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SFC issues restriction notices to three brokers to freeze client accounts related to suspected market misconduct

15 Feb 2019

The Securities and Futures Commission (SFC) has issued restriction notices to Changjiang Securities Brokerage (HK) Limited, Haitong International Securities Company Limited and Kingston Securities Limited (brokers), prohibiting them from dealing with or processing certain assets held in various client accounts which are related to the suspected disclosure of false or misleading financial information in various announcements, annual results and annual reports of a listed company, which was likely to induce transactions (Notes 1 & 2).

The SFC's investigation into the suspected market misconduct did not focus on the brokers. The restriction notices do not affect their operations or their other clients.

The restriction notices prohibit the brokers, without the SFC's prior written consent, from disposing of or dealing with, assisting, counselling or procuring another person to dispose of or deal with, certain assets in any way in the client accounts, including: (i) entering into transactions for any securities; and/or (ii) processing any withdrawals or transfers of securities and/or cash or any transfers of money arising from the disposal of securities; and/or (iii) disposing of or dealing with any securities or cash on the instructions of any authorized person of the client accounts or by any person acting on their behalf; and/or (iv) assisting another person to dispose of or deal with any relevant property in the client accounts in any manner. The brokers are also required to notify the SFC if they receive any of these instructions.

The SFC considers that the issue of the restriction notices is desirable in the interest of the investing public or in the public interest.

The SFC's investigation is continuing.

End

Notes:

1. The SFC issued the restriction notices under section 204 and 205 of the Securities and Futures Ordinance (SFO).
2. Changjiang Securities Brokerage (HK) Limited is a corporation licensed under the SFO to carry on Type 1, 2, 4 and 5 regulated activities; Haitong International Securities Company Limited is a corporation licensed under the SFO to carry on Type 1, 3 and 4 regulated activities; Kingston Securities Limited is a corporation licensed under the SFO to carry on Type 1 regulated activity.

Page last updated : 15 Feb 2019

NOTICE UNDER SECTIONS 204 AND 205 OF THE
SECURITIES AND FUTURES ORDINANCE (Chapter 571) (SFO)

It appears to the Securities and Futures Commission (**Commission**), for the reasons set out in the Statement of Reasons of this date, that the SFC 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, **Kingston Securities Limited (the Specified Corporation)** is, in respect of the following accounts (**the Accounts**):

Account number
51194
53713

- (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 up to the total value of HK\$3,814,551,000, 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 authorised 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 the Accounts in any manner;
- (b) required to notify the Commission immediately upon receipt of any instruction from the authorised 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 transfer money arising from the disposal of any securities, which would result in the value of assets remaining in the Accounts to fall below the value of HK\$3,814,551,000; 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. Notwithstanding paragraph 1, the Specified Corporation may deal with or dispose of securities in the Accounts to cover the negative cash balance in the Accounts. The cash and securities remaining in the Accounts following the disposal of securities shall remain in the Accounts and be subject to the prohibitions in paragraph 1 above.

3. 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 prohibition and/or requirement 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 30 January 2019.

For and on behalf of
Securities and Futures Commission

Ashley Alder
Chief Executive Officer

Statement of Reasons
Under Section 209(2) of the Securities and Futures Ordinance (Cap. 571) (SFO)

1. Kingston Securities Limited (**the Specified Corporation**) is a corporation licensed under the SFO to carry on Type 1 regulated activity.
2. It appears to the Securities and Futures Commission (**Commission**) that the imposition of the prohibitions and the requirements 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) According to the current findings from our investigation, a company listed in Hong Kong (**the Listed Company**) is suspected to have disclosed false or misleading information relating to its financial position in various announcements, annual results and annual reports which was likely to induce transactions. In particular, the announcements relate to certain fund raising activities in 2015 whereby the Listed Company raised a total sum of HK\$3,814,551,000.
 - (b) Whilst the investigation is still ongoing, the information obtained in the investigation revealed that the suspected culprits responsible for the disclosure of false or misleading information are two individuals who are part of the senior management of the Listed Company.
 - (c) The Listed Company and/or the two individuals may have breached section 277 of the SFO for disclosing false or misleading information inducing transactions, or committed an offence under section 298 of the SFO.
 - (d) The two individuals are also suspected to have misappropriated HK\$258,500,000 which forms part of the proceeds raised by the Listed Company through the fund raising activities in 2015, via their wholly-owned and controlled British Virgin Islands (BVI) incorporated companies.
 - (e) Company A was one of the BVI companies which received part of the suspected misappropriated funds. Company A maintains two margin accounts with the Specified Corporation (account numbers: 51194 and 53713) (collectively, **the Accounts**). As at 22 November 2018, there were a total of approximately 2,059 million shares of the Listed Company held in the Accounts which the Commission estimates to be worth approximately HK\$1,091 million.
 - (f) If the two individuals are found liable under any of the provisions of the SFO specified above, or are found to have misappropriated the funds of the Listed Company, they may be ordered to take such steps as the Court of First Instance may direct, including steps to restore the induced parties to any transaction to the position in which they were before the transaction was entered into or to compensate these parties under section 213 of the SFO. They may also be ordered to compensate the Listed Company under section 214 of the SFO.
 - (g) The Commission believes that it is necessary to prevent Company A and/or person(s) connected with it from operating and dealing with the Accounts and to preserve the assets in the Accounts of up to HK\$3,814,551,000, pending further investigation.

