

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 maintaining high standards of market integrity, resilience and investor protection, thereby reinforcing Hong Kong's status as a leading international financial centre and risk management hub.

Enhancing resilience through supervision and surveillance

Upholding listing market quality and sponsor conduct

To support Hong Kong's sustainable development as a fund-raising hub, the SFC issued a circular in January 2026 to IPO¹ sponsors, pointing out highly concerning issues and setting our expectations amidst a surge in new listing applications in 2025. These issues included deficiencies in listing document preparation, sponsors' potential misconduct and significant resources mismanagement. We also required selected sponsors to conduct internal reviews on the issues raised and their resources available to conduct sponsor work.

The circular followed a joint letter issued by the SFC and the Stock Exchange of Hong Kong Limited (SEHK) to certain sponsors in late 2025. In this letter, the two regulators expressed concerns over the declining quality of new listing applications and substandard behaviours observed. It also drew sponsors' attention to potential regulatory actions to uphold market quality.

To maintain listing market quality, we published in March 2026 our review report on SEHK's performance in regulating listing matters during 2024. In the report, we made recommendations to SEHK particularly in two major areas: SEHK's vetting of listed issuers' internal control reviews and handling of late auditor resignations. In addition, we reviewed the general operations, processes and procedures of SEHK's Listing Division.

Enhancing HKEX and clearing house resilience

Our ongoing supervision of Hong Kong Exchanges and Clearing Limited (HKEX) focuses on a number of initiatives to improve its resilience. As part of the supervision, we commenced an on-site inspection of

HKEX's operational resilience and risk management framework in November 2025 to assess its preparedness to manage operational incidents and its ability to ensure continuous market operation during heightened stress. Meanwhile, at our request, HKEX enhanced the sizing methodology for the default fund in the stock options market clearing house ("Cover 2") in December 2025 to improve its risk management capability.

We worked closely with the Hong Kong Monetary Authority (HKMA), HKEX and Hong Kong Interbank Clearing Limited to extend the use of HKD Real-Time Gross Settlement (RTGS) accounts to the clearing houses for the futures market and stock options market to process money settlements. This will enhance the operational resilience of the clearing houses by reducing their exposure to and reliance on commercial banks. With the SFC's approval, HKEX put the RTGS accounts into use in April 2026².



Supervising intermediaries to build resilience

We conduct on-site reviews of licensed corporations (LCs) to understand their business operations, risk management and internal controls, while also gauging their compliance with legal and regulatory requirements. During the year, we commenced 212 risk-based on-site inspections and noted 1,856 breaches of our rules and regulations. Among these, we conducted thematic inspections of asset managers that manage private funds and discretionary accounts, and also reviewed selected securities brokers' due diligence, as well as their monitoring of financial influencers (finfluencers) and digital platforms.

1 Initial public offering.

2 Post-reporting period.

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We also reminded LCs to fully cooperate with the SFC during inspections and emphasised the importance to maintain fitness and properness. In an early 2026 circular, we highlighted unsatisfactory practices and behaviours observed during inspections, and reminded LCs of their statutory obligations under Section 180 of the Securities and Futures Ordinance (SFO). We also set out our expected standards on the maintenance, retrieval and provision of records, as well as the availability of responsible officers (ROs).

To monitor the risk exposure of Hong Kong-domiciled SFC-authorized funds, we require asset managers to report key data periodically, including subscription and redemption flows, liquidity profiles, asset allocations, credit quality, currency exposure and use of leverage. We also tailor our monitoring programme and conduct stress tests in response to different market circumstances and stress events. Additionally, we closely monitor the liquidity of SFC-authorized funds through asset managers' reports of unusual or untoward activities.

We reviewed securities brokers' internal controls for protecting client assets, and highlighted our observations in a June 2025 circular. We set out the regulatory standards in areas such as amendments to client particulars, handling of email requests and third-party transactions, operation of bank accounts, and the monitoring of dormant accounts.

