

# REGULATORY NEWSLETTER



**2025 Vol.8**



As August unfolds, the warmth of summer continues to resonate worldwide, even in the face of market fluctuations. This season presents a perfect opportunity to embrace determination and resilience, reinforcing our belief in a forthcoming era of prosperity. As always, we would endeavor to provide you our professional consultation and compliance services.

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Let's have a brief look with our Regulatory Updates from the SFC!

## REGULATORY UPDATES

### **Circular to licensed corporations - SFC consultation on changes to financial resources rules and related guidelines to foster market developments for OTC derivatives and other products**

14 Jul 2025

The Securities and Futures Commission (SFC) today published a public consultation on the draft amendments to the Securities and Futures (Financial Resources) Rules (FRR) and related guidelines for the implementation of the capital requirements for licensed corporations engaging in OTC derivative activities as well as other changes to facilitate market development. The SFC also concludes on certain FRR changes which it consulted on in 2017.

Interested parties are invited to submit their written comments on the consultation by 13 October 2025 via the SFC website ([www.sfc.hk](http://www.sfc.hk)), by email to [frr\\_consultation@sfc.hk](mailto:frr_consultation@sfc.hk), by post or by fax to 2523 4598.

Please refer to the SFC's [press release](#) and the [consultation conclusions and consultation paper](#) for details.

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## Circular on enhanced facilitative measure for visiting professionals

15 Jul 2025

1. This circular sets out the Securities and Futures Commission's (SFC) enhanced measure to facilitate visiting professionals to conduct regulated activities or provide virtual asset service (**VA service**) in Hong Kong.

2. Visiting professionals from an overseas group company of a licensed corporation or licensed provider can choose to apply for a representative licence to be an itinerant professional (ITP) for providing services in Hong Kong for a short period of time each year so as to: (a) conduct regulated activities under the Securities and Futures Ordinance (SFO) on behalf of the licensed corporation; or (b) provide VA service under the Anti-Money Laundering and Counter-Terrorist Financing Ordinance (AMLO) on behalf of the licensed provider. ITPs are required to be chaperoned by a licensed person at all times unless they only provide these services to professional investors.

3. Currently, ITPs are allowed to conduct regulated activities or provide VA service in Hong Kong for not more than 30 days each calendar year and their licences would be imposed with a condition to this effect (**existing ITP condition**). To facilitate and provide more flexibility to visiting professionals to conduct these activities in Hong Kong, the SFC is now extending the period to 45 days each calendar year.

4. Except for the above, the application process, other requirements, features and exemptions for ITPs will remain unchanged. For details of the enhanced ITP arrangements, please refer to the [Licensing Handbook](#) or the [Licensing Handbook for Virtual Asset Trading Platform Operators](#) as applicable.

5. The new condition of an extended period is applicable to existing licensed ITPs. The SFC will

arrange for currently licensed ITPs to replace their existing ITP condition with one that has a 45-day period. Details of the arrangement will be provided to these ITPs separately.

6. Should there be any queries regarding this circular, please contact your case officer or [licensing@sfc.hk](mailto:licensing@sfc.hk).

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# ENFORCEMENT NEWS

## **SFC reprimands and fines Freeman Commodities Limited \$3.4 million and suspends its former responsible officer for regulatory breaches**

3 Jul 2025

The Securities and Futures Commission (SFC) has reprimanded and fined Freeman Commodities Limited (Freeman), now known as Arta Global Futures Limited (Arta), \$3.4 million for failures in complying with anti-money laundering and counter-financing of terrorism (AML/CFT) and other regulatory requirements between June 2017 and December 2018.

The SFC has also suspended Mr Li Chun Kei, a former responsible officer (RO), managing director and manager-in-charge of key business line of Freeman, for four months from 20 June 2025 to 19 October 2025 considering Freeman's failures were partly attributable to his failures in discharging his duties.

The SFC's investigation found that Freeman did not conduct any due diligence on the customer supplied systems (CSSs) used by 89 clients for placing orders during the material time. As a result, Freeman was not in a position to properly assess and manage the money laundering and terrorist financing (ML/TF) and other risks associated with the use of such CSSs by its clients.

