Maintaining market resilience and mitigating serious harm to our markets

Resilience is crucial to strengthening our financial markets to withstand volatilities and achieving sustainable growth. We are committed to upholding market integrity, resilience and investor protection in maintaining Hong Kong's status as a leading international financial centre and risk management hub.

Combatting suspicious activities and investment scams

We strive to safeguard the integrity of Hong Kong's financial markets through detecting suspicious activities and combatting investment scams. We push ahead investor education initiatives to raise awareness of common scam tactics and promote informed decision-making among investors.

Alerting investors against suspicious entities and investment products

We monitor and investigate illegal activities involving or purporting to involve virtual asset trading platforms (VATPs) through our joint working group with the Hong Kong Police Force (Police). Our concerted efforts resulted in the Police promptly restricting access to the websites of entities involved in suspected virtual asset (VA)-related fraud at the SFC's request.

During the year, we added 25 entities to the alert list for suspicious VATPs on our website to warn the public of suspected VA-related fraud and unlicensed activities. We also cautioned the public against 12 suspicious investment products involving real property, digital tokens and other investments by posting related information on our Suspicious Investment Products Alert List, accompanied by social media posts and press releases to increase public awareness.



Social media posts on suspicious entities and investment products

New alerts against

25 **suspicious VATPs**

12 **suspicious investment products**

Supporting Anti-Scam Consumer Protection Charter

We fully support the Anti-Scam Consumer Protection Charter 2.0 launched in April 2024 by the Hong Kong Monetary Authority (HKMA) and Hong Kong Association of Banks. Under the Charter, participating institutions commit to not sending customers any instant electronic messages with embedded hyperlinks to acquire key personal data. They also pledge to provide their own contact information through appropriate channels for customer enquiries and promote anti-scam messages.

In a joint circular we issued with other financial regulators on the Charter launch day, we invited regulated financial institutions to join the Charter. Over 100 licensed corporations (LCs), covering more than 80% of all active clients, have signed up. Our Chief Executive Officer (CEO) Ms Julia Leung spoke at the Charter's launch ceremony, which aimed to help the public avoid credit card and digital frauds.



CEO Ms Julia Leung at Anti-Scam Consumer Protection Charter 2.0 launch ceremony

Maintaining market resilience and mitigating serious harm to our markets





Video broadcast at MTR stations

Empowering the public to stay scam-savvy

To caution the public against investment scams, we rolled out advertising campaigns and participated in community outreach activities.

We launched a TV commercial in June 2024 and broadcasted the video at Central and Hong Kong MTR stations. Our anti-scam messages were publicised in the June/July 2024 issue of *Pangyao*, a magazine targeting domestic helpers, to help them be wary of "too-good-to-be-true" investment offers.

In May-June 2024, we launched a radio advertising campaign highlighting the risks of investing via unlicensed VATPs, and reminded the public to check the SFC's list of licensed platforms before investing.

We supported community events organised by the Anti-Scam Alliance, during which our Senior Manager of Secretariat and External Mr Joseph Lee shared tips to avoid scammers' traps in June and August.



Disseminating anti-scam do's and don'ts to domestic helpers





Supporting Anti-Scam Alliance's community outreach event

Stepping up anti-scam publicity to caution the public

Our new anti-scam campaign "Don't be Sucker (咪做水魚)" launched in December 2024 cautions the public against common tactics used in fraudulent schemes. An original cartoon character Shui Yu ("水魚" in Cantonese), symbolising an impulsive and gullible personality easily trapped by investment scams, debuted in the campaign. Our publicity efforts initially focused on three common scam scenarios: online romance scams, impersonation, and deceptive tips from financial influencers.

We featured an original campaign theme song and a music video on Shui Yu's YouTube channel, and the latest anti-scam tips on Shui Yu's dedicated Instagram account. We also produced Shui Yu-themed WhatsApp stickers to spread our anti-scam messages in a light-hearted way.

As at end-March 2025, about three months since its launch, the music video recorded over one million views on the campaign's dedicated YouTube channel. The Instagram account had 27 published posts and attracted more than 1,000 followers, with views by nearly 280,000 unique Instagram users.

To further drive home our anti-scam messages featuring Shui Yu, we launched both online and offline advertisements on buses, trams, screens at commercial buildings as well as radio and digital platforms.

In December 2024, we set up a booth at the Anti-Scam Carnival hosted by the Police, providing Shui Yu-themed educational games catered for both children and adults. The carnival attracted over 8,500 participants.



Shui Yu's promotional materials



Advertisements on common scam scenarios



Educational games at the Anti-Scam Carnival catered for all age groups

Combatting misconduct of all forms

Counteracting insider dealing and market manipulation

- Following a landmark 22-day High Court jury trial in May 2024, the Court of First Instance (CFI) sentenced Lam Wing Ki, Sit Yi Ki and Tam Cheuk Hang to prison terms ranging from four years and four months to six years and eight months. This is the heaviest prison term imposed in a market manipulation case since the Securities and Futures Ordinance (SFO) came into effect in 2003.

  The jury found them guilty of conspiracy to carry out false trading in the shares of Ching Lee Holdings Limited. Our extensive investigations revealed that the syndicate conspired to maintain an artificial turnover in Ching Lee's shares via manipulative transactions. This created a false or misleading appearance of active trading and artificially increased Ching Lee's share trading volume, thus generating profits exceeding $124 million.

