

Enforcement Actions

8 July 2003

SFC Prosecutes Tung Fai and Wisdom Latch Ltd for Contravening the Securities (Disclosure of Interests) Ordinance

The SFC has successfully prosecuted Mr Tung Fai and Wisdom Latch Ltd, a BVI company wholly owned and controlled by Tung, under the Securities (Disclosure of Interests) Ordinance.

Tung and Wisdom Latch today pleaded guilty to a total of four summonses relating to their failure to notify both Hong Kong Exchanges and Clearing Limited (HKEx) and First Natural Foods Holdings Ltd regarding a series of disposals of First Natural Foods shares made between 14 June to 15 July 2002, which decreased their interests from 81.9 million to 79.5 million shares (10.2% to 9.9%) in the issued share capital of First Natural Foods. They did not report the above sales until 16 August 2002. The notifiable threshold at the time was 10% and shareholders increasing/decreasing their shareholdings across the threshold were required to make a disclosure.

Mr Anthony Yuen, a Magistrate at Western Magistracy, fined Tung and Wisdom Latch a total of \$20,000 and ordered them to pay total costs of \$ 15,980 to the SFC.

With the introduction of the 5% notifiable threshold for majority shareholders in the Securities and Futures Ordinance on 1 April 2003, investors are reminded to check their shareholdings against the nominal value of the issued share capital of the stocks they hold to ensure that once their shareholding fluctuates above or below the 5% threshold they notify both HKEx and the listed company within three business days. Similarly, such duty also arises whenever there is a whole figure change in the percentage level of their shareholdings above the 5% threshold. Investors are recommended to seek professional advice on their disclosure requirements.

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