
Enforcement News

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31 August 2007

SFC Issues Restriction Notice on Man Lung Hong Securities Limited

The SFC has today issued a restriction notice on Man Lung Hong Securities Limited to preserve the assets of the company and its clients, and to protect the interests of these clients and the investing public.

Man Lung Hong is engaged in the business of securities dealing. It has about 750 active cash clients and does not engage in securities margin financing (Note 1).

The restriction notice is issued pursuant to sections 204 and 205 of the Securities and Futures Ordinance to prohibit Man Lung Hong from carrying on all activities for which it is licensed, disposing of or dealing with any assets held by it or held on behalf of its clients, and assisting, counselling or procuring another person to dispose of or deal with any such property without the SFC's prior written consent.

The SFC action follows the reporting by Man Lung Hong of the misappropriation of certain client assets by a licensed representative of the firm. An initial investigation indicates that management of the firm may have identified some earlier misappropriation of client assets which had been concealed from both clients and the SFC. Based on our initial enquiries we do not have confidence in the firm's internal control and believe that client assets are at risk.

The above calls into serious doubt the integrity of the firm and its fitness and properness to remain licensed. The SFC therefore considers that the issue of a restriction notice is desirable in the interest of the investing public or in the public interest.

The SFC will continue to investigate the circumstances of this case to determine what further regulatory actions may be necessary. Further announcements on this matter will be made when appropriate.

Clients of Man Lung Hong who have any enquiries may contact the SFC at its Investor Hotline at 2840 9333. A list of [questions and answers](#) for clients is attached

Ends

Notes:

1. Man Lung Hong is licensed under the SFO to carry on business in Type 1 regulated activity (dealing in securities).

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**Questions & Answers
Regarding Man Lung Hong Securities Limited**

1. I am a client of Man Lung Hong, what should I do now?

- The SFC's action is to protect clients' interests by preventing their assets held with Man Lung Hong from being taken out or misused. You are advised to keep all your trading records, account statements and bank records and check whether those documents accurately reflect your money balance and share holdings at Man Lung Hong.
- If you wish to lodge a claim against the Investor Compensation Fund, please visit the Investor Compensation Company Limited's website at www.hkicc.org.hk for details and a copy of the claim form. If you have any questions, you may contact the Investor Compensation Company (Tel: 2523 7382. Address: Room 510, 5/F, Chater House, 8 Connaught Road Central, Hong Kong. Office hour: 9:00am – 6:00pm Mon - Fri)

Note: On Saturdays and Sundays, claim forms can be deposited to a special collection box located at the SFC's reception counter on 8/F, Chater House, Central, Hong Kong.

2. Will Man Lung Hong clients get back their shares and money? If so, when?

- Due to the imposition of the restriction notice, shares and money cannot be returned to any clients for the time being.
- The SFC is still investigating and will issue further announcements when appropriate.

3. Can Man Lung Hong clients transfer their shares to another broker firm?

- Due to the imposition of the restriction notice, requests for share transfers cannot be entertained for the time being.

4. If Man Lung Hong clients ultimately cannot get back all their money and shares, will their losses be compensated?

- The statutory Investor Compensation Fund offers a maximum payment of \$150,000 per client for the verified loss in listed shares and money arising from the default of a broker firm. Man Lung Hong clients may wish to visit the ICC website at www.hkicc.org.hk or contact the ICC for details and a copy of the claim form.

5. If Man Lung Hong clients bought some shares / warrants through the firm before the imposition of the restriction notice, should they proceed to settle?

- In these circumstances, clients may wish to seek legal advice for their specific situation.

6. If Man Lung Hong clients can't sell their shares / warrants now, and the price subsequently drops, will the SFC compensate them?

- No. But, the SFC will strive to have clients' assets returned as soon as possible, subject to the circumstances of the investigation and all necessary legal steps being taken.

7. If an administrator is appointed later to take over Man Lung Hong's business, when can clients get back their money and shares?

- In the event of an administrator being appointed by the Court to take over Man Lung Hong's business, the administrator would conduct a proper circularisation to verify each client's cash and share balances. Eventually, how assets are going to be returned to clients will be up to the Court to decide.