
Enforcement News

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8 April 2010

Court continues interim injunction to freeze assets of Hontex

The High Court has today continued an order to freeze assets of up to \$997,400,000 in relation to Hontex International Holdings Company Limited (Hontex) and four of its wholly owned subsidiaries (Note 1).

Today's order was made by consent and follows an interim injunction granted to the Securities and Futures Commission (SFC) on an urgent basis on 29 March 2010. The SFC subsequently commenced proceedings against Hontex alleging that the prospectus of Hontex contained materially false or misleading information (Note 2).

The interim injunction will remain in force until further order.

The amount of assets frozen by the interim injunction represents the net proceeds raised from the investing public by Hontex in an initial public offer (IPO) in December 2009.

Since 29 March 2010, the SFC has identified approximately \$832 million held in bank accounts of Hontex and its four subsidiaries in Hong Kong. Funds in these bank accounts are now frozen under the terms of the interim injunction. The SFC is continuing to make inquiries to identify more assets up to the value of \$997,400,000.

Hontex is alleged to have disclosed materially false or misleading information in its prospectus dated 14 December 2009, which was likely to have induced investors to subscribe for the Hontex shares. The SFC alleges that Hontex's financial position as outlined in its IPO prospectus has been materially overstated.

The interim injunction has been obtained to prevent the dissipation of assets pending the conclusion of the SFC's investigation and to ensure there are sufficient assets to satisfy any restoration or compensation orders, if such orders are made against Hontex.

If the SFC is successful in establishing its allegations, the SFC will seek orders to restore the funds raised in the IPO to those who subscribed for the shares and continue to hold them and those who have purchased shares since the IPO.

On 30 March 2010, the SFC issued a direction to the Stock Exchange of Hong Kong 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 (Note 3).

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. Under section 8(1) of the Securities and Futures (Stock Market Listing) Rules, the SFC has the power to direct the Stock Exchange of Hong Kong to suspend dealings in shares of a listed company.

Page last updated: 8 April 2010