

## STATEMENT OF DISCIPLINARY ACTION

---

### The Disciplinary Action

1. The Securities and Futures Commission (**SFC**) has suspended the licence of Mr Wong Ka Ching (**Wong**)<sup>1</sup>, former responsible officer (**RO**) of China On Securities Limited (**China On**)<sup>2</sup>, for four years from 28 May 2024 to 27 May 2028 pursuant to section 194 of the Securities and Futures Ordinance.
2. During the period between 25 November and 6 December 2019, China On acted as the placing agent for the then majority shareholder (**Vendor**) of Hon Corporation Limited (**Hon Corp**)<sup>3</sup> to procure placees to subscribe for shares representing up to 45% of Hon Corp's total issued share capital (**Shares**) (**Placement**). The agreed total placing price for the Shares would amount to HK\$57.24 million (ie, HK\$0.265 per share).
3. The SFC found that upon identifying purchasers (**Placees**) for the Placement, China On failed to ensure that it acted within the scope of the Vendor's authority and adequately safeguard the Vendor's assets, by:
  - (a) entering into bought and sold notes on the Vendor's behalf, in which the transaction prices were inconsistent with the placing price agreed with the Vendor;
  - (b) transferring the Shares to the Placees without first requiring payment of the placing price by the Placees or the certainty that they would be able to make payment of the placing price to the Vendor; and
  - (c) executing a purported instruction by a third party for part of the Shares to be transferred to one of the Placees for no payment of price at all, without taking any step to ascertain whether this actually represented the Vendor's intention<sup>4</sup>.
4. The SFC considers China On's failures occurred with Wong's consent or connivance, or were attributable to neglect on Wong's part, as an RO and a member of the senior management of China On. The SFC also finds that Wong acted in gross negligence or recklessly in handling the Placement and failed to ensure the maintenance of appropriate standards of conduct and adherence to proper procedures by China On.

---

<sup>1</sup> Wong was accredited to China On and approved to act as its RO for Type 1 regulated activity between 6 April 2017 and 28 February 2021 and Type 9 regulated activity between 9 July 2018 and 28 February 2021. Wong is currently not accredited to any licensed corporation.

<sup>2</sup> China On was known as China On Global Capital Group Limited from 22 July 2020 to 19 February 2021, Pan Asia Financial Services Limited from 30 May 2020 to 21 July 2020, China Fund Securities Limited from 10 May 2019 to 29 May 2020 and Hong Kong Wealthy Trade Limited before 10 May 2019. It is licensed to carry on Type 1 (dealing in securities) and Type 9 (asset management) regulated activities.

<sup>3</sup> At the material time, the shares of Hon Corp were listed on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited, with stock code 8259.

<sup>4</sup> The SFC has reprimanded and fined China On \$6 million for these failures. Please refer to the SFC's press release published on [18 May 2023](#).

5. Separately, the SFC found that Wong:
  - (a) allowed an individual (X), a purported consultant of China On, to be heavily involved in the China On's operations, without ensuring that he was fit and proper or otherwise qualified to act in such capacity;
  - (b) disclosed contents of the SFC's investigation that is subject to the secrecy obligation under section 378 of the Securities and Futures Ordinance (SFO) to X; and
  - (c) knowingly provided to the SFC information about X that is materially false or misleading.

