

**CHINA INVESTMENT FUND INTERNATIONAL HOLDINGS LTD:
THE COMPANY WANTS THE RETURN OF ITS MONEY**

Grand Dragon Investment Development Ltd, a company, domiciled in The Republic of Vanuatu and being a wholly owned subsidiary of China Investment Fund International Holdings Ltd () (Code: 612, Main Board, The Stock Exchange of Hongkong Ltd) has sued Ms Yang Yan () for, inter alia, \$HK10 million.

(China Investment Fund International Holdings Ltd [hereinafter referred to as ‘*CIF*’] was, up until October 17, 2016, known as China Investment Fund Company Ltd [].)

Ms Yang Yan, the Defendant in Action Number 2654 of 2016, recently filed in the High Court of the Hongkong Special Administrative Region (HKSAR) of the People’s Republic of China (PRC), is said to reside in the PRC and is ‘*the sole shareholder of (Shenzhen Qianhai Yunhui Equity Investment Fund Management Company Ltd).*’ (Paragraph Two of the Statement of Claim, attached to the Writ of Summons).

The Statement of Claim, at Paragraph Three, alleges that the Plaintiff, ‘*in around June 2015*’ commenced negotiations with the Defendant with a view to acquire all of the Issued and Fully Paid-Up Share Capital of Shenzhen Qianhai Yunhui Equity Investment Fund Management Company Ltd (hereinafter referred to the ‘*Target Company*’).

The Plaintiff and Defendant signed a Memorandum of Understanding (the ‘*MOU*’), dated September 10, 2015, in respect of the proposed acquisition, it is alleged at Paragraph Four.

Then, at Paragraphs Seven and Eight of the Statement of Claim, it is alleged:

- ‘7. *In compliance with Article 6.1 of the MOU, CIF, on behalf of the Plaintiff, paid the Defendant HK\$8 million by cheque dated 17 September 2015. The Defendant drew upon the cheque on 18 September 2015. Further, at about the same time, the Plaintiff commenced due diligence on the Target Company.*
- ‘8. *On or about 30 October 2015, the Plaintiff and the Defendant signed a further document (the “Equity Transfer Contract”) in relation to the Proposed Acquisition. The Equity Transfer Contract provided as follows:*
 - (a) *By Article 5.1, “The Transfer and the Transferee acknowledge that the Transferor paid a deposit of HK\$8 million to the account of the Transferor or the account designated by the Transferor on [day month year];”*
 - (b) *Article 5.2 provided: “The Transferee shall, after entering into the Contract, undertake further due diligence on the Target Company. Within [] days prior to the completion of the due diligence, the Transferee shall pay HK\$2 million to the account of the Transferor or the account designated by the Transferor;”*
 - (c) *Article 5.3 provided: “The two parties acknowledge that the Transferee shall, after undertaking further due diligence on the Transferor, determine the consideration for the equity transfer following negotiations with the Transferor based on the due diligence findings, but the total consideration so determined through negotiations*

by the Transferor and the Transferee shall not exceed 20% of the net assets of CIFCL;”

- (d) *Article 5.4 provided:* “After the equity transfer price is determined, the Transferee shall pay the remaining consideration for the equity transfer after deducting the HK\$8 million paid on [day month year] and the HK\$2 million paid after entering into the Contract.”
- (e) *Article 12.1 provided:*
 - “(a) the Contract shall be terminated on the date of completion of the performance of the rights and obligations thereunder.
 - “(b) prior to this, the parties may terminate the Contract at any time by entering into a written agreement.
 - “(c) prior to this, one party (the “Notifying Party”) may terminate the Contract at any time after giving a written notice to the other party under one of the following situations which is significant and substantive.
 - “(i) the other party was in breach of a major obligation hereunder, and failed to remedy the default during the remedial period specific in a written notice of default given by the Notifying Party pursuant to the default clause;
 - “(ii) a force majeure event;
 - “(iii) a significant, substantive obligation has not been fulfilled when due.”
- (f) *Article 15.1 provided:* “If the Transferor breaches or defaults on the clauses of the Contract, the Transferee may choose to proceed and complete the Contract or notify the Transferor in writing of terminating the Contract and claim compensation without prejudice to any other rights or remedies it may have.”
- (g) *Article 15.4 provided:* “Prior to the completion of the equity transfer, if the Transferee breaches or defaults on the clauses of the Contract, the Transferor may choose to proceed and complete the Contract or notify the Transferee in writing of terminating the Contract and claim compensation without prejudice to any other rights or remedies it may have.”
- (h) *Article 18 provided that Hong Kong law shall apply.*
- (i) *Article 20.6 provided that the Equity Transfer Agreement constituted the entire agreement reached between the two parties.’*

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