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SFC reprimands and fines VC Capital Ltd

27 Jul 2009

The Securities and Futures Commission (SFC) has resolved certain compliance issues with VC Capital Ltd (Note 1).

Under the resolution, the SFC has publicly reprimanded VC Capital and fined it \$1,500,000.

The SFC found that VC Capital was in breach of clause 2.3 of the Corporate Finance Adviser Code of Conduct, in that it failed to keep proper books and records of certain work done when it performed due diligence work as sponsor for a company seeking to be listed on the Growth Enterprise Market and subsequently on the Main Board during 2004 and 2005.

VC Capital failed to keep proper books and records in relation to:

- particular verbal discussions between its staff conducting the relevant due diligence work and the management of the issuer, with the result that it was unable to provide sufficient support for certain representations made to the Stock Exchange of Hong Kong (SEHK);
- due diligence work on certain transactions involving the issuer and its associated company; and
- a walk-through test on the issuer conducted as part of the due diligence work by VC Capital.

VC Capital acknowledges the findings of the SFC in respect of the compliance lapses and regrets that these lapses occurred.

In deciding to resolve the above compliance issues with VC Capital, the SFC took into account that VC Capital has co-operated with the SFC and that it has no previous disciplinary record.

Mr Mark Steward, the SFC's Executive Director of Enforcement, said: "Sponsors must keep proper records of work done when they perform due diligence and must be ready to provide supporting documents of their representations to the SEHK upon its request. Sponsors who do not comply risk serious consequences."

End

Note:

1. VC Capital is licensed under the Securities and Futures Ordinance to carry on business in Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities.

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