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## Enforcement News

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12 November 2010

### SFC files further evidence in Court against Hontex

The Securities and Futures Commission (SFC) today filed further evidence in the High Court as part of its legal proceedings against Hontex International Holdings Company Limited (Hontex), alleging contraventions of the Securities and Futures Ordinance (SFO) by Hontex in relation to its Hong Kong initial public offering (IPO).

The SFC's evidence filed today comprises a 69-page affirmation and a total of 30 box files of evidence which the SFC has gathered and analysed since obtaining urgent interim orders on 29 March 2010 to freeze assets of up to \$997.4 million held by Hontex and four of its wholly owned subsidiaries (Note 1).

The SFC subsequently located \$832 million held in bank accounts of Hontex and its four subsidiaries in Hong Kong. These funds have been frozen by the court (Note 2).

The SFC's evidence was filed in compliance with the Court's directions and in response to the evidence filed with the court by Hontex on 20 September 2010 (Note 3). Unless the Court grants leave, no further evidence can be filed in the case by either party.

The SFC will now take steps to seek a court hearing date as soon as possible.

The SFC is seeking orders, under section 213 of the SFO, to restore the funds raised by Hontex in the IPO to those who subscribed for the shares and those who have purchased shares since the IPO and in either case continue to hold those shares.

The SFC's allegations include:

- Hontex disclosed materially false or misleading information in its IPO prospectus dated 14 December 2009 which was likely to have induced investors to subscribe for and purchase Hontex shares contrary to section 277 and section 298 of the SFO;
- Hontex's financial position, as disclosed in its IPO prospectus, was materially overstated;
- Hontex provided false or misleading information to the Stock Exchange of Hong Kong contrary to section 384 of the SFO; and
- Hontex employed a fraudulent or deceptive scheme in relation to its listing in Hong Kong contrary to section 300 of the SFO.

The SFC's investigation is continuing.

End

Notes:

1. Hontex was listed on the Stock Exchange of Hong Kong on 24 December 2009. The four wholly owned subsidiaries of Hontex which are also parties to the proceedings are Easy Venture International Limited, Star Guide Investments Limited, Prosper Advance International Limited and First Heritage Limited.
2. The proceedings were commenced under section 213 of the Securities and Futures Ordinance.

The SFC made the original application on 29 March 2010 and obtained an interim injunction ex parte on the same day.

3. Please see SFC press release dated [7 September 2010](#).
4. On 30 March 2010, the SFC issued a direction to the Stock Exchange of Hong Kong, pursuant to section 8(1) of the Securities and Futures (Stock Market Listing) Rules, to suspend trading in the shares of Hontex. The direction was issued for the purpose of maintaining a fair and orderly market and to protect investors.

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