## Summary of Facts

### *The Placement*

6. On 25 November 2019, China On entered into a share placing agreement with the Vendor, under which it agreed to procure, as the Vendor's agent, not less than 6 placees to subscribe for the Shares, and when completion takes place, all (but not part only) of a series of businesses shall be transacted, including: (i) China On should pay, or procure the placees to pay, to the Vendor the aggregate placing price; and (ii) the Vendor should allot the Shares to the placees. The Vendor deposited the Shares into its account with China On thereafter.
7. In the meantime, China On entered into a subscription agreement with each of the Placees on 27 November 2019. Subsequently, on 28 November 2019, without the Vendor's specific authority, China On entered into a bought and sold note relating to the Shares on behalf of the Vendor with each of the Placees, in which the transaction prices were inconsistent with the placing price agreed with the Vendor.
8. On 6 December 2019, in the absence of the Vendor's consent or any funds deposited by the Placees to settle the placing price, China On arranged to transfer the Shares from the Vendor's account to the Placees' accounts. Such arrangements were made by China On in the mere hope that the Placees would sell the Shares on the market and the sale proceeds from such disposal would be sufficient to settle the placing price with the Vendor, without even considering that the sale proceeds (if any) might fall short of the agreed placing price, not to mention other settlement risks which had not been accepted by the Vendor.
9. Wong claimed that he carried out the above arrangement because he had received instructions from two individuals (including X<sup>5</sup> and a person associated with the minority shareholder of China On, both not licensed representatives or employees of China On), that the Vendor had agreed to allot the Shares to the Placees and receive payment from the Placees only after the Placees successfully sold the Shares on the market<sup>6</sup>. Whilst Wong had no idea how these two individuals communicated with the Vendor, he did

---

<sup>5</sup> See also paragraph 12 below for X's alleged involvements in the Placement.

<sup>6</sup> The Vendor has denied agreeing to such arrangement.

not seek written or any other direct confirmation from the Vendor before effecting the above arrangement<sup>7</sup>.

10. Almost all the Shares were immediately sold by the Placees on the market on 6 December 2019, and the account statements issued by China On show that HK\$53 million was credited from the Placees' accounts to the Vendor's account on the next business day (9 December 2019). This amount fell short of the total agreed placing price for the Shares of HK\$57.24 million because Wong was under the unverified and unsupported belief that the Vendor had agreed with one of the Placees for the placing price of HK\$4.24 million to be settled "off market", ie, not through China On<sup>8</sup>.
11. On 9 and 10 December 2019, China On was informed by law enforcement agencies that the Placees were suspected to be involved in market manipulation. On 21 January 2020, the SFC issued a restriction notice on China On, prohibiting it from disposing of or dealing with any assets in the Placees' accounts up to the total value of HK\$170 million<sup>9</sup>. Since the Placees did not have any additional funds in their accounts, China On refused to make payment of the agreed price for the Shares to the Vendor.

#### *Engagement of and reliance on a dubious consultant*

12. Separately and additionally, Wong alleged that since the inception of China On, he had been heavily reliant on X as a consultant for China On's compliance and operational matters, who was therefore granted full access to China On's front office, back office and accounting systems, notwithstanding the fact that X was not a licensed representative of China On, and he had never entered into any service agreement with China On. In particular, Wong asserted that X played a key role in the Placement, including by advising on the propriety of the transfer mechanisms described in paragraphs 8 and 10 above, liaising with the Vendor on the logistical arrangements and manually transferred the Shares from the Vendor's account to the Placees' accounts on China On's system.
13. Notwithstanding the above, Wong admitted that he did not know anything about X's background or qualifications, save for X's alleged (but unverified) experiences and expertise in the securities industry and that X had been licensed by the SFC. Wong also made assertions about X's slippery personality, such as insisting for all his remuneration to be paid either in cash or through bank accounts held by third parties and switching his phone number and WeChat account every one to three months (allegedly to stay away from the regulators).

---

<sup>7</sup> The arrangement was inconsistent with the terms set out in the placing agreement. Pursuant to the placing agreement, any variation to the terms of the agreement should be binding only if it was recorded in a document signed by all parties.

<sup>8</sup> Similar to paragraph 9 above, Wong claimed that he received this instruction from the Associates but he did not seek written or any other direct confirmation from the Vendor before effecting the arrangement. The Vendor has denied agreeing to such arrangement.

<sup>9</sup> Please see the SFC's press release dated [21 January 2020](#).