In addition, the deposits made into six client accounts were incommensurate with their declared financial profiles. As a result of its failure to maintain an effective monitoring system, Freeman failed to detect, assess and conduct proper enquiries on the deposits and satisfactorily address the associated ML/TF risks.

The SFC further found that Freeman failed to put in place an effective ongoing monitoring system to detect suspicious trading patterns in client accounts, as there were frequent and large number of trades in the six client accounts and in many instances buy and sell orders for the same futures contracts were placed by the same client in the same second at the same price.

The SFC is of the view that Freeman's systems and controls were inadequate and ineffective, and it failed to ensure compliance with the Anti-Money Laundering and Counter-Terrorist Financing Ordinance, the AML Guideline and the Code of Conduct.

In deciding the disciplinary sanctions against Freeman and Li, the SFC has taken into account that:

- the gravity of the failures of Freeman and Li to diligently monitor clients' activities and put in place adequate and effective AML/CFT systems and controls could undermine public confidence in, and damage the integrity of, the market;
- the importance of a strong deterrent message to the market that such failures are not acceptable;
- Freeman and Li have otherwise clean disciplinary records; and
- Arta's financial position and its cessation of business.

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## **Market manipulators sentenced to community service for up to 240 hours**

10 Jul 2025

The Eastern Magistrates' Courts has sentenced Mr Lin Tai Fung and his brother-in-law, Mr Or Chun Nin, to 240 hours and 160 hours of community service respectively following their conviction in a criminal prosecution brought by the Securities and Futures Commission (SFC).

Lin and Or had pleaded guilty to the offences of conspiracy to commit false trading in the shares of Pa Shun International Holdings Limited (Pa Shun) from 9 April 2017 to 7 March 2018. Lin had also pleaded guilty to the offence of failing to notify The Stock Exchange of Hong Kong Limited about changes in his interest in Pa Shun shares on eight occasions between 2 June 2017 and 14 March 2018.

In delivering the sentence, Deputy Magistrate Mr Chu Chung Keung stressed that the offences committed by Lin and Or were serious, and the Court had considered sentencing the defendants to terms of imprisonment. However, after taking into account all the mitigating factors, the probation officer's suitability reports and the defendants' guilty pleas, the Court decided to impose community service orders on them.

The Court also ordered Lin and Or to pay the investigation costs to the SFC.

The SFC's Executive Director of Enforcement, Mr Christopher Wilson, said: "A Community Service Order is not a lenient sentencing option. It mandates the offenders to perform unpaid work as a means of addressing their misconduct. The sentences imposed in this case highlight the Court's firm stance against market manipulation offences."

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## **SFC obtains disqualification orders of up to 10 years against former directors of Superb Summit International Group Limited**

11 Jul 2025

The Securities and Futures Commission (SFC) has obtained disqualification orders in the Court of First Instance against four former executive directors, Mr Lee Chi Kong, Mr Lam Ping Kei, Ms Wong Choi Fung and Mr Yeung Kwong Lun, and a former independent non-executive director, Mr Wong Yun Kuen, of Superb Summit International Group Limited (Superb Summit).

Lee was disqualified for 10 years, Wong Yun Kuen was disqualified for seven years, while the others were each disqualified for five years, from (i) being, or continuing to be, a director, liquidator, or receiver or manager of the property or business of Superb Summit or any other corporation including any of Superb Summit's subsidiaries and affiliates, or (ii) in any way, directly or indirectly, being concerned, or taking part, in the management of Superb Summit or

any other corporation including any of Superb Summit's subsidiaries and affiliates. They were also ordered to pay the SFC's costs in the proceedings.

The SFC commenced proceedings against the former directors following its investigations into allegations of misconduct by Superb Summit's directors and other officers. These allegations pertain to three acquisitions made between 2007 and 2014, which were part of the carefully implemented schemes to defalcate and misappropriate the assets of Superb Summit. Superb Summit suffered significant losses as a result of these acquisitions.

Superb Summit acquired 70% and 30% interests in a target company – which purportedly held forestry assets – in 2007 and 2009, respectively, for a total of \$1.678 billion. The Court found that the forestry assets did not exist.