- We commenced proceedings in the Market Misconduct Tribunal (MMT) against Equity Advantage Limited and Dickson Poon, chairman of Dickson Concepts (International) Limited, for alleged insider dealing in Dickson Concepts' shares. We also alleged that Poon and his son, Dickson Pearson Guanda Poon, executive director (ED) of Dickson Concepts, caused the company to breach the requirements on disclosure of inside information.

- We commenced MMT proceedings against Sui Guangyi, former chairman and non-executive director (NED) of Ding Yi Feng Holdings Group International Limited, two corporate entities, and 28 other suspects for alleged manipulative trading in the shares of Smartac International Holdings Limited. The trading created a false or misleading appearance of active trading and increased Smartac's share price, which significantly contributed to an investment gain by Ding Yi Feng, as Smartac shares accounted for over 21% of its then gross assets.

- We obtained an interim injunction order from the CFI against 11 suspected manipulators of Ding Yi Feng's shares under section 213[1] of the SFO, prohibiting them from (i) removing any of their assets in Hong Kong, or (ii) disposing of, dealing with or diminishing the value of any of their assets in Hong Kong, up to the value of approximately $6.35 billion.

- We commenced criminal proceedings against Segantii Capital Management Limited, its director and chief investment officer, and a former trader for insider dealing in the shares of Esprit Holdings Limited prior to a block trade in June 2017. The case is set down for trial at the District Court from May to June 2026.

- A suspected core member of a sophisticated ramp-and-dump syndicate, Cheng Ming, was charged with the offence of conspiracy to defraud at the Eastern Magistrates' Courts (EMC) following his arrest in our joint operation with the Police[2].

- We obtained disgorgement orders from the MMT against three individuals:

  – Jonathan Dominic Iu Wai Ching, a former responsible officer of Tarascon Capital Management (Hong Kong) Limited, was ordered to disgorge profits of over $5.6 million from false trading in the shares of Sinopharm Tech Holdings Limited and Quantum Thinking Limited. The MMT disqualified Iu from being a director or involvement in the management of any corporations in Hong Kong. It also banned him from dealing in securities, futures contracts, etc in Hong Kong for four years. In addition, we prohibited Iu from re-entering the industry for 15 years;

  – Wu Kam Shing, a former executive deputy general manager of China CITIC Bank International Limited, was ordered to disgorge close to $3 million in gains from insider dealing in the shares of Bloomage BioTechnology Corporation Limited. The MMT prohibited Wu from being a director, liquidator or receiver or manager of the property or business, or taking

1 Section 213 of the SFO enables the SFC to apply to the CFI for injunctions and other orders, including an order to restore the parties to any transaction to the position in which they were before the transaction was entered into.

2 The arrest was made based on a public report of his whereabouts. Subject to an arrest warrant since October 2022, Cheng was listed on the "Have you seen these people?" section of our website, which contains details of individuals who are the subject of arrest warrants or whom the SFC believes have important information that may assist in enforcement inquiries.

part in the management of any corporations in Hong Kong. The MMT also banned him from dealing in securities, futures contracts, etc in Hong Kong, for three years; and

– Choi Ban Yee, the wife of a chauffeur (Sit Yuk Yin) who worked for the family of the chairman of Tian An China Investments Company Limited, was ordered to disgorge $106,968 in profits from insider dealing. Sit possessed inside information about the takeover of Asiasec Properties Limited[3] by Tian An, and counselled or procured Choi to trade Dan Form shares ahead of the takeover announcement. The MMT also imposed against Sit and Choi cold shoulder orders for 16 months, cease and desist orders, and an order to pay the costs and expenses of the Government and the SFC.

Tackling corporate misconduct

We initiated 41 new enquiries into listed company affairs under Section 179[4] of the SFO, and 40 new investigations into different forms of corporate misconduct under Section 182[5] of the SFO.



As part of our front-loaded approach to combat corporate misconduct, we review corporate announcements and disclosures daily to identify potential misconduct and irregularities. During the year, we issued section 179 directions to gather additional information in 77 cases. In two cases, we separately wrote to relevant issuers explaining our concerns that their corporate action or transaction may be conducted in a manner which is oppressive or unfairly prejudicial to their shareholders.

During the year, we commenced legal proceedings in the CFI under section 214[6] of the SFO to seek:

- a share repurchase order to protect the interests of independent minority shareholders of LET Group Holdings Limited and Summit Ascent Holdings Limited due to alleged misconduct by Lo Kai Bong, chairman, ED, and controlling shareholder of both companies. We also sought a disqualification order against Lo for being responsible for the two companies' affairs being conducted in a manner involving misconduct towards members of the two companies;

- disqualification orders against seven former directors and two former de facto directors of SoftMedx Healthcare Limited for allegedly causing the company to publish false and misleading information and breaching their fiduciary duties. We are also seeking an order for SoftMedx to publish the court's findings in the proceedings so that shareholders will be informed of the former de facto directorships and the company's false and misleading disclosures.

- disqualification and compensation orders against eight former directors of 3DG Holdings (International) Limited[7] for their alleged failures in preventing the misappropriation of $74.4 million in corporate funds.

We obtained orders from the CFI under section 214 of the SFO against different individuals:

- a disqualification order against Au Yeung Ho Yin, former chief financial officer and ED of Fujian Nuoqi Co., Ltd., for his failure to discharge his duties as senior management. He failed to investigate multiple withdrawals from the company's initial public offering (IPO) proceeds that were made without proper board approval, did not serve any genuine commercial purposes, and were purportedly used outside the scope specified in the company's listing prospectus;

3 Formerly known as Dan Form Holdings Company Limited.

4 Section 179 of the SFO gives the SFC the power to compel the production of records and documents from persons related to a listed company in relation to fraud or other misconduct.

