
Press Releases

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25 May 1998

Ming Fung Group of Companies

The Securities and Futures Commission announced this morning that, in the interest of the investing public, restriction notices had been issued on Chark Fung Securities Co., Ltd. (Chark Fung), Winton Commence Ltd. (Winton Commence) and Ming Fung Bullion Co., Ltd (Ming Fung Bullion), being various members of the Ming Fung Group registered with the Commission.

Memberships of Chark Fung and Winton Commence at the Stock Exchange of Hong Kong and Hong Kong Futures Exchange respectively have also been suspended simultaneously.

The SFC's actions are pursuant to Sections 39 and 40 of the Securities and Futures Commission Ordinance (SFCO) and Sections 50 and 51 of the Leveraged Foreign Exchange Trading Ordinance (LFETO). Section 39 of the SFCO and Section 50 of the LFETO give the Commission the power to restrict the business of a registered / licensed person if the exercise of such power is in the interest of the investing public. Section 40 of the SFCO and Section 51 of the LFETO allow the Commission to prohibit a registered / licensed person, to whom Section 38 of the SFCO and Section 49 of the LFETO apply respectively, from disposal of assets.

The Ming Fung Group operates from Central and has four branches. In addition, it has a finance company, Kee Fung Sing International Finance Co., Ltd (Kee Fung Sing), which operates from the same premises and provides credit facilities to Chark Fung's clients.

Based on preliminary financial information obtained, the SFC has doubts concerning the financial solvency and liquidity of the above companies which

indicate that the companies may not have sufficient resources to meet their obligations to clients.

The matter was uncovered during a joint inspection of the group by the SFC and the Stock Exchange which began on 19 May, 1998. Preliminary indications suggest that the total shortfall in the four entities may be in the region of \$200 million and that client assets might have been misused.

For the protection and preservation of the value of the assets of the Ming Fung Group, and to facilitate the orderly distribution of assets to clients, the SFC considers it expedient in the public interest for the companies to be wound up. The SFC intends to petition to the High Court for the winding up of Chark Fung, Winton Commence and Kee Fung Sing under Section 45 of the SFCO and Ming Fung Bullion under Section 59 of the LFETO.

Meanwhile, Mr Chan Kwong Hung, the major shareholder and managing director of the Ming Fung Group, is assisting the Commercial Crime Bureau with further enquiries.

The SFC is concerned by the recent cases involving alleged thefts of clients' securities and monies and has commenced a special programme of inspection conducted jointly with the Stock Exchange focusing on brokers' fraud. The circumstances leading to actions now taken against Chark Fung and other companies in the group were discovered as a result of that special programme.

Mrs Laura Cha, Acting Chairman of the SFC, noted that although the vast majority of brokerages are properly managed, recent collapses reflect that industry standards and ethics must be improved in order to restore the confidence of investors and the reputation of the industry as a whole.

Mrs Cha reiterated the SFC's commitment to work with the industry and the exchanges to stamp out irregular practices which are detrimental to investors. She pointed out that the SFC will not hesitate to use its powers to protect investors' interest.

Clients and investors may call the hotline operated by the registered entities of the Ming Fung Group at 2545-5300.

Mindful of the concerns of investors and to facilitate orderly processing of claims, as of this morning, staff of the SFC and the Stock Exchange have been stationed at

all offices of Ming Fung Group to provide any assistance the clients may require. Investors can also call the Stock Exchange hotline at 2840-3732 and the SFC hotline at 2840-9333 for assistance.

Note to media: For further information, please contact Bill Weeks at 2840-9289 or Chan Chi-keung at 2842-7624.

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