Superb Summit also acquired interests in another company which purportedly held intellectual property rights for certain engineering technology. The Court found that the technology had little to no value, and the transaction served as a means to channel significant funds to Superb Summit's substantial shareholder.

Five former directors admitted to breaching their duties by failing to take relevant steps to ensure that proper and reasonable due diligence had been conducted regarding the alleged forestry assets in the 2007 and 2009 acquisitions and/or the target technology in the 2014 acquisition. They also accepted that in considering and approving the acquisitions, they were incompetent, reckless or negligent (as applicable). The disqualification orders against these five former directors were made on the basis of their admission.

The SFC's proceedings against other former directors and officers of Superb Summit are ongoing.

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## **SFC bans Tong Ho Yin for nine years and fines him \$350,000**

16 Jul 2025

The Securities and Futures Commission (SFC) has prohibited Mr Tong Ho Yin, a former responsible officer (RO) of HF Asset Management Limited (HFAM), from returning to the industry for nine years from 16 July 2025 to 15 July 2034. The SFC also fined Tong \$350,000.

The SFC's investigation revealed that during Tong's tenure as RO, HFAM failed to act in the best interests of a fund under its management and to properly manage conflicts of interest when entering into loan and stock lending agreements for the fund on three separate occasions between May 2017 and December 2018.

HFAM's misconduct was evident in its repeated failures regarding these arrangements, all of which ultimately defaulted. These failures culminated in significant financial losses of \$25.6 million for the fund amounting to 86% of its net asset value.

The SFC considers all of HFAM's recurrent failures were attributable to Tong's failure to discharge his duties as an RO and a member of the senior management of HFAM.

In deciding the sanction, the SFC has taken into account all relevant circumstances, including:

- the severity and recurring nature of HFAM's and Tong's misconduct;
- the importance of sending a strong deterrent message to the industry that the SFC will not tolerate substandard conduct in fund management practices;
- Tong's otherwise clean disciplinary record; and
- Tong's financial situation.

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## **Market Misconduct Tribunal finds Dan Form's former company secretary and her Mainland associate culpable of insider dealing**

17 Jul 2025

The Market Misconduct Tribunal (MMT) has found Ms Cynthia Chen Si Ying, the former company secretary of Asiasec Properties Limited (previously known as Dan Form Holdings Company Limited) (Dan Form), and her Mainland associate, Mr Wen Lide, had engaged in insider dealing in the shares of the company and ordered them to disgorge over \$1 million in illicit profit.

The MMT also disqualified Chen from participating in the management of Asiasec Properties Limited or any other listed corporation in Hong Kong without leave of the court for four years and recommended the Hong Kong Chartered Governance Institute to take disciplinary action against her.

The inside information possessed by the pair concerned the sale of Dan Form's controlling stake. In a joint announcement on 22 September 2016, Dan Form, Tian An China Investments Company Limited (Tian An) and Autobest Holdings Limited (Autobest), a wholly-owned subsidiary of Tian An, disclosed a conditional agreement for Autobest to acquire 36.45% of Dan Form's total issued share capital from Mr Dai Xiaoming, the then chairman, chief executive and executive director of Dan Form, at a price of \$2.75 per share.

The MMT found that:

- Chen was already in possession of inside information regarding the proposed acquisition of Dai's interest in Dan Form on 2 September 2016. She disclosed this information to Wen, knowing or having reasonable cause to believe that Wen would use the information to deal in Dan Form shares; and
- Wen dealt in Dan Form shares whilst in possession of inside information. He purchased 1,250,000 Dan Form shares between 5 and 19 September 2016, through his securities account at Shenwan Hongyuan Securities (H.K.) Limited (Shenwan Hongyuan), and 250,000 Dan Form shares on 6 September 2016 and 50,000 Dan Form shares on 12 September 2016, through his own and his wife's securities account at Grand Investment

(Securities) Limited, respectively.

The MMT also found that Chen had an interest in Wen's dealing in Dan Form shares through his Shenwan Hongyuan account.