5 Section 182 of the SFO gives the SFC the power to investigate SFO offences, market misconduct, fraud, misfeasance and disciplinary misconduct.

6 Under section 214 of the SFO, the SFC may seek disqualification, compensation and other orders for breaches of duty by current and former directors of listed corporations.

7 Formerly known as Hong Kong Resources Holdings Limited.

Maintaining market resilience and mitigating serious harm to our markets

- compensation and disqualification orders against Chen Ruomao, a former ED and chief financial officer of Changgang Dunxin Enterprise Company Limited, for allowing the proceeds of share and bond placements (totalling $163 million) to be misappropriated by the company's former chairman and ED. He went on to conceal the misappropriation with falsified records. As compensation, Chen was ordered to pay $163 million with interest to the company. He was also disqualified from acting as a director, liquidator, receiver, manager, or being involved in the management of any corporations for 10 years;
- disqualification orders against former chairman and ED, Li Wing Sang, and former EDs Liu Xinsheng and Chiu Chi Hong, of Tech Pro Technology Development Limited for, among other things, failing to properly manage the company's investment through a joint venture (JV) with a Mainland partner. The three directors failed to obtain sufficient control and supervision over the JV and left the daily management to the Mainland partner, who misappropriated over RMB300 million; and
- a disqualification order against Yang Shuyan, former financial controller of Anxin-China Holdings Limited, for failing to discharge her duties with due and reasonable skill, care and diligence and to carry out her duties to the requisite standard in ascertaining the company's financial position. Yang failed to take reasonable steps which would have enabled her to realise that Anxin's cash position between 2011 and 2015 had been grossly overstated.
- We directed the Stock Exchange of Hong Kong Limited (SEHK) to suspend dealings in the shares of Tianyun International Holdings Limited under the Securities and Futures (Stock Market Listing) Rules (SMLR). Our ongoing investigation revealed that Tianyun might have fabricated a purported transfer of RMB34 million, and its reported bank balances from 31 December 2019 to 30 June 2022 might also have been significantly overstated.
- We obtained in the MMT a disgorgement order for $353.43 million against Li Han Chun, former CEO of China Forestry Holdings Company Limited, and his investment vehicle, Top Wisdom Overseas Holdings Limited, for the losses they avoided through insider dealing of China Forestry's shares. We also obtained disqualification, cold shoulder, and cease and desist orders against Li Han Chun and Li Kwok Cheong (former chairman of China Forestry) for disclosing false or misleading information.
- The District Court convicted Chim Pui Chung and his son Ricky Chim Kim Lun of conspiracy to defraud Asia Resources Holdings Limited, its board of directors and shareholders as well as SEHK over a secret backdoor listing arrangement concerning Asia Resources. The convictions arose from a prosecution brought by the Independent Commission Against Corruption (ICAC) following a referral by the SFC.
- Following our joint operation with the ICAC, Tsang Chung Yu, a former independent NED of Metaverse Yunji Technology Group Company Limited[8], and 11 other individuals were charged for conspiracy to defraud and conspiracy to deal with property known or believed to represent proceeds of an indictable offence. We will continue to collaborate with the ICAC on this matter.



8 Formerly known as Zioncom Holdings Limited.

Detecting key risks and governance issues of listed companies

Leveraging artificial intelligence (AI)-empowered analytics, we have launched a Market Scanning Detection Model that assesses financial disclosures, market trends and governance indicators to identify listed companies with elevated risk profiles.

This new initiative aims to prevent rather than discipline. By nudging market players toward stronger governance practices through early detection and engagement, we seek to drive meaningful changes in management behaviour among listed companies and enhance investor confidence in the integrity of the market.

As a pilot exercise, we have applied the model to companies which engaged in money-lending activities and identified some common red flags:

- Granting substantial loans to third parties with little or no due diligence;
- Significant provisions for impairment made shortly after loan disbursements, raising concerns about internal controls and oversight; and
- Disclosure of impairment valuation as one of the key audit matters in published financial statements.

We will proactively engage with company boards and audit committees to highlight key risk areas and governance concerns. This provides an opportunity for directors to address potential weaknesses before they worsen. We will carefully review their responses and, where necessary, may consider further regulatory action.

Taking firm action against intermediary misconduct

During the year, we disciplined seven corporations and 17 individuals[9], resulting in total fines of $96.7 million. Key disciplinary actions included:

Internal control deficiencies

- We reprimanded and fined Hang Seng Bank Limited $66.4 million for serious regulatory failures in relation to its sale of collective investment schemes (CIS) and derivative products, overcharging its clients and making inadequate disclosures of monetary benefits to them for nine years. These issues were brought to our attention by self-reports from the bank or referrals from the HKMA. Hang Seng has compensated impacted clients, taken remediation steps and enhanced its internal controls.
- We reprimanded and fined Enlighten Securities Limited $5 million for internal control failures over securities margin financing. Our investigation revealed that Enlighten provided financial accommodation to margin clients who had long outstanding margin shortfalls and a poor history of settling margin calls, and the company failed to implement prudent measures to manage related risks. We also suspended the licence of Denny Kua Kong Chak for seven months for failing to discharge his duties as a responsible officer and senior management of the company.

Asset manager misconduct

- We banned Ng Ka Shun, a responsible officer of Agg. Asset Management Limited, from re-entering the industry for life and fined him $1.7 million for window-dressing Agg's financial resources and mismanaging two funds, for which Ng was responsible for making investment decisions.