- (h) As there is a potential risk of dissipation, the Commission considers 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 30 January 2019.

For and on behalf of
Securities and Futures Commission

Ashley Alder
Chief Executive Officer

NOTICE UNDER SECTIONS 204 AND 205 OF THE
SECURITIES AND FUTURES ORDINANCE (Chapter 571) (SFO)

It appears to the Securities and Futures Commission (**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, **Haitong International Securities Company Limited (the Specified Corporation)** is, in respect of the following accounts (**the Accounts**):

Account number
02-0268263-33
02-0301080-33
02-0268036-33

- (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 up to the total value of HK\$3,814,551,000, 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 authorised 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 the Accounts in any manner;
 - (b) required to notify the Commission immediately upon receipt of any instruction from the authorised person of the Accounts, or by person acting on their behalf, regarding:
 - (i) any requests to withdraw any securities or cash from the Accounts, and/or transfer money arising from the disposal of any securities, which would result in the value of assets remaining in the Accounts to fall below the value of HK\$3,814,551,000; 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. Notwithstanding paragraph 1, the Specified Corporation may deal with or dispose of securities in the Accounts to cover the negative cash balance in the Accounts. The cash and securities remaining in the Accounts following the disposal of securities shall remain in the Accounts and be subject to the prohibitions in paragraph 1 above.

3. 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 prohibition and/or requirement 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 30 January 2019.

For and on behalf of
Securities and Futures Commission

Ashley Alder
Chief Executive Officer

Statement of Reasons
Under Section 209(2) of the Securities and Futures Ordinance (Cap. 571) (SFO)

1. Haitong International Securities Company Limited (**the Specified Corporation**) is a corporation licensed under the SFO to carry on Type 1, Type 3 and Type 4 regulated activities.
2. It appears to the Securities and Futures Commission (**Commission**) that the imposition of the prohibitions and the requirements 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) According to the current findings from our investigation, a company listed in Hong Kong (**the Listed Company**) is suspected to have disclosed false or misleading information relating to its financial position in various announcements, annual results and annual reports which was likely to induce transactions. In particular, the announcements relate to certain fund raising activities in 2015 whereby the Listed Company raised a total sum of HK\$3,814,551,000.
 - (b) Whilst the investigation is still ongoing, the information obtained in the investigation revealed that the suspected culprits responsible for the disclosure of false or misleading information are two individuals who are part of the senior management of the Listed Company.
 - (c) The Listed Company and/or the two individuals may have breached section 277 of the SFO for disclosing false or misleading information inducing transactions, or committed an offence under section 298 of the SFO.
 - (d) The two individuals are also suspected to have misappropriated HK\$258,500,000 which forms part of the proceeds raised by the Listed Company through the fund raising activities in 2015, via their wholly-owned and controlled British Virgin Islands (**BVI**) incorporated companies.
 - (e) Company A was one of the BVI companies which received part of the suspected misappropriated funds. **Company A maintains two margin accounts** with the Specified Corporation (account numbers: 02-0268263-33 and 02-0301080-33). **One of the individuals concerned also maintains a margin account** with the Specified Corporation (account number: 02-0268036-33) (collectively, **the Accounts**).
 - (f) **As at 30 November 2018, the cash and securities balances in the Accounts were in the total sum of HK\$220,179,168.78.**
 - (g) If the two individuals are found liable under any of the provisions of the SFO specified above, or are found to have misappropriated the funds of the Listed Company, they may be ordered to take such steps as the Court of First Instance may direct, including steps to restore the induced parties to any transaction to the position in which they were before the transaction was entered into or to compensate these parties under section 213 of the SFO. They may also be ordered to compensate the Listed Company under section 214 of the SFO.

