit, given to the stakeholder by the Plaintiffs, shall be returned to the Plaintiffs, plus any interest accrued, it is alleged.

The Statement of Claim, attached to the Writ of Summons, also states that, from September 17, 2002, onwards, Asialand Ltd shall cause Advance Pharmaceutical to issue to the Plaintiffs, reports on Advance Pharmaceutical and Loyal every 3 months and, '(ii) if there were any annual net profits, the 3<sup>rd</sup> Defendant shall declare and pay each shareholder including the Plaintiffs dividends of \$112,000 per 1% of shares in the 3<sup>rd</sup> Defendant or if such annual net profit is insufficient to do so, at a pro rata rate and (iii) if there were still surplus annual net profit left after deducting (i) the aforesaid dividend of \$11,200,000 and (ii) a further \$20,000,000.00 being cash to be reserved for the 3<sup>rd</sup> Defendant, the 3<sup>rd</sup> Defendant shall further declare and pay dividends based upon the entire said surplus at a pro rata rate in favour of each shareholders including the Plaintiffs.'

Paragraph 5 of the Statement of Claim alleges that Mr Cheng Chi Heng, the Second Defendant, controlled Asialand, which, in turn, was in absolute control of Advance Pharmaceutical due to its 65-percent, shareholding interest in this company.

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