Mishandling client assets

- We reprimanded and fined Profitech Securities Limited $3.99 million for failing to comply with the Securities and Futures (Financial Resources) Rules and other regulatory requirements, including failures in maintaining its required liquid capital and improper repledges of client securities collateral.

9 Comprising nine responsible officers/managers-in-charge, six licensed representatives, and two relevant individuals of a licensed bank in Hong Kong. Fines paid by intermediaries in disciplinary actions go into the general reserve of the HKSAR Government.

AML/CFT-related breaches

- We reprimanded and fined CSC Futures (HK) Limited, Xinhu International Futures (Hong Kong) Co., Limited and Zheshang International Financial Holdings Co., Limited $4.95 million, $9 million, and $2.66 million for failures in complying with anti-money laundering (AML) and counter-financing of terrorism (CFT) and other regulatory requirements. We also suspended Ngai Wai's licence for nine months for failing to discharge his duties as Xinhu's responsible officer and manager-in-charge for overall management oversight, compliance, information technology and risk management.

Sponsor failures

- We reprimanded and fined Ever-Long Securities Company Limited $3 million for failing to discharge its duties as the sole sponsor in Coastal Corporation Limited's 2016 application to list on SEHK's GEM. We also suspended Wilson Cheung Kin, a former responsible officer and director of Ever-Long, for nine months for failing to discharge his duties as a sponsor principal, responsible officer and a member of Ever-Long's senior management in Coastal's listing application.

Other notable cases

The EMC sentenced Lai Ka Yi to two weeks' imprisonment, and ordered her to compensate a victim and pay our investigation costs after she was convicted of holding herself out as carrying on a business in dealing in securities without an SFC licence. Lai has appealed against both the conviction and sentence.

The EMC convicted Tse Tsun Wai of holding himself out as performing a regulated function in dealing in securities without an SFC licence. Tse was fined and ordered to compensate a retail investor who was a victim of the purported investment scheme. This was the first compensation order made by the Court in a case under section 114(3)[10] of the SFO.

Our joint SFC-ICAC investigation resulted in the ICAC laying charges against a former SFC employee and two other defendants for conspiracy to commit misconduct in public office. The joint investigation followed our internal probe into the former employee for obtaining and misusing confidential information. We are considering other offences under the SFO.

The EMC convicted Tse Yin Fung for contravening the SFO's secrecy provisions, marking the first time a Hong Kong practising solicitor has been convicted of such an offence. Tse, the legal representative of an individual who was the subject of our investigation, disclosed confidential information concerning a restriction notice to two other individuals. He was fined and ordered to pay our investigation costs.

The EMC convicted Wong Ming Chung for providing investment advice without an SFC licence on a subscription-based chat group on Telegram hosted by him. Wong was fined and ordered to pay our investigation costs.

The EMC sentenced two former licensees, Yip Chi Wing and Tsoi Chiu Kwan, to three months of imprisonment each following their convictions for false trading in the shares of Forebase International Holdings Limited. Between 2015 and 2016, they conducted a large number of manipulative transactions, resulting in an artificial increase in the trading volume of Forebase's shares and creating a false or misleading appearance of active trading.

We commenced criminal proceedings at the EMC against Lin Tai Fung and Or Chun Nin for conspiracy to commit false trading in the shares of Pa Shun International Holdings Limited. Lin was also charged with the offence of failing to notify SEHK of his interest in Pa Shun's shares.

We commenced criminal proceedings at the EMC against Wong Pak Ming for insider dealing involving the shares of Transmit Entertainment Limited[11]. Wong allegedly counselled or procured another person to deal in the company's shares while he was its chairman and controlling shareholder, possessing information that he knew was inside information in relation to the company.

In November 2024, we publicly censured and imposed a six-year cold shoulder order against Zuo Ping for increasing her shareholding interest in CBK Holdings Limited from 0% to over 30% in November 2023 without making a general offer as required under the Takeovers Code.

10 Under section 114(3) of the SFO, no person shall perform any regulated function in relation to a regulated activity except a licensed representative.

11 Formerly known as Pegasus Entertainment Holdings Limited.

Achieving landmark settlement to compensate shareholders

We endeavour to keep our markets clean, seek justice for minority shareholders and go after wrongdoers.

Our investigation revealed serious problems regarding Combest Holdings Limited's operations and its management's integrity. To protect the interest of the investing public, we directed SEHK to suspend trading in Combest's shares in 2019.

In 2020, we commenced proceedings against Ng Kwok Fai, Liu Tin Lap and Lee Man To, who served as shadow or executive directors of Combest, for their misconduct in relation to the company's business affairs.

In September 2024, we secured a first-of-its-kind settlement to compensate independent public shareholders of the now delisted Combest.

Under the terms of the settlement, the three individuals acknowledged their breaches of fiduciary duties towards Combest and will collectively pay the company approximately $192 million. This amount is designated for distribution as special dividends to independent public shareholders. Each shareholder will receive $0.066 per share, which was 2.75 times higher than Combest's last closing price.

