

**LONG SUCCESS INTERNATIONAL (HOLDINGS) LTD:
THE COMPANY GOES ON THE ATTACK**

Within just about two months of [Long Success International \(Holdings\) Ltd \(L\)](#) (Code: 8017, The Growth Enterprise Market [The GEM] of The Stock Exchange of Hongkong Ltd), being sued for \$HK80 million and the former Executive Chairman of Long Success International, being sued for the best part of \$HK2 million, this GEM company is back in the news.

But this time, it is Long Success International that is on the warpath.

Long Success International and its wholly owned subsidiary, Fast Rise Development Ltd (), has issued Writ of Summons, Number 1048 of 2013, naming a Mr Leung Wa () as the lone Defendant.

The Writ of Summons was lodged in the High Court of the Hongkong Special Administrative Region (HKSAR) of the People's Republic of China (PRC) on June 13, 2013.

In aggregate, Long Success International is claiming about \$HK88.86 million from Mr Leung Wa – about \$HK80.84 million, due to Fast Rise Development (the First Plaintiff), and about \$HK8 million due to Long Success International (the Second Plaintiff).

The Statement of Claim, attached to Writ of Summons, Number 1048, alleges that Mr Leung Wa *'was a shareholder of Ever Stable Holdings Ltd (), a company incorporated in the British Virgin Islands ...'*. This company was sold to Fast Rise Development on March 26, 2010.

The consideration for the entire Issued and Fully Paid-Up Share Capital of Ever Stable Holdings Ltd was \$HK280 million, satisfied by \$HK215 million in cash and the issuance of 216 million shares in the Issued and Fully Paid-Up Share Capital of Long Success International, according to Paragraph 4 of the Statement of Claim.

The reason that Long Success International was desirous, in March of 2010, of purchasing Ever Stable Holdings Ltd was because it owned 60 percent of the Issued and Fully Paid-Up Share Capital of Jiu He Bio-plastics Company Ltd (), a Sino-Hongkong equity joint-venture company, incorporated in the PRC, hereinafter referred to as *'the Dongguan JV Company'*.

Paragraphs 6 and 7 of the Statement of Claim make the following allegations with regard to the Sale and Purchase Agreement of March 26, 2010:

- '6. Clause 6 of the Sale and Purchase Agreement provides that the Defendant as vendor shall guarantee the net profits after tax of the Dongguan JV Company shall not be lower than HK\$60,000,000, HK\$80,000,000 and HK\$100,000,000 respectively in the financial years 2011, 2012, and 2013 ("the **Guaranteed Profit**"). If the Dongguan JV Company fails to meet the Guaranteed Profits, in any of the three years, the Defendant as vendor shall pay the 1st Plaintiff as purchaser a compensation equivalent to the shortfall of HK\$36,000,000, HK\$48,000,000 and HK\$60,000,000 respectively for 2011, 2012, and 2013 respectively (being the Guaranteed Profits attributable to the 60% equity interest in the Dongguan JV Company). If the Dongguan JV Company records a loss in any of the three years, the Defendant shall pay to the 1st Plaintiff*

a compensation equivalent to the loss attributable to the 60% equity interest in the Dongguan JV Company for that year plus the shortfall of the aforesaid Guaranteed Profit for that year. The Plaintiff shall have the right to choose the way of settlement of the compensation.

- ‘7. Clause 8 of the Sale and Purchase Agreement provides that on or before 30th September, 2010, the Defendant as a vendor shall cause the increase of the registered capital of the Dongguan JV Company to US\$17,000,000 (“the **Capital Injection**”) by contributing US\$10,200,000 representing 60% of the (increased) capital (whereas the Mainland shareholder holding 40% shares of the Dongguan JV Company shall contribute the rest).’*

Paragraph 9 of ... [CLICK TO ORDER FULL ARTICLE](#)

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