

## HSS, investors settle disclosure suit

SHANGHAI: Individual investors in steel company Hangxiao Steel Structure (HSS) and the Shanghai-listed firm have settled a lawsuit, ending a two-year tug-of-war.

That marks a big victory for the investors who have suffered losses due to some information disclosed by the company which later turned out to be false.

According to Song Yixin, the plaintiff attorney, 118 investors will receive a total of approximately 4 million yuan as cash compensation before the end of June. And the other nine investors will be dealt with on a case-by-case basis.

The Hangxiao case was the first since the China Securities Regulatory Commission (CSRC) implemented new regulations in January 2007 on the release of financial information by listed companies.

On Feb 15, 2007, HSS said in an announcement that it would join a foreign property project worth about 30 billion yuan and about two months later the firm announced it had signed a housing project in Angola with China International Fund Limited, on a contract worth 34.4 billion yuan.

Spurred by the news, HSS shares surged from 4.14 yuan apiece to 10.75 yuan between February 12 and March 16, up 159 percent.

The project proved to be non-existent. The firm's shares slid shortly thereafter. Trading in HSS shares was suspended on March 19, 2007 and the firm was fined 1.1 million yuan by regulators.

Individual investors then launched the lawsuit and claimed a total of 5.9 million yuan for the false information disclosure.

In February 2008, a court in Zhejiang province, where HSS is based, gave jail sentences of 18 to 30 months to three people, including a HSS securities representative, for insider trading of HSS shares.

Two of them were fined a total of 80.74 million yuan (\$11.2 million).

Company Chairman Shan Yinmu and President Zhou Jinfa were issued warnings by stocks regulators and each fined 200,000 yuan.

Li Jian, another lawyer who appeared on behalf of the investors, said the settlement could have a positive effect on rulings for similar cases in future.

HSS shares yesterday stayed unchanged at 9.53 yuan apiece.

(China Daily 05/22/2009 page13)