

NOTICE UNDER SECTIONS 204 AND 205 OF THE SECURITIES AND  
FUTURES ORDINANCE CHAPTER 571 (THE “SFO”)

It appears to the Securities and Futures Commission (the “**Commission**”), for the reasons set out in the Statement of Reasons of this date, that the Commission should exercise the powers conferred by sections 204 and 205 of the SFO.

**THE COMMISSION GIVES NOTICE THAT:**

Except with the Commission’s prior written consent, such consent to be granted by any two Executive Directors of the Commission:

1. Under sections 204(1)(a) and 205(1) of the SFO, China Fund Securities Limited (the “**Specified Corporation**”) is, in respect of the gross proceeds from the sale of securities in Hon Corporation Limited (stock code: 8259) on 6 and 9 December 2019 (“**Sale Proceeds**”) in the following client accounts (the “**Accounts**”):

	<b>Account no.</b>	<b>Sale Proceeds</b>
1.	6882041	HK\$85,989,641.73
2.	6882030	HK\$23,997,369.85
3.	6882074	HK\$19,556,381.73
4.	6882052	HK\$14,029,365.20
5.	6882063	HK\$22,887,257.22
6.	6881455	HK\$3,583,045.24
	Total:	HK\$170,043,060.97

The majority of the Sale Proceeds is being held in an account of the Specified Corporation with DBS Bank (Hong Kong) Limited with account number 478-781420239 (“**Designated Account**”).

- (a) prohibited from disposing of or dealing with, assisting, counselling or procuring another person to dispose of or deal with, any assets in any way in the Accounts or Designated Account, up to the total value of HK\$170,043,060.97, including:
  - (i) entering into transactions for any securities;
  - (ii) processing any withdrawals or transfers of securities and/or cash or any transfers of money arising from the disposal of securities;
  - (iii) disposing of or dealing with any securities or cash on the instructions of any authorized person of the Accounts or by any person acting on their behalf;
  - (iv) assisting another person to dispose of any relevant property or deal with any relevant property in a specified manner;

- (b) required to notify the Commission immediately upon receipt of any instruction from the authorized person of the Accounts, or by any person acting on their behalf, regarding:
  - (i) any requests to withdraw any securities or cash from the Accounts; and/or
  - (ii) any requests to dispose of or deal with any securities or cash which concern those assets subject to the prohibitions in (a) above.
  
- 2. Under section 217 of the SFO, an application may be made to the Securities and Futures Appeals Tribunal for a review of the Commission's decision to impose the prohibitions and/or requirements imposed by this Notice. Such application must be made within twenty-one days after the day on which this Notice is served on the Specified Corporation. Further, under section 208 of the SFO, the Specified Corporation may apply to the Commission for the prohibition and/or requirement imposed by this Notice to be withdrawn, substituted or varied.

This Notice takes effect at the time of service upon the Specified Corporation.

Dated this 20<sup>th</sup> day of January 2020

For and on behalf of the Commission

Ashley Alder  
Chief Executive Officer

## Statement of Reasons

### Under section 209(2) of the Securities and Futures Ordinance (Cap. 571)

1. China Fund Securities Limited (the "**Specified Corporation**") is a corporation licensed under the Securities and Futures Ordinance (the "**SFO**") to carry on Type 1 and Type 9 regulated activities.
2. It appears to the Securities and Futures Commission (the "**Commission**") that the imposition of the prohibition and the requirement set out in the Notice of this date issued by the Commission under sections 204 and 205 of the SFO is desirable in the interest of the investing public or in the public interest.
3. The Commission has reached this view on the basis of the following matters:
  - (a) Hon Corporation Limited ("**Hon Corp**", stock code: 8259) is listed on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited. It is principally engaged in the provision of building infrastructure and interior decoration project in Singapore.
  - (b) On 6 December 2019, in the absence of any negative corporate news and events, Hon Corp's share price plunged by 74% to close at \$0.238 from the previous closing price of \$0.92.
  - (c) Whilst the investigation is still ongoing, evidence obtained by the Commission to date suggests that a group of traders ("**Traders**") might have acted in concert in a prearranged manner in conducting manipulative trading and/or participated in a deceptive scheme in respect of the dealing in Hon Corp shares during the period from 20 November 2019 to 9 December 2019, by inflating the share price of Hon Corp to an artificially high level followed by massive disposal of shares, with the vast majority on 6 December 2019.
  - (d) The Commission's investigation also revealed that the Traders are directly or indirectly connected to one another. The clients of the Specified Corporation (the "**Clients**"), whose accounts are the subject of the Notice of this date issued by the Commission under sections 204 and 205 of the SFO, are amongst the Traders.
  - (e) The Commission has reasons to suspect that false trading, price rigging and/or market manipulation within the meaning of sections 274, 275 and 278 of the SFO might have taken place and/or persons might have committed offences under sections 295, 296, 299 and/or 300 of the SFO and/or breached Part XV of the SFO.
  - (f) Where it appears to the Commission that a person has contravened any of the provisions of the SFO specified above, the Court of First Instance ("**CFI**"), on the application of the Commission, may make an order requiring the person to take such steps as the CFI may direct, including steps to restore the parties to the transaction to the position in which they were before the transaction was entered into, or to pay damages under section 213 of SFO. Further action taken by the Commission may result in the person be ordered to disgorge the profits he/she has made.

- (g) The Commission believes that it is necessary to prevent the Clients and/or person(s) connected with the Clients from operating and dealing with the accounts specified in the Notice and to preserve the cash and securities in the accounts pending further investigation.
- (h) As there is a potential risk of dissipation, the Commission considers that it is desirable in the interest of the investing public or in the public interest to impose on the Specified Corporation the prohibitions and the requirements as set out in the Notice issued by the Commission on this date.

Dated this 20<sup>th</sup> day of January 2020

For and on behalf of the Commission

Ashley Alder  
Chief Executive Officer