Other disciplinary actions

Other regulatory breaches and criminal convictions

Company/Name	Breach/Conviction	Action/Fine	Date
CHAN Ka Him	Conviction of fraud (inducing clients to transfer funds to him)	Banned from re-entering the industry for life	6 January 2025
WANG Shian-tang	Maintained secret account and entered into private deal with client without his employer's knowledge or consent	Suspended for 26 months	20 November 2024
Charles LAM Chung Yiu	Conviction of theft and dealing with theft property	Banned from re-entering the industry for life	2 September 2024
WU Chao	Maintained a secret account	Banned from re-entering the industry for three years and seven months	26 June 2024
HA Po Kwan	Falsified documents and misled a client	Banned from re-entering the industry for 12 months	17 June 2024
WONG Ka Ching	Failures as the responsible officer of the placing agent in a share placement	Suspended for four years	28 May 2024
CHEUNG Wing Hung	Conviction of unlicensed activities	Banned from re-entering the industry for 18 months	27 May 2024

Bolstering surveillance and cross-boundary enforcement cooperation

Our surveillance of untoward price and turnover movements resulted in 5,428 requests for trading and account records from intermediaries during the year. We also received and assessed 329 notifications from intermediaries regarding suspicious equity and derivative trading.



During the year, we published 11 high shareholding concentration announcements to caution investors of the potential risks associated with trading in the shares of companies with a high concentration of ownership in a small number of shareholders.

We issued restriction notices to 20 brokers, prohibiting them from dealing with or processing assets held in their client accounts which are related to suspected market and corporate misconduct. We also issued restriction notices to two LCs due to doubts over their fitness and properness to remain licensed.

During the year, our Enforcement Division continued to enhance its cooperation with the Enforcement Bureau of the China Securities Regulatory Commission (CSRC), which is crucial for protecting the interests of both Mainland and Hong Kong investors. We provided each other with mutual investigatory assistance and actively sought to enhance our request-handling processes for greater efficiency.

In June 2024, we held the 16th regular high-level meeting on enforcement cooperation with the CSRC in Kunming, Yunnan Province, where both regulators discussed strengthening collaboration to better tackle cross-boundary securities crimes and misconduct. The meeting highlighted our joint efforts to protect investor interests and the quality of our markets.



16th Regular high-level meeting on enforcement cooperation with the CSRC

In November, we conducted a two-day joint SFC-CSRC enforcement training, which was attended by over 130 enforcement officers, to enhance the effectiveness of our enforcement teams as we continue to foster strong working relationships with the CSRC. The training covered market surveillance, cross-boundary enforcement cooperation as well as strategies for conducting investigations into listed company and intermediary misconduct.

Stepping up regulatory collaboration

In July 2024, our senior executives met with the CSRC and the National Financial Regulatory Administration in Beijing to exchange supervisory updates and regulatory concerns on licensed intermediaries. We agreed to enhance cross-boundary collaboration with both regulators. As a result, our Intermediaries Division co-organised a staff experience sharing session with the CSRC's Department of Fund and Intermediary Supervision in Shenzhen in January 2025. The two-day joint training was attended by more than 70 officers from the SFC, CSRC and its regional offices. The event provided a valuable platform for networking and sharing insights into regulatory updates and supervisory experiences.

In November 2024, we participated in the Fifth Anti-Money Laundering and Counter-Financing of Terrorism Tripartite Meeting in Chengdu, Sichuan Province, organised by the Anti-Money Laundering Bureau of the People's Bank of China. The meeting facilitated the sharing of the latest AML/CFT developments and fostered discussions among the regulatory authorities and enforcement agencies in the Mainland, Hong Kong and Macao.

Joining forces to combat cross-boundary fraud and misconduct

By collaborating with other regulatory bodies and law enforcement agencies, we have strengthened our capabilities in detecting and deterring illicit activities, thereby fostering a safer investment environment and maintaining trust in the financial system.

Our first joint search operation with Macao Judiciary Police

In August 2024, we conducted a joint operation with the ICAC and Macao Judiciary Police targeting suspected cross-boundary fraud and misconduct of senior executives of a Hong Kong-listed company.

During the joint operation, six premises were searched, resulting in the ICAC's arrest of seven individuals.

Joint efforts with SEHK yield significant results

Our joint enforcement efforts with SEHK have resulted in its prompt disciplinary actions against several listed companies and their management:

- Our investigation revealed that certain loan proceeds and investment subscription funds of various subsidiaries of China Ecotourism Group Limited were improperly directed to individuals and entities related to the company's two former EDs. As a result, SEHK imposed prejudice to investors' interests statements against the two former EDs and a current ED; and



- Investigations revealed that FingerTango Inc.'s former directors engaged in problematic investments and loans to external parties, resulting in losses exceeding $660 million for the company and its subsidiaries. Thus, SEHK took disciplinary actions against FingerTango and its eight former directors for misconduct and breaches of their duties.

Addressing irregularities with Insurance Authority

We have joined forces with the Insurance Authority (IA) to tackle suspected irregularities concerning the investment portfolio of Tahoe Life Insurance Company Limited over the past four years. Our collaboration in information exchange since 2020 has yielded a positive outcome, as the IA appointed managers in July 2024 to take full control of Tahoe Life.

International collaboration in law enforcement

- Following the SFC's investigation and an application by the Department of Justice of the HKSAR, the Singapore Police Force arrested a fugitive core suspect and surrendered her to Hong Kong to face securities fraud charges. This marks the first instance where the SFC sought assistance from overseas authorities in naming a fugitive offender on the Red Notice of the International Criminal Police Organization (INTERPOL) and surrendering a fugitive offender wanted for prosecution under the SFO.

- With the assistance of the British Columbia Securities Commission of Canada, we obtained preservation orders against Leung Anita Fung Yee Maria, former CEO and ED of SMI Culture & Travel Group Holdings Limited (formerly known as Qin Jia Yuan Media Services Company Limited).