- (h) The Commission believes that it is necessary to prevent Company A, the individual concerned, and/or person(s) connected with them from operating and dealing with the Accounts and to preserve the assets in the Accounts of up to HK\$3,814,551,000, pending further investigation.
- (i) As there is a potential risk of dissipation, the SFC considers 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 30 January 2019.

For and on behalf of
Securities and Futures Commission

Ashley Alder
Chief Executive Officer

NOTICE UNDER SECTIONS 204 AND 205 OF THE
SECURITIES AND FUTURES ORDINANCE (Chapter 571) (SFO)

It appears to the Securities and Futures Commission (**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, **Changjiang Securities Brokerage (HK) Limited (the Specified Corporation)** is, in respect of the following account (**the Account**):

Account number
201432900

- (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 Account up to the value of HK\$3,814,551,000, 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 authorised person of the Account 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 the Account in any manner;
- (b) required to notify the Commission immediately upon receipt of any instruction from the authorised person of the Account, or by any person acting on their behalf, regarding:
- (i) any requests to withdraw any securities or cash from the Account, and/or transfer money arising from the disposal of any securities, which would result in the value of assets remaining in the Account to fall below the value of HK\$3,814,551,000; 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. Notwithstanding paragraph 1, the Specified Corporation may deal with or dispose of securities in the Account to cover the negative cash balance in the Account. The cash and securities remaining in the Account following the disposal of securities shall remain in the Account and be subject to the prohibitions in paragraph 1 above.

3. 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 prohibition and/or requirement 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 30 January 2019.

For and on behalf of
Securities and Futures Commission

Ashley Alder
Chief Executive Officer

Statement of Reasons
Under Section 209(2) of the Securities and Futures Ordinance (Cap. 571) (SFO)

1. Changjiang Securities Brokerage (HK) Limited (**the Specified Corporation**) is a corporation licensed under the SFO to carry on Type 1, Type 2, Type 4 and Type 5 regulated activities.
2. It appears to the Securities and Futures Commission (**Commission**) that the imposition of the prohibitions and the requirements 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) According to the current findings from our investigation, a company listed in Hong Kong (**the Listed Company**) is suspected to have disclosed false or misleading information relating to its financial position in various announcements, annual results and annual reports which was likely to induce transactions. In particular, the announcements relate to certain fund raising activities in 2015 whereby the Listed Company raised a total sum of HK\$3,814,551,000.
 - (b) Whilst the investigation is still ongoing, the information obtained in the investigation revealed that the suspected culprits responsible for the disclosure of false or misleading information are two individuals who are part of the senior management of the Listed Company.
 - (c) The Listed Company and/or the two individuals may have breached section 277 of the SFO for disclosing false or misleading information inducing transactions, or committed an offence under section 298 of the SFO.
 - (d) The two individuals are also suspected to have misappropriated HK\$258,500,000 which forms part of the proceeds raised by the Listed Company through the fund raising activities in 2015, via their wholly-owned and controlled British Virgin Islands (**BVI**) incorporated companies.
 - (e) Company A was one of the BVI companies which received part of the suspected misappropriated funds. **Company A maintains a margin account with the Specified Corporation (account number: 201432900) (the Account). As at 19 November 2018, the value of the securities in the Account was HK\$63,613,964.**
 - (f) If the two individuals are found liable under any of the provisions of the SFO specified above, or are found to have misappropriated the funds of the Listed Company, they may be ordered to take such steps as the Court of First Instance may direct, including steps to restore the induced parties to any transaction to the position in which they were before the transaction was entered into or to compensate these parties under section 213 of the SFO. They may also be ordered to compensate the Listed Company under section 214 of the SFO.
 - (g) The Commission believes that it is necessary to prevent Company A and/or person(s) connected with it from operating and dealing with the Account and to preserve the assets in the Account of up to HK\$3,814,551,000, pending further investigation.

- (h) As there is a potential risk of dissipation, the Commission considers 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 30 January 2019.

For and on behalf of
Securities and Futures Commission

Ashley Alder
Chief Executive Officer