
Enforcement News

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5 June 2008

SFC Commences Second Criminal Prosecution for Insider Dealing

The SFC has commenced criminal proceedings against Hung Lai Mei Vicky for alleged insider dealing in the shares of Sino Golf Holdings Limited. This is the second criminal prosecution for insider dealing since the inception of the Securities and Futures Ordinance in 2003 (Note 1).

Hung appeared in Eastern Magistracy today in response to 4 summonses. No plea was taken. The case was adjourned to 26 June 2008 for plea and will proceed as a summary prosecution in the Magistrates Court.

The SFC alleges that Hung, a finance manager of Sino Golf, sold 180,000 shares in Sino Golf in December 2004 (Note 2) whilst in possession of relevant information.

Hung is alleged to have known that a major corporate client (Note 3) of Sino Golf had filed for Chapter 11 bankruptcy in the USA (Note 4) and that Sino Golf would therefore need to make a bad debt provision which would have a material effect on its financial position.

Sino Golf announced its financial results on 18 April 2005 which included a substantial bad debt provision of \$9.5 million and recorded a 35% drop in net profit. The market reacted negatively to the news and the share price of Sino Golf dropped by 22.7% from \$1.10 on 18 April 2005 to close at \$0.85 on 19 April 2005.

Ends

Notes :

1. The first criminal prosecution was commenced by the SFC on 31 January 2008 following an SFC investigation (see SFC press release dated [28 February 2008](#)). The trial for that case is now scheduled for January 2009 in the District Court.

2. The relevant dates were 1, 3, 15 and 31 December 2004.

3. The corporate client was Huffy Corporation, a USA-based corporation engaged in the manufacturing and trading of golf equipments, bags and accessories. Huffy was one of the top five customers of Sino Golf Manufacturing Company Limited, a wholly owned subsidiary of Sino Golf Holdings Limited. On 20 October 2004, Huffy filed for bankruptcy protection in USA and notified Sino Golf on 21 October 2004. Although Huffy's bankruptcy was publicly known in the USA, the SFC will allege that the connection between Huffy's financial position and Sino Golf's financial position was not publicly known in Hong Kong.

4. A Chapter 11 bankruptcy protection in USA is an attempt by a company to stay in business while a bankruptcy court supervises the reorganisation of the company's contractual and debt obligations. The court can grant complete or partial relief from most of the company's debts and contracts and obligations so that the company can make a fresh start of business. Upon the filing of a Chapter 11 bankruptcy protection, creditors are not allowed to attempt to collect previously incurred debts owed to others by the company except through the bankruptcy court.

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