The MMT considered Chen's misconduct to be serious because: (i) she was the company secretary at Dan Form, (ii) she was entrusted by Dai to assume a managerial role in Dan Form, (iii) she counselled and procured Wen to buy Dan Form shares while in possession of inside information, and (iv) she obtained illicit profits through a layering process involving the accounts of other individuals, aimed at hiding their source.

Based on its findings, the MMT ordered Chen and Wen to jointly and severally disgorge \$794,347 and Wen to disgorge \$206,067, which represent the profits they gained from insider dealing in Dan Form shares. Both were also ordered to pay the costs and expenses incurred by the Government and the SFC.

Other orders imposed by the MMT include cold shoulder orders for four years against Chen and Wen, which ban them from dealing in any securities, futures contract, leveraged foreign exchange contract or collective investment scheme in Hong Kong; and cease and desist orders prohibiting Chen and Wen from engaging in any conduct which constitutes market misconduct.

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## **SFC obtains seven-year disqualification order against former executive director of First Credit Finance Group Limited**

21 Jul 2025

The Securities and Futures Commission (SFC) has obtained a disqualification order in the Court of First Instance against Ms Ho Siu Man, a former executive director of First Credit Finance Group Limited (First Credit).

Ho has been disqualified from being a director and being involved in the management of any listed or unlisted corporation in Hong Kong, without the leave of the court, for a period of seven years. The duration of her disqualification reflects the gravity of her misconduct. She was also ordered to pay the SFC's costs in the proceedings.

The SFC's legal action against Ho follows an investigation which found that Mr Cho Kwai Chee acted as a de facto director of First Credit, participating in the management of the company's business or affairs and making decisions of a directorial nature from December 2015 to June 2017. Whilst being a de facto director of First Credit, Cho participated as a placee in a share placement organised by First Credit (Placing) and, together with his brother, subscribed for untaken rights shares in the rights shares issued by First Credit (Rights Issue). However, the announcements issued by First Credit regarding the completion of the Placing and the Rights Issue incorrectly stated that all placees and subscribers were independent third parties.

Ho admitted that she had breached her fiduciary duties and/or failed to exercise the degree of care, skill and diligence required of her as a director of the company as she:

- ought to have been aware of Cho's de facto directorship in the company but failed to



ensure the company to publish an announcement to disclose his role;

- negligently caused the company to make a false and/or misleading statement regarding the independence of the placees in the Placing announcement;
- recklessly caused the company to make a false and/or misleading statement regarding the independence of the subscribers of the untaken rights shares in the Rights Issue announcement; and
- failed to consider the dilution impact of the Placing on shareholders before approving it.

The SFC's proceedings against the other four former directors and a former de facto director of First Credit are ongoing.

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## **Court-appointed administrators successfully distributed \$19 million of assets to clients of Hong Kong Wan Kiu Investment Company Limited**

23 Jul 2025

The Securities and Futures Commission (SFC) today noted that court-appointed administrators had distributed approximately \$19 million worth of assets this month as compensation to affected clients of Hong Kong Wan Kiu Investment Company Limited (HKWK) following the approval of the Court of First Instance in January 2025.

This came after the Court granted final reliefs – including a restoration order in favour of the affected clients of HKWK, alongside an order appointing administrators to recover and administer HKWK's assets – in November 2022 following legal proceedings brought by the SFC under section 213 of the SFO.

The SFC's legal proceedings arose from an investigation after detecting signs of financial irregularities on the part of HKWK. The SFC's investigation revealed that HKWK and its sole director and shareholder, Connie Sham Khi Rose, had sold securities of HKWK's clients without their authorisation, misappropriated the sales proceeds, and falsified client statements to conceal the unauthorised transactions. The SFC subsequently referred the matter to the Police for further investigation which resulted in the criminal prosecution of Sham by the Department of Justice.

The criminal proceedings at the High Court against Sham had been concluded. Sham pleaded guilty to misappropriating around \$58 million worth of HKWK's client assets between 2011 and 2019. On 3 July 2025, Sham, aged 88, was sentenced to 160 hours of community service, with the Court taking into account her remorse and the fact that she had already compensated the affected clients of HKWK through resources of her own, her family and friends.