Maintaining market resilience and mitigating serious harm to our markets

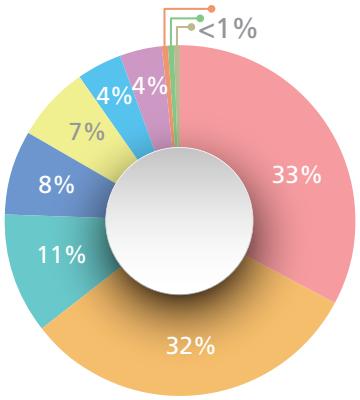
Handling complaints against intermediaries and market activities

We administer and evaluate public complaints on matters within the SFC's jurisdiction about intermediaries' conduct, public offerings of securities and market activities. After conducting preliminary assessments, we decide on the next course of action for complaints. We also handle petitions or protests and liaise internally and with the Police. We foster a positive complaint handling culture and administer procedures to ensure complaints, petitions or protests are handled diligently and properly with professionalism.

During the year, we received 4,150 complaints and handled 2,892 calls with complainants, 163 walk-in requests and one protest against intermediaries and market activities. The total number of complaints increased 29% year-on-year, among which licensees' conduct and listing-related matters accounted for two-thirds. Complaints against listed companies were mainly about the promotion of products, proposed privatisation or unfair IPO shares allotment, whereas those against intermediaries were related to redemption problems and trading disputes. Other complaints were mostly about crypto-related scams and frauds, and impersonation cases.

We took part in the revamp of the IOSCO[12] Investor Alert Portal, a list on which IOSCO members post alerts and warnings about unlicensed firms, impostors, and fraudulent investments. The revamp aims to facilitate instant checking of information by financial institutions.

Complaints against intermediaries and market activities



- Conduct of licensees
- Listing-related matters and disclosure of interests
- Market misconduct[a]
- Scams and frauds[b]
- Other financial activities not regulated by the SFC[c]
- Boiler rooms and suspicious websites
- Unlicensed activities
- Breach of offers of investments
- Conduct of registered institutions
- Product disclosure

[a] Primarily, alleged market manipulation and insider dealing.

[b] Such as identity fraud and impersonation.

[c] For example, bullion trading and banking services.

Investor compensation

The current compensation limit of $500,000 per investor per default is reviewed regularly. During the year, the Investor Compensation Company Limited, the SFC's wholly-owned subsidiary, received and processed seven claims against the Investor Compensation Fund.

Investor compensation claims

	2024/25	2023/24	2022/23
Balance brought forward	37	39	37
Received	7	2	9
Processed	7	4	7
– Compensation payments made	0	0	0
– Rejected	7	4	5
– Withdrawn	0	0	2
– Reconsidered	0	0	0
Balance carried forward	37	37	39

12 The International Organization of Securities Commissions (IOSCO) is responsible for developing, implementing and promoting adherence to internationally recognised standards for securities regulation. IOSCO's membership regulates more than 95% of the world's securities markets across 130 jurisdictions.

Net asset value of compensation funds

	As at 31.3.2025 ($ million)	Change	As at 31.3.2024 ($ million)	Change	As at 31.3.2023 ($ million)
Unified Exchange Compensation Fund (UECF) [a]	**89.5**	1.6%	88.1	2.7%	85.8
Investor Compensation Fund (ICF)[b]	**2,748.5**	4.2%	2,636.8	4.8%	2,517.0
Total	**2,838.0**	4.2%	2,724.9	4.7%	2,602.8

[a] See pages 180-193 for the financial statements of the UECF. The ICF was established by the SFO on 1 April 2003 to replace the UECF. After settlement of all claims against the UECF and its other liabilities, any remaining balance will be transferred to the ICF.

[b] See pages 167-179 for the financial statements of the ICF.

Managing systemic risks and enhancing regulatory regimes

Enhancing targeted tools to address corporate misconduct

To provide broader protection for the investing public against imminent financial harm and improve regulatory efficiency in Hong Kong's listing market, we launched a consultation in March 2025 to propose enhancements to the SMLR for IPO cases and post-IPO matters. Key proposals included requiring listing applicants to meet continuing disclosure obligations post-listing without objecting to a listing. Also, a less disruptive alternative to suspension as proposed would be to require listed issuers to make more transparent and complete disclosure by imposing post-listing conditions. The trading resumption process would be streamlined to potentially reduce suspension time. In addition, issuers aggrieved by the SFC's decisions may request a full merits review by the Securities and Futures Appeals Tribunal.

Reviewing SEHK's regulation of listing matters

In December 2024, we published our review report on SEHK's performance in its regulation of listing matters during 2022 and 2023, and made recommendations to SEHK. The review covered SEHK's handling of issuers' non-compliance with the Listing Rules requirements for the disclosure of material information, handling of issuers' unusual stock price and volume movements, and vetting of IPO applications.

Enhancing regulatory regimes for REITs and CIS

In October 2024, we published consultation conclusions on proposals to introduce a statutory scheme of arrangement and compulsory acquisition mechanism for real estate investment trusts (REITs), together with an enhanced market conduct regime for listed CIS under the SFO. We are working with the Government on the legislative amendments to implement the proposals.

Supervising HKEX

Our ongoing supervision of Hong Kong Exchanges and Clearing Limited (HKEX) focuses on a number of initiatives to improve its resilience. We completed an on-site inspection of project management and operation controls of HKEX's Connect Schemes during the year, and made various recommendations. We will monitor HKEX's implementation of our recommendations.

Over the past year, we engaged in discussions with HKEX on various initiatives aiming at enhancing its risk management capabilities. These included introducing scheduled intra-day margin calls for the derivatives market and enhancing the default fund sizing methodology for the cash market.

