

# Enforcement

## Combatting market misconduct

### Monitoring the market

Our surveillance of untoward price and turnover movements led to 1,256 requests for trading and account records from intermediaries during the quarter. We also assessed 58 notifications from intermediaries<sup>1</sup> regarding suspicious equity and derivative trading.

We published one announcement about high shareholding concentration to caution investors about trading in the shares of a company that are highly concentrated in a small number of shareholders.

### Counteracting insider dealing and market manipulation

The Eastern Magistrates' Court sentenced Wong Pak Wai to 240 hours of community service after he pleaded guilty to insider dealing in the shares of Elec & Eltek International Company Limited. He was ordered to pay a fine of \$25,000 and our investigation costs.

The Court of Final Appeal unanimously dismissed the appeal by six suspected overseas manipulators concerning service out of the jurisdiction<sup>2</sup>. The appeal arose from legal proceedings under section 213 of the Securities and Futures Ordinance (SFO) brought by the SFC in a case of alleged false trading in the shares of Ching Lee Holdings Limited through a large-scale, sophisticated scheme. As a result of these proceedings, we obtained from the Court of First Instance (CFI) injunctions to freeze the assets held by 15 local and overseas entities.

### Tackling corporate fraud and related misbehaviour

The Market Misconduct Tribunal (MMT) sanctioned Mayer Holdings Limited (Mayer) and nine of its former senior executives for failing to make timely disclosure of inside information as required under the SFO. The MMT ordered them to pay a total fine of \$4.65 million. The nine former senior executives were also disqualified for

20-30 months and ordered to attend an SFC-approved training programme on compliance with corporate disclosure requirements, directors' duties and corporate governance. The MMT further recommended the Accounting and Financial Reporting Council (AFRC) to discipline Mayer's former company secretary and financial controller.

We obtained disqualification and compensation orders in the CFI against Tse On Kin, the former chairman and executive director of Kong Sun Holdings Limited (Kong Sun) and China Sandi Holdings Limited. He admitted that he devised a fraudulent scheme to conceal his interests in the companies' share placements and obtained a secret profit. Tse was disqualified for 10 years and ordered to pay Kong Sun the profit that he made in breach of his fiduciary duty owed to it (about \$2.2 million) and our costs in the proceedings.

We obtained an order in the CFI to disqualify Nicholas Chiu Sai Chuen for three years. The former independent non-executive director of China Candy Holdings Limited acted negligently in discharging his duties as director. Chiu was also ordered to pay our costs in the proceedings.

In a case where we commenced legal proceedings against Leung Anita Fung Yee Maria, a former chief executive officer and executive director of SMI Culture & Travel Group (SMI Culture), to seek a compensation order for losses suffered by SMI Culture as a result of a fraudulent scheme, we applied to the CFI and obtained an undertaking by Leung in October. She undertook not to complete the sale and purchase of her two properties in Shanghai and Canada until our injunction application against the disposal of her assets is determined. This undertaking was given subsequent to the SFC obtaining an interim notification injunction order against Leung in September. Her assets had been preserved for satisfying possible compensation orders imposed by the court after the conclusion of the SFO section 214 proceedings brought by us.

<sup>1</sup> Intermediaries are required to report clients' suspected market misconduct to the SFC.

<sup>2</sup> As the suspected overseas manipulators are overseas nationals or entities incorporated outside Hong Kong, we have obtained leave for service out of the jurisdiction from the CFI. The overseas manipulators then made several applications to challenge the CFI's leave for us to serve them out of the jurisdiction. In October, the Court of Final Appeal held that leave to serve out of jurisdiction is not required in the present case.

## Enforcement

### Acting against intermediary misconduct

#### Disciplinary actions against intermediaries

During the quarter, we disciplined three corporations and four individuals, resulting in total fines<sup>3</sup> of \$9 million.

Key disciplinary actions include the following:

#### Sponsor failures

Name	Breaches	Action
Ivan Chan Chuk Cheung	Failed to discharge his duties as a sponsor principal of Changjiang Corporate Finance (HK) Limited in charge of five listing applications to list on the Stock Exchange of Hong Kong Limited	Banned from re-entering the industry for seven years

#### Anti-money laundering and counter-terrorist financing regulatory breaches

Company	Breaches	Action/Fine
Lion Futures Limited	Failed to comply with anti-money laundering and counter-terrorist financing and other regulatory requirements	Reprimanded and fined \$2.8 million