The SFC's Executive Director of Enforcement, Mr Christopher Wilson, said: "The SFC is firmly committed to safeguarding market integrity and protecting investors. The actions taken by the SFC in this case highlights the SFC's strong stance against dishonest practices by intermediaries and its dedication to maintaining public trust in the financial markets."

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## **SFC and ICAC joint operation against suspected market manipulation and corrupt practices leads to arrest of two former senior executives of listed company**

25 Jul 2025

The Securities and Futures Commission (SFC) and the Independent Commission Against Corruption (ICAC) on Wednesday (23 July 2025) conducted a joint operation, codenamed "Leverage", targeting a sophisticated syndicate suspected of manipulating the shares of a listed company and engaging in corrupt activities.

During the joint operation, the SFC and the ICAC searched 14 locations, including the offices of the listed company and SFC-licensed brokers. The ICAC arrested a former chairman and a former executive director of the listed company under the Prevention of Bribery Ordinance.

The syndicate allegedly conspired to use documents containing false information, including internal records and public announcements of the listed company, to falsely claim that the listed company had entered into a share subscription agreement and formed a joint venture with a Mainland company involving amounts exceeding HK\$20 million. Additionally, the syndicate allegedly manipulated and/or created false market appearance for the shares of the listed company through multiple nominee accounts.

Furthermore, the former executive director of the listed company, who was also a responsible officer and director of a broker at the material time, was suspected of accepting advantages from the former chairman of the listed company and misappropriating shares owned by a client of the broker worth approximately HK\$9 million.

The joint operation was the result of the SFC's initial detection of suspicious trading activities suggesting potential market misconduct and corruption. The case was subsequently referred to the ICAC for investigation into suspected corruption, while the SFC focused on market misconduct under the SFO.

No further comments will be provided as the investigation remains ongoing.

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## **SFC obtains six-year disqualification order against former vice-chairman and executive director of Zhongda International Holdings Limited**

31 Jul 2025

The Securities and Futures Commission (SFC) has obtained a disqualification order in the Court of First Instance against Mr Zhang Yuqing, the former vice-chairman and executive director of Zhongda International Holdings Limited (Zhongda).

Zhang has been disqualified from being a director and being involved in the management, of

any listed or unlisted corporation in Hong Kong, without the leave of the court, for a period of six years. The duration of his disqualification reflects the gravity of his misconduct. He was also ordered to pay the SFC's costs in the legal proceedings.

The legal proceedings arose from an SFC investigation, which uncovered misconduct by Zhang during his tenure at Zhongda. Specifically, the SFC found that Zhang failed to fulfil his duties as a director with proper skill, care, and diligence by failing to block or disclose to the Board (i) unauthorised fund transfers totalling RMB150 million and (ii) the sale of Zhongda's stake in "Zhongwei Bus" – both problematic transactions involved two former executive directors of Zhongda (Xu Brothers).

Although the board of Zhongda had approved the RMB150 million fund transfers for repayment of intra-group loans and other bank debts, Zhang failed or neglected to promptly inform the board when the Xu Brothers did not execute the board resolution as intended and refused to return the funds back to Zhongda after making the unauthorised fund transfers to two private companies owned or controlled by themselves.

Regarding the disposal of a 20-per cent stake in "Zhongwei Bus", the stake was transferred to a private company owned or controlled by the Xu Brothers at a substantially undervalued price and without any payment to Zhongda or its subsidiaries. As a director of "Zhongwei Bus" responsible for its financial management, Zhang should have been aware of the resulting shareholding change and acted to prevent or report the disposal. However, he failed to inform the board, breaching his duty to safeguard Zhongda's interests.

Given his knowledge of the unauthorised fund transfers and his management role in "Zhongwei Bus", Zhang ought to have known that Zhongda's 2011 interim results did not reflect the unauthorised fund transfers and the disposal. Nonetheless, he proceeded to approve the publication of the 2011 interim results, which contained false or misleading information.

Although no allegation has been made that Zhang personally benefited from the unauthorised fund transfers or the disposal, the Court agreed with the SFC that a six-year disqualification was appropriate after taking into account the seriousness of his breaches and the substantial sums involved.

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