Providing guidelines for market soundings

Our guidelines for market soundings became effective in May 2025. We published the consultation conclusions on these guidelines last October, after receiving respondents' constructive feedback and general support for the objectives of the proposals in upholding market integrity.

The guidelines set out our requirements on licensed or registered persons when they conduct market soundings (most commonly seen in block trades), including safeguarding confidential information that licensed or registered persons are entrusted with during market soundings. To facilitate intermediaries' implementation, we also provided practical guidance and frequently asked questions.

Enhancing supervisory oversight and intermediaries' risk management

Supervising intermediaries

We conduct on-site reviews to understand LCs business operations, risk management and internal controls as well as to gauge their compliance with legal and regulatory requirements. During the year, we commenced 256 risk-based on-site inspections[13]. Last year's thematic inspections covered selected securities brokers' safeguarding of client assets (which included a circularisation exercise on these brokers' client accounts), asset managers managing private funds and discretionary accounts, and deemed-to be-licensed VATPs.

In addition, we conduct off-site monitoring to analyse LCs' regulatory filings and intelligence from other sources. We also interact with LCs regularly to assess their financial strength, internal controls and risk management practices.

Encouraging responsible Regtech adoption for AML/CFT

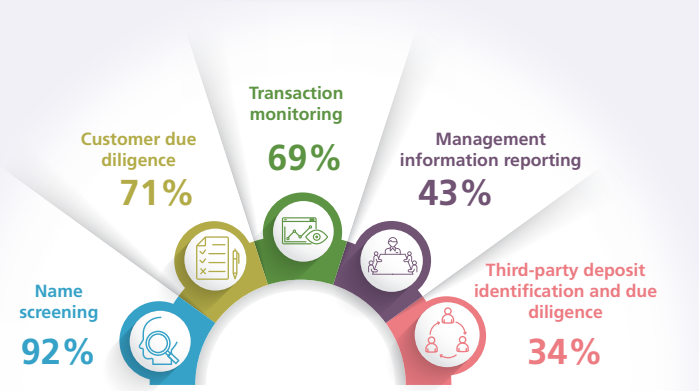
We hosted the SFC AML/CFT Regtech Forum in November 2024, to encourage the financial services sector to embrace regulatory technology (Regtech) in combatting money laundering and terrorist financing. More than 300 participants, including Government officials, industry representatives and experts, attended the full-day event. They discussed the latest developments and adoption trends in Regtech, encompassing its practical application in legal and regulatory compliance for AML/CFT as well as risk management.

We also published a report to share the Regtech adoption progress, key drivers and illustrative use cases.



SFC AML/CFT Regtech Forum

Regtech adoption rate in major AML/CFT processes of selected LCs participated in the Regtech survey[a]



[a] Findings from the *Report on the Adoption of Regtech for Anti-Money Laundering and Counter-Financing of Terrorism*.

13 See Table 1 in Operational Data on page 194 for details.

Enhancing asset managers' compliance

In October 2024, we issued a circular highlighting the deficiencies and substandard conduct we identified in the asset management industry and our four key areas of concern: conflicts of interest, risk management and investment within mandate, information for investors, and valuation methodologies. We reminded asset managers about their obligations and informed them that a thematic inspection of managers of private funds is underway.

Cybersecurity review of LCs

In February 2025, we issued the 2023/24 Thematic Cybersecurity Review of Licensed Corporations report, and conducted webinars together with the Police to share our findings and the common cybersecurity threats in Hong Kong. The report highlighted our key observations from a review of LC's compliance with the SFC's cybersecurity requirements and relevant incidents over the past years. It also set out our expected standards in phishing detection and prevention, using end-of-life software, remote access, managing third-party providers and cloud security.

Findings on distribution and sale of non-exchange-traded products

In April 2024, we issued a joint circular with the HKMA to share our findings from the concurrent thematic review of intermediaries' distribution of non-exchange traded investment products. The circular highlighted how a deficient product due diligence process could lead to inappropriate product recommendations. We reminded intermediaries to provide adequate training to their staff on product characteristics, nature and risk levels.

In September 2024, we and the HKMA published a report on our annual joint survey on the sale of non-exchange-traded investment products. It found that 380 LCs and registered institutions engaged in the sale of investment products in 2023, with an aggregate transaction amount of $4,338 billion, up 14% year-on-year. About 68% of these firms reported growth in transaction amount. The number of participating clients also grew by 15% to over 940,000.

Financial resources management

In July 2024, we issued a circular setting out our expectations for LCs' financial resources management and compliance with the Financial Resources Rules. We also highlighted the deficiencies in internal controls and governance relating to LCs' compliance with the Rules.



Leading international standard-setting efforts

IOSCO

We foster close working relationships with our overseas regulatory counterparts to develop global regulatory initiatives, contribute to the work of international standard-setting bodies, and promote international cooperation and capacity building. Our leadership roles in IOSCO and the Financial Stability Board (FSB) enable us to influence and shape international policies.

Leadership in global standard-setting bodies

Our CEO Ms Julia Leung has represented the SFC on the IOSCO Board since 2016. During the year, Ms Leung took part in IOSCO Board meetings and calls to identify, discuss and address emerging regulatory issues and share information on capital market developments. Areas of focus included retail investors' online safety, sustainable finance, digital assets, and non-bank financial intermediation.

Ms Leung chairs the IOSCO Asia-Pacific Regional Committee (APRC), one of IOSCO's four regional committees which comprises over 30 Asia-Pacific regulators, focusing on addressing cross-border regulatory issues, enhancing regional supervisory and enforcement cooperation and experience sharing. Ms Leung is also a member of the Management Committee of the IOSCO Asia Pacific Hub based in Kuala Lumpur, which delivers capacity building programmes for securities regulators in the region.

