

**ONTARIO
SUPERIOR COURT OF JUSTICE**

B E T W E E N:

BDO CANADA LIMITED IN ITS CAPACITY AS TRUSTEE OF THE ESTATE
OF 2283942 ONTARIO INC., A BANKRUPT

Plaintiff

and

SHIU KWAN LO AND SONS LTD., 2433591 ONTARIO INC.,
2435982 ONTARIO INC. and HERMAN KUANG

Defendants

**REPLY TO THE STATEMENT OF DEFENCE OF THE DEFENDANT,
HERMAN KUANG**

1. The Plaintiff denies the allegations contained in paragraphs 2, and 5 to 15 of the Statement of Defence of the Defendant, Herman Kuang (the “**Statement of Defence**”).
2. The Plaintiff has no knowledge in respect of the allegations contained in paragraphs 3 and 4 of the Statement of Defence.
3. Contrary to the allegation contained in paragraph 4 of the Statement of Defence, Kuang is not at arm’s length or independent of the defendant 2435982 Ontario Inc. (the “**Purchaser**”) or the principals of the Purchaser. The principal of the Purchaser and the lawyer for the Purchaser is Diana Young (“**Young**”). Young and Kuang are spouses of one another.
4. As set out in paragraphs 21 to 24 of the Amended Statement of Claim, the Plaintiff repeatedly contacted Kuang to request a discharge statement as it had funds available in

order to discharge the mortgage (the “**Mortgage**”) held by the Defendant, 2433591 Ontario Inc. (the “**Assignee**”). Despite these requests, Kuang failed to provide a discharge statement and on October 2, 2014, Kuang caused the Assignee to transfer the Property known municipally as 3320-3330 Midland Avenue, Toronto, Ontario (the “**Property**”) at undervalue to the Purchaser, a related company.

5. Kuang has a direct or indirect financial interest in the Assignee and the Purchaser. Kuang personally benefited from his failure to provide a discharge statement and the transfer of the Property from the Assignee to the Purchaser.
6. Contrary to the allegation contained in paragraph 7 of the Statement of Defence the Assignee and the Purchaser are related corporations. As set out above, the principal of the Assignee, Kuang, and the principal and lawyer for the Purchaser, Young, are spouses of one another. Kuang and Young jointly orchestrated the scheme whereby the Property was transferred from the Assignee to the Purchaser at undervalue and despite repeated requests from the Plaintiff for a discharge statement.
7. The Plaintiff pleads that none of the factors set out in paragraph 14 of the Statement of Defence would affect the value of the Property. The fact is that Kuang and the Assignee deliberately failed to list the Property for sale or test the open market and instead incorporated the Assignee and the Purchaser for the sole purpose of taking an assignment of the mortgage in order to do a “quick flip” of the Property between related companies. Further, the Assignee made no attempt to obtain a cash deal and instead entered into a transaction where the majority of the purchase price was paid via a vender take back

mortgage so as not pay any equity to the Plaintiff. A higher purchaser price would have been obtained but for these failures on the part of Kuang and the Assignee.

March 24, 2017

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Court File No. CV-14-513935

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PROCEEDING COMMENCED AT
TORONTO

REPLY

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