*Misconduct in handling the SFC's investigation*

14. Despite clear warnings on the SFC's enquiry letters and investigation notices to China On that it would be a criminal offence to disclose their contents, Wong divulged the same to X for the purpose of seeking advice and assistance on the response.
15. Further, in a reply to an SFC investigation notice, China On asserted that X had no relationship with China On or its management, and X had no role, capacity or any other involvement in the Placement. This contradicted Wong's subsequent assertions to the SFC.

**The SFC's findings**

16. Based on the facts summarised above, the SFC found that China On was grossly negligent, if not reckless, in its disregard of its fundamental duties to safeguard its client's assets and ensure that it was acting under its client's instructions and authorities. China On's conduct constitutes breaches of the following provisions of the Code of Conduct for Persons Licensed by or Registered with the Securities and Futures Commission (**Code of Conduct**):
  - (a) General Principle (**GP**) 8 (Client assets) and paragraph 11.1(a) (Handling of client assets), which require it to properly account for and adequately safeguard the Shares (and their sale proceeds) owned by the Vendor;
  - (b) paragraphs 5.4(a)(ii), 5.4(c) (Client identity: origination of instructions and beneficiaries) and 7.1(a) (Authorization and operation of a discretionary account), by failing to satisfy itself on reasonable grounds that the steps it took in effecting a transaction for the Vendor were authorised, including whether the instructions it acted on were given by the person ultimately responsible for the origination of the instructions; and
  - (c) GP 2 (Diligence), which require it to act with due skill, care and diligence, in the best interests of the Vendor and the integrity of the market, by its grossly negligent or reckless conduct described above.
17. In the SFC's opinion:
  - (a) China On's above misconduct occurred with Wong's consent or connivance, or was attributable to neglect on his part, as an RO and a member of the senior management of China On;
  - (b) Wong acted in gross negligence or recklessly in handling the Placement and failed to ensure the maintenance of appropriate standards of conduct and adherence to proper procedures by China On, in breach of GP 9 of the Code of Conduct;
  - (c) Wong appointed X to conduct the businesses of China On without ensuring he was fit and proper or was otherwise qualified to act in the capacity so engaged, in breach of paragraph 4.1 of the Code of Conduct;

- (d) Wong disclosed information pertaining to the SFC's investigation to X, in contravention of the secrecy provisions under section 378(7) of the SFO;
- (e) in purported compliance with a statutory requirement to provide information to the SFC, Wong procured (or at least allowed) China On to provide information which is false or misleading in a material particular, contrary to the requirements under section 384(1) of the SFO; and
- (f) the breaches of the SFO explained in subparagraphs (d) and (e) above separately comprise breaches of the following provisions of the Code of Conduct:
  - (i) GP 7, which provides that a licensed person should comply with all regulatory requirements applicable to the conduct of its business activities so as to promote the integrity of the market; and
  - (ii) paragraph 12.1, under which a licensed person should comply with and implement and maintain measures appropriate to ensuring compliance with the law, rules, regulations and codes administered or issued by the SFC.

## Conclusion

- 18. Having considered all the circumstances, the SFC is of the view that Wong has been guilty of misconduct.
- 19. In reaching the decision to take the disciplinary action set out in paragraph 1 above, the SFC has taken into account all relevant circumstances, including the following:
  - (a) the existing evidence is insufficient to support any finding of dishonesty against Wong, or that the misconduct in question is recurrent;
  - (b) nevertheless, acting with due care and in the best interests of a client is fundamental to the fitness and properness of a licensed person;
  - (c) Wong's disclosure of the details about the SFC's investigation to X created a risk of jeopardizing the SFC's investigation;
  - (d) a deterrent message needs to be sent to the industry that grossly negligent or reckless conduct will not be tolerated;
  - (e) the gravity of breaches to the secrecy obligation and of providing materially false or misleading information to the SFC, in particular by a licensed person; and
  - (f) Wong has no previous disciplinary record with the SFC.