#### Other regulatory breaches and criminal convictions

Company/Name	Breaches/Convictions	Action/Fine
Hau Bing Leung	Allowed a third party to operate a client's account without the client's written authorisation and carried out personal trades in the client's account	Suspended for 15 months
Central Wealth Securities Investment Limited	Failed to comply with the Securities and Futures (Financial Resources) Rules	Reprimanded and fined \$1 million
Amy Chow Bik Sum	Conviction of bribery offence	Banned from re-entering the industry for life
Ruifeng Securities Limited (RSL)	Failures relating to its fund management activities and account opening procedures	Reprimanded and fined \$5.2 million
Fang Zhi	Failed to discharge his duties as a responsible officer of RSL in charge of fund management activities	Suspended for 10 months

<sup>3</sup> Fines paid by intermediaries in disciplinary actions go into the general revenue of the Government.

## Enforcement

### Other notable cases

In June 2022, the Court ordered Maxim Capital Limited and Maxim Trader to pay qualifying investors of the Maxim Fund, following legal proceedings brought by the SFC under section 213 of the SFO. On 25 September 2023, the CFI allowed our application to extend the cut-off date for investors to make claims relating to investment schemes operated by Maxim Capital Limited and Maxim Trader in Hong Kong by 30 November 2023. The original cut-off date was 23 July 2022.

We commenced legal proceedings in the CFI under section 214 of the SFO against the following individuals:

- to seek disqualification orders against eight current or former directors of FingerTango Inc. and a compensation order against six of them for allegedly committing corporate misconduct and breaching their duties towards the company; and
- to seek disqualification orders against five former directors and a former de facto director of First Credit Finance Group Limited for breaching their fiduciary duties owed to the company.

We commenced legal proceedings in the CFI to inquire into non-compliance by AMTD Global Markets Limited<sup>4</sup> and its former executives with notices issued under section 183 of the SFO concerning initial public offerings-related investigations.

In a case where we commenced legal proceedings to seek disqualification orders against the former chairman and two other former executive directors of Tech Pro Technology Development Limited for breaching their duties owed to the company, we have set the case down for trial in the CFI.

### Restriction notice

We issued a restriction notice to a broker prohibiting it from dealing with or processing certain assets held in a client account which is related to suspected insider dealing.

### Tripartite operation with ICAC and AFRC

We conducted the first tripartite operation with the Independent Commission Against Corruption (ICAC) and the AFRC against two Hong Kong-listed companies on suspected fictitious corporate transactions totalling \$193 million. A total of 16 premises were jointly searched and three persons, including an executive director of a listed company, were arrested by the ICAC for suspected offences under the Prevention of Bribery Ordinance. The investigations are ongoing.

<sup>4</sup> Currently known as orientiert XYZ Securities Limited.



## Enforcement

### Enforcement activities

	Quarter ended 31.12.2023	Nine months ended 31.12.2023 <sup>g</sup>	Nine months ended 31.12.2022	YoY change (%)
S179 <sup>a</sup> inquiries commenced	6	29	26	11.5
S181 <sup>b</sup> inquiries commenced (number of letters sent)	49 (1,256)	146 (3,499)	133 (4,687)	-25.3
S182 <sup>c</sup> directions issued	41	136	97	40.2
Investigations started	42	136	101	34.7
Investigations completed	48	130	145	-10.3
Individuals and corporations charged in criminal proceedings	0	20	8	150.0
Criminal charges laid	0	46	95	-51.6
Notices of Proposed Disciplinary Action <sup>d</sup> issued	7	21	19	10.5
Notices of Decision <sup>e</sup> issued	9	24	22	9.1
Individuals and corporations subject to ongoing civil proceedings <sup>f</sup>	205	205	167	22.8
Compliance advice letters issued	41	117	85	37.6
Cases with search warrants executed	8	20	26	-23.1

<sup>a</sup> Section 179 of the SFO gives the SFC the power to compel the production of records and documents from persons related to a listed company in relation to fraud or other misconduct.

<sup>b</sup> Section 181 of the SFO gives the SFC the power to require information from intermediaries about trading transactions, including information identifying the ultimate clients, the particulars and instructions relating to the transactions.

<sup>c</sup> Section 182 of the SFO gives the SFC the power to investigate SFO offences, market misconduct, fraud, misfeasance and disciplinary misconduct.

<sup>d</sup> A notice issued by the SFC to regulated persons that it proposes to exercise its disciplinary powers, on grounds that they appear to be guilty of misconduct or not fit and proper.

<sup>e</sup> A notice which sets out the SFC's decision and its reasons to take disciplinary action against regulated persons.

<sup>f</sup> As of the last day of the period.

<sup>g</sup> Figures have been adjusted for the period.