Monitoring day-to-day market activities

We closely monitor market conditions and activities to uphold integrity and resilience, which sustains investor confidence. Our surveillance of untoward price and turnover movements resulted in 4,727 requests for trading and account records from intermediaries during the year. We also processed 547 notifications from intermediaries regarding suspicious equity and derivative trading.

During the year, we published 20 high shareholding concentration announcements to caution investors of the potential risks associated with trading in the shares of listed companies with a high concentration of ownership.



20 alerts of high shareholding concentration

We developed our in-house social media monitoring system — SENSOR — powered by generative artificial intelligence (AI). SENSOR scans targeted social media channels for suspicious activities, such as misleading promotions and stock manipulation. It can also conduct image and video analysis to monitor finfluencers to detect increasingly sophisticated scam tactics. Leveraging AI, the system collects, analyses and tracks online activities and profiles from different platforms to identify potentially misleading investment promotions, coordinated scams and manipulative behaviours. SENSOR also preserves data to support investigations.

Enhancing investor identification regime

To enhance market surveillance, we are extending the Hong Kong investor identification regime to the exchange-traded derivatives market, following the successful implementation of the regime for the securities market since 2023. As part of this effort, we launched a public consultation on the proposal in September 2025. This initiative aims to enhance our ability to detect and address market misconduct in the exchange-traded derivatives market while strengthening investor protection. We are now reviewing the feedback received and tentatively plan to issue the consultation conclusions by mid-2026.

Combatting suspicious activities and investment scams

We receive information regarding the latest trends of suspicious activities from complaints and market intelligence, based on which we formulate strategies to combat investment scams to safeguard market integrity. We push ahead investor education initiatives to raise public awareness of common scam tactics and promote informed decision-making among investors.

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Strengthening prevention of phishing and unauthorised trading

During the year, we observed a rise in unauthorised trading incidents at LCs, often involving phishing attacks where clients were deceived into entering credentials on fake websites closely resembling the LCs' genuine ones. To address these risks, we issued a circular to urge LCs to join the SMS Sender Registration Scheme to help clients identify legitimate messages, as well as strengthen internal controls to prevent unauthorised account access and transactions in client accounts.

Cautioning investors with timely alerts

We also observed a growing trend of ramp-and-dump scams orchestrated through social media platforms during the year. Fraudsters impersonated well-known financial commentators and offered investment advice in chat groups, inducing investors to purchase shares. In some cases, fraudsters impersonated the SFC senior executives and the SFC-licensed corporations to send deceptive emails or SMS messages with suspicious links to harvest login credentials. In response, we alerted the public through press releases and social media posts. We also proactively contacted victims, reminding them to remain vigilant, refrain from committing additional funds, and report the frauds to the Hong Kong Police Force (Police).



We update the alert lists on our website from time to time to put the public on guard against potential scams. During the year, we added 12 entities to the alert list for suspicious virtual asset trading platforms (VATPs) to caution the public against suspicious or unlicensed VATPs. Meanwhile, we cautioned the public against 35 suspicious investment products involving real property, tokenised assets (such as gold tokens) and other investments by posting related information on our Suspicious Investment Products Alert List, accompanied by social media posts and press releases.



Chief Executive Officer (CEO) Ms Julia Leung at the Charter 3.0 launch ceremony

Uniting public-private sector forces in scam fight

Anti-Scam Consumer Protection Charter 3.0

To foster a safe online environment, the SFC, the HKMA, the Insurance Authority and the Mandatory Provident Fund Schemes Authority jointly launched the Anti-Scam Consumer Protection Charter 3.0 (Charter 3.0) in July 2025. It unites financial regulators, major technology firms and telecommunications firms to combat financial scams that exploit digital platforms and telecommunications networks. Participating institutions are called upon to take actions to prevent fraudulent promotions on their platforms, remove scam advertisements or contents, and establish channels for regulators to follow up on suspicious activities.

