

Enforcement News

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SFC fines two former South China Capital employees in relation to a listing sponsorship

The Securities and Futures Appeals Tribunal (SFAT) has issued a decision confirming a Securities and Futures Commission (SFC) disciplinary sanction to fine a former representative of South China Capital Ltd (South China) for lapses in duty when acting on behalf of his then employer to sponsor a listing applicant. The SFAT also issued a decision reducing a fine imposed on a more junior representative of the same firm.

The case arose following an SFC investigation into an application for listing on the Growth Enterprise Market of a Mainland company known as Sobao Group Ltd. The listing application, which was sponsored by South China, ultimately was rejected by the Stock Exchange of Hong Kong (SEHK).

Mr Eric Chan Shun Kuen and Mr Robin Jonathan Gibbs Fox both worked on the sponsorship at the time. Chan was the assistant supervisor of the application for listing and Fox signed off some of South China's replies to the SEHK's enquiries about the listing application when Chan was unavailable (Note 1).

The SFC found that the two failed to:

- reasonably ensure that representations made on behalf of the listing applicant to the SEHK were true, accurate, complete and not misleading in a material aspect;
- carry out adequate due diligence on the listing applicant; and
- supervise properly the listing applicant and the sponsorship team while Fox's role and responsibilities were subsidiary to Chan's (Note 2).

Both men filed applications with the SFAT to review the decisions imposed earlier by the SFC (Note 3). The SFAT has issued determinations dismissing Chan's application and confirming the SFC's decision to fine him \$200,000. At the same time, the SFAT reduced the fine imposed on Fox to \$40,000 from \$70,000, after accepting that Fox was not centrally involved in the sponsorship work, although he was not "wholly out of the loop". Given the difference in their levels of responsibility, the SFAT determined that

there should be greater disparity with the fine imposed on Chan.

End

Notes:

1. At the time of misconduct, Chan was licensed under the Securities and Futures Ordinance (SFO) to carry on Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities, accredited to South China. He is no longer accredited to any licensed corporation.

Fox is accredited to Quam Capital Ltd, Quam Securities Co, Ltd and Panurgy Ltd and licensed under the SFO to carry on Type 1 (dealing in securities), Type 2 (dealing in futures contract) and Type 6 (advising on corporate finance) regulated activities.

2. For details of related disciplinary actions, refer to two SFC press releases dated 19 December 2007 ([SFC Reprimands and Fines South China Securities Limited \\$500,000; SFC Takes Action against Richard Howard Gorges](#)).

3. Chan lodged the application for review against the SFC's decision on 2 January 2008 and the hearing was conducted on 4 and 5 June 2008. Fox lodged the application for review against the SFC's decision on 3 October 2007 and the hearing was conducted on 11 January 2008. The SFAT was chaired by The Honourable Mr Justice Stone and included two lay members, Mr Larry Kwok Lam Kwong and Mr Tang Kwai Nang. The SFAT's "Reasons for Determination" were issued on 28 November 2008 and are available on the SFAT's website (www.sfat.gov.hk).

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