

[Home](#) ▶ [News & announcements](#) ▶ [News](#) ▶ [All news](#)

## Court appoints interim receivers and managers for Qunxing Paper

31 Mar 2014

The Securities and Futures Commission (SFC) obtained an order in the Court of First Instance late last Friday following an urgent application to appoint interim receivers and managers over Qunxing Paper Holdings Company Limited (Qunxing) to protect the interests of the company's shareholders and the investing public. The application was made in the SFC's ongoing proceedings against Qunxing and its subsidiary, Best Known Group Limited (Best Known) (Note 1).

The Hon Mr Justice To appointed Mr Roderick John Sutton, Mr Fok Hei Yu and Mr John Howard Batchelor of FTI Consulting jointly and severally as interim receivers and managers of Qunxing.

The SFC made the urgent application after finding out that a PRC court had accepted an application under the Enterprise Bankruptcy Law of the PRC from Qunxing's wholly-owned Mainland-based subsidiary, Shandong Qunxing Paper Limited (Shandong Qunxing). It appears from the PRC court file that the PRC court accepted Shandong Qunxing's restructuring application on 21 February 2014 and appointed Shandong Qunxing's liquidation committee as its administrator on 28 February 2014 (Note 2).

Given Shandong Qunxing is the sole operational arm of Qunxing, Qunxing's most recent interim consolidated financial report claims that it has net assets of RMB3,268 million, most of which are held by Shandong Qunxing, the SFC believes the commencement of PRC bankruptcy proceedings by Shandong Qunxing is important price sensitive information that ought to have been disclosed by Qunxing on or before 21 February 2014 (Note 3).

No announcement has been made to The Stock Exchange of Hong Kong Limited by Qunxing about this application which the SFC alleges contravenes Qunxing's obligation to keep the market properly informed about its affairs (Note 4).

The SFC queried Qunxing about the PRC bankruptcy proceedings as soon as the SFC learned about them. Three days later, on 21 March 2014, Qunxing issued an announcement stating that all but one of the directors of the company had resigned. The announcement did not make any mention about the PRC bankruptcy proceedings.

The SFC alleges Qunxing has kept its shareholders, the wider Hong Kong market and the SFC completely in the dark. Despite being queried by the SFC, Qunxing continues to fail to inform the investing public of these matters.

The SFC considers the above series of events raise grave concerns that the interests of Qunxing's public shareholders are in jeopardy, hence the need for an urgent application to appoint receivers and managers for Qunxing.

The Hon Mr Justice To granted the interim receivers and managers wide powers to investigate and manage Qunxing's affairs. The immediate effect of the appointment of the interim receivers and managers is to suspend the powers of the current board of directors over the management of the company's affairs and place administrative control over the company in the hands of the interim receivers and managers.

The court will hear the matter again on 4 April 2014 to decide whether to continue the appointment of the interim receivers and managers.

Separately, Qunxing and Best Known have made an application to the court to discharge the injunction order granted on 12 December 2013 to freeze their assets. The court will also hear this application on 4 April 2014.

The SFC is considering further action given its concerns about the uninformed state of the market in respect of Qunxing's affairs.

End

Notes:

1. On 12 December 2013, the SFC commenced proceedings against Qunxing and Best Known alleging that Qunxing's prospectus for its initial public offer in 2007 and the announcements of its annual results for 2007 to 2011 contained materially false or misleading information. On the same day, the SFC obtained an interim injunction freezing assets of up to \$1,968,000,000. On 28 March 2014, the SFC made the application to seek an order under section 21L of the High Court Ordinance which empowers the court to grant, among other things, an order to appoint receivers in the ongoing proceedings brought by the SFC under section 213 of the Securities and Futures Ordinance (SFO) on the grounds that it appears to the court to be just or convenient to do so. The order was obtained on an ex parte basis with notice. Qunxing was represented by its lawyers at the ex parte hearing. Please see the SFC's press releases dated [20 December 2013](#) and [23 January 2014](#).
2. Restructuring proceedings under the Enterprise Bankruptcy Law of the PRC are designed to rescue a financially deficit company from going bankrupt. The failure of restructuring will result in the bankruptcy of the company.
3. The last financial statement published by Qunxing on 26 August 2013 was the 2013 Interim Report which showed that the group made a net profit of RMB51.51 million. Its net assets increased to RMB3,268 million as at 30 June 2013. Its total liabilities amounted to only RMB163 million which were less than its cash balance of RMB655 million. Following the commencement of the proceedings under section 213 of the SFO, the SFC has located approximately \$150 million held by the defendants in Hong Kong which is frozen by the interim order save for the sum of \$13.31 million which the court has allowed them to withdraw for paying their operational expenses and legal fees.
4. Section 307B(1) of the SFO stipulates that a listed corporation must, as soon as reasonably practicable after any inside information has come to its knowledge, disclose the information to the public.

Page last updated : 31 Mar 2014