
Enforcement News

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12 November 2007

Restriction Notice on Great Honest Investment Company Ltd

The SFC has today served a restriction notice on Great Honest Investment Company Ltd to preserve the assets of the company and its clients, and to protect the interests of these clients and the investing public.

The SFC has also successfully applied to the Court for the interim appointment of an Administrator, interim Mareva Injunctions and a prohibition order to further protect the assets and interests of Great Honest's clients.

Restriction notice

Great Honest is engaged in the business of securities dealing with about 690 active cash clients and 138 active margin clients (Note 1).

The restriction notice is issued pursuant to sections 204 and 205 of the Securities and Futures Ordinance to prohibit Great Honest from carrying on all activities for which it is licensed, disposing of or dealing with any assets held by it or held on behalf of its clients, and assisting, counselling or procuring another person to dispose of or deal with any such property without the SFC's prior written consent.

The SFC action follows the discovery of prima facie evidence of unauthorised dealings and other irregularities with respect to client accounts and the records maintained by Great Honest.

It appears to the SFC that Great Honest has transferred or otherwise dealt with clients' property in a manner prejudicial to the interest of its clients and that there might be further such transfers or dealing. The SFC therefore considers that the issue of a restriction notice is desirable in the interest of the investing public and in the public interest.

The Administrator

Following an application by the SFC, under section 213 of the SFO, the Court has appointed John Lees of John Lees & Associates Limited as the Administrator to administer the property of Great Honest, Great Honest Finance Company Limited and Pak Win Investment Limited. The latter two companies are owned by the majority shareholder of Great Honest.

The Court has granted the Administrator wide powers including the power to investigate Great Honest's affairs, verify clients' claims and return client assets.

In light of the apparent unauthorised dealings with client assets, the SFC does not consider it to be in the public interest or in the interest of the investing public to permit the existing management of Great Honest to continue to be responsible for the handling of client assets. The SFC considers there to be a need for independent and experienced professional accountants to take over the affairs of the companies, examine their books and records, and verify clients' positions and the extent of any loss.

The order appointing the Administrator is an interim order and the matter will come back to the Court for another hearing on 16 November 2007, at which time Great Honest will have the opportunity to oppose the continuation of the order and to present evidence and arguments.

The Administrator will send a circular to Great Honest's clients shortly to explain the circumstances of the firm and to request them to submit their claims.

Clients may contact the Administrator on their hotlines: 2842-5005, 2842-5011, 2842-5007 and 2842-5044 from 9:00am to 1:00pm and from 2:00pm to 6:00pm, Monday to Friday.

Mareva Injunctions and Prohibition Order

The Court has issued interim Mareva Injunctions against Ms Lorrain Chung Yuet Sheung, the majority shareholder of Great Honest, and Mr Siu Yun Piu, Ms Chung's brother in law, restraining them from removing any of their assets from Hong Kong, or dealing with or diminishing the value of any of their assets within Hong Kong. In the case of Mr Siu, the Mareva Injunction extends to his assets worldwide.

The Court has also granted a Prohibition Order against Ms Chung, prohibiting her from leaving Hong Kong. The purpose of the Order is to ensure that Ms Chung

remains available to assist the Administrator and the SFC.

The interim Mareva Injunctions and Prohibition Order were obtained under section 213 of the SFO, in an effort to safeguard and protect the interests of Great Honest's clients. The Mareva Injunctions will remain in force until 16 November 2007 when the matter will be reconsidered by the Court. The prohibition order will lapse after one month unless it is extended or renewed.

The SFC's inquiries into the conduct of Great Honest and its management will continue. Further announcements will be made when appropriate.

The SFC's Investor Hotline at 2840 9333 is open from 9:30am to 5.30pm, Monday to Friday. A list of [questions and answers](#) for clients is attached.

Ends

Notes:

1. Great Honest is licensed under the SFO to carry on business in Type 1 regulated activity (dealing in securities).

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