

## SFC Successfully Prosecutes Evergreen Securities Limited and Cheng Hok Wai for Breaches of the Financial Resources Rules

16 Jun 2004

The SFC has successfully prosecuted Evergreen Securities Limited and its director and responsible officer Mr Cheng Hok Wai for breaches of the Financial Resources Rules (FRR).

An SFC investigation found that between April and August 2003, Cheng had instructed that idle funds of Evergreen be transferred to another company he controlled. As a result, Evergreen's liquid capital fell below the required liquid capital in three periods between 3 and 28 June 2003, between 2 and 29 July 2003 and between 1 and 17 August 2003. These deficiencies ranged from \$880,000 to \$1,547,000. Evergreen failed to notify the SFC of these liquid capital deficiencies as soon as reasonably practicable as required by the FRR. Evergreen's liquid capital also fell below 120% of its required liquid capital in two periods between 1 and 27 April 2003 and between 2 and 8 May 2003. Evergreen failed to notify the SFC of this within one business day as required by the FRR. While Evergreen was prosecuted for these FRR breaches, Cheng was also prosecuted for consenting to or connivance in Evergreen's failures.

Evergreen today pleaded guilty to five summonses before Mr David Thomas, a Magistrate at Eastern Magistracy, for breaches of section 146 of the Securities and Futures Ordinance (SFO) while Cheng pleaded guilty to five summonses for breaches of sections 146 and 390(1) of the SFO. They were fined a total of \$40,000, and ordered to pay investigation costs of \$14,295 to the SFC.

Ends