

## Enforcement Actions

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5 November 2002

### **SFC Successfully Prosecutes Top New Finance Ltd and Wu Kezhong**

The SFC has successfully prosecuted Top New Finance Ltd and its sole director Mr Wu Kezhong under the Securities (Disclosure of Interests) Ordinance.

On 1 August 2001 Top New entered into a loan agreement for \$156 million and two deeds of mortgage with Gigalink Pty Ltd, a corporate majority shareholder of Heshun Specialized Fibre Holdings Ltd (formerly known as Heshun Holdings Company Ltd). As a collateral for its loan Gigalink pledged 1,395 million (or 75%) of Heshun's issued shares to Top New. Top New and Wu failed to report in time to Hong Kong Exchanges and Clearing Limited (HKEx) and Heshun their interests.

On 15 August 2001 and 24 October 2001 Top New as mortgagee released 100 million and 142 million of Heshun shares to Gigalink after Gigalink had partially settled the loan. The first share release caused Top New's interest in Heshun to fall from 75% to 69.62%, while the second release caused it to fall further to 61.99%. Top New and Wu had failed to disclose the changes until 10 January 2002.

Top New and Wu today pleaded guilty to 12 summonses regarding their failure to report their interests to HKEx and Heshun. Ms Polly Lo, a Magistrate at Western Magistracy, fined Top New and Wu \$36,000 each and ordered them to pay costs totalling \$13,502 to the SFC.

An SFC spokesman reminds directors and mortgagees of shares in listed companies that they are under a duty to notify the listed companies and HKEx their interests in the companies if they reach the reporting threshold. Reporting obligations also arise whenever there is any change in the interest of their shareholdings. The notification must state the number or amount, and class, of shares involved. In case of uncertainty on their disclosure requirements, they should seek professional advice.

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*Page last updated: 5 November 2002*