Maintaining market resilience and mitigating serious harm to our markets



IOSCO APRC Plenary meeting in Vietnam in February 2025

At the IOSCO APRC meetings in February 2025, members reached consensus on the way forward to address wide-ranging capital market issues, including a coordinated regional approach to tackle scams and online harms. They also shared experiences and techniques to detect and investigate investment frauds and discussed the latest developments in sustainable finance, public markets, crypto assets, tokenisation and AI.

Ms Leung also serves as a Vice Chair of the IOSCO Sustainable Finance Task Force (STF) and co-leads the STF's Corporate Reporting Workstream.

Other SFC senior executives also play leading roles in key international initiatives, holding key positions in IOSCO committees and working groups.

- Dr Eric Yip, our ED of Intermediaries, is the Chair of the IOSCO APRC Supervisory Directors' Network. He chaired its inaugural meeting, hosted by the SFC in Hong Kong, for over 30 regulators from 13 jurisdictions. They discussed supervisory and regulatory approaches to crypto-assets, generative AI and market sounding.
- Mr Christopher Wilson, our ED of Enforcement, chairs the IOSCO APRC Enforcement Directors' Network, a dedicated platform for enforcement executives to share their latest enforcement priorities and developments, as well as support the regional initiatives led by the APRC Working Group on Scams and Online Harms.
- Ms Christina Choi, our ED of Investment Products, continues to serve as Chair of IOSCO's Committee on Investment Management until 2026. The Committee is leading work to revise the recommendations for Liquidity Risk Management for Collective Investment Schemes and develop the complementary guidance.
- Mr Kenneth Lai, our Director of Enforcement, serves as a member of the IOSCO MMoU[14] Monitoring Group Steering Committee for 2025-26, which seeks to implement international enforcement cooperation under the IOSCO MMoU. He completed his two terms as Vice Chair of the IOSCO Committee on Enforcement and the Exchange of Information in October 2024.
- Ms Christine Kung, our Senior Director and Head of International Affairs and Sustainable Finance, leads the IOSCO APRC Sustainable Finance Working Group, which aims to promote knowledge sharing and capacity building on corporate sustainability disclosures and carbon markets across the region.

Stepping up global regulatory collaboration at IOSCO

The SFC is represented in all of IOSCO's task forces at the Board level. We also participate in the eight policy committees of IOSCO, the Committee on Emerging Risks and the Assessment Committee.



CEO Ms Julia Leung chairs the IOSCO APRC Plenary meeting



IOSCO APRC Supervisory Directors' Network meeting in Hong Kong in October 2024

14 Multilateral Memorandum of Understanding Concerning Consultation and Cooperation and the Exchange of Information.

The SFC also contributes to other key international efforts to spearhead regulatory collaboration:

- Our CEO Ms Leung co-chaired the first high-level workshop jointly organised by the IOSCO APRC and the FSB's Regional Consultative Group for Asia (RCGA) in October. Senior representatives from securities market regulators, central banks, and finance ministries discussed the implications of crypto-assets, tokenisation and AI for financial stability, emphasising the need for continued collaboration.



IOSCO Annual Meeting in Greece in May 2024

- The SFC participates in the BCBS[15]-CPMI[16]-IOSCO's Joint Working Group on Margin, which published three final reports on margin in centrally and non-centrally cleared markets in January 2025.
- The SFC participates in the CPMI-IOSCO Steering Group which is responsible for coordinating regulatory work on the oversight and supervision of financial market infrastructures, including central counterparties (CCPs).
- The SFC participated in the Eighth International Conference on Technology Applied to Securities Markets Enforcement (IOSCO TASMEC 8) in Spain in April 2024 to share expertise on the use of data analytics and AI to fight financial crimes.

FSB

Ms Choi also co-chaired the Open-ended Funds (OEFs) Working Group under the FSB Standing Committee on Supervisory and Regulatory Cooperation, which concluded a data pilot programme relating to liquidity risks and management of OEFs.

Mr Rico Leung, our ED of Supervision of Markets, participated in meetings of the FSB RCGA and the FSB Standing Committee on Standards Implementation, which supports the implementation of international financial standards and carries out peer reviews of FSB members, including the thematic review of the FSB Global Regulatory Framework for Crypto-asset Activities.

We are also a member of the FSB Cross-Border Crisis Management Group for Financial Market Infrastructures, where regulators discuss matters and formulate policies regarding the resolution of CCPs. Through these international forums, the SFC participates in the policymaking process and keeps abreast of the latest developments in global CCP regulations. This has helped enhance our supervision of CCPs in Hong Kong.

Deepening international supervisory collaboration

We have deepened collaboration with both international and local regulators through attending various supervisory colleges hosted by US, Asian and European financial regulators covering recovery and resolution plans, supervisory risk assessments and capital and liquidity plans. Additionally, we have conducted joint reviews and enhanced exchanges of supervisory information to strengthen intermediaries' risk management.

Requests for regulatory assistance

	2024/25		2023/24		2022/23	
	Received	**Made**	Received	Made	Received	Made
Enforcement-related requests for assistance	**69**	**84**	73	79	56	53
Licensing-related requests for assistance	**98**	**15**	168	8	140	7
Information and meeting requests	**223**	**0**	143	0	118	0

15 The Basel Committee on Banking Supervision.

16 Committee on Payments and Market Infrastructure.