Intercepting scam-related fund flows

We have strengthened our collaboration with the Police for the timely exchange of intelligence and coordinated responses to suspicious activities. To expedite the interception of crime proceeds, we have established a protocol with the Anti-Deception Coordination Centre and selected LCs on the 24/7 Stop Payment Mechanism since August 2025. Between September and December 2025, over 50% of the known deception and scam-related crime assets that flowed to licensed firms were intercepted.

Anti-scam collaboration on virtual assets

We continuously monitor and investigate illegal activities involving or purporting to involve VATPs through our joint working group with the Police. We have in place a mechanism for the Police to swiftly restrict access to websites of entities involved in suspected virtual asset (VA)-related fraud.

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The SFC also participates in the Virtual Asset Intelligence Taskforce (VAIT) led by the Police, which is a public-private partnership platform that aims at strengthening the detection, prevention and disruption of VA-related crimes and cybersecurity threats. Through the VAIT, we engage in intelligence exchange and operational collaboration with the Police, the Hong Kong Customs and Excise Department, the HKMA and licensed VA service providers to support a safe VA ecosystem in Hong Kong. In October 2025, we held the VAIT inauguration ceremony, which was attended by over 200 participants from the public and private sectors.

Restricting use of misleading names by unregulated entities

We conducted a two-month consultation from June to August 2025 on proposals to further restrict the use of certain names that may mislead investors. The proposals would extend the existing restrictions under Section 34³ of the SFO to reflect market developments, including the SFC's regulatory regime for VATPs. Similar restrictions are also proposed under the Anti-Money Laundering and Counter-Terrorist Financing (AML/CFT) Ordinance. We are reviewing the feedback received and considering possible enhancements. Conclusions will be published in due course.

Combating misconduct of all forms

We take proactive and resolute enforcement actions to protect investors, punish bad actors and safeguard the integrity and reputation of Hong Kong as a financial centre. Our strategic focus on high-impact

cases helps us address key risks in markets and send strong deterrent signals.

During the year, we fined 13 companies \$84.45 million, disciplined 23 individuals, suspending their licence or prohibiting them from entering the industry for 3.5 months to life.

Counteracting market misconduct

We secured the Court's custodial sentences for responsible individuals in various cases of market manipulation and insider dealings during the year; we also successfully sought orders to freeze assets, impose fines, demand disgorgement of illicit profits, and disqualify former corporate executives to restore market confidence.

Market manipulation

- We secured the conviction of Wong Yuk Lan, former Administration Controller of China All Access (Holdings) Limited (China All Access), who was sentenced to eight months of imprisonment for false trading in the company's shares. The Court found that these trades were designed to create a false or misleading appearance of demand in the company's shares in order to alleviate the margin call pressure on her "de facto husband" Chan Yuen Ming, Chairman of China All Access.
- With a view to compensating affected investors, we sought interim orders from the Court of First Instance (CFI) to freeze assets of defendants in various ongoing criminal proceedings in relation to market manipulation. These involve the shares of listed companies as below:

Listed companies	Details	Amount of assets frozen
Wan Cheng Metal Packaging Company Limited ⁴	Restrained 3 defendants from disposing of assets in Hong Kong	\$85.2 million
Smartac International Holdings Limited	Restrained 12 defendants from disposing of assets in Hong Kong	\$82.4 million
Eggiculture Foods Limited	Restrained 1 of the suspected ringleaders from disposing of assets in Hong Kong	\$62.6 million
Grand Talents Group Holdings Limited	Restrained 4 defendants from disposing of assets in Hong Kong	\$394 million
KNT Holdings Limited	Restrained 5 defendants from disposing of assets in Hong Kong	\$219 million

³ Section 34 of the SFO prohibits the use or taking of certain titles (or anything which closely resembles such titles) without the SFC's authority or without reasonable excuse. Any breach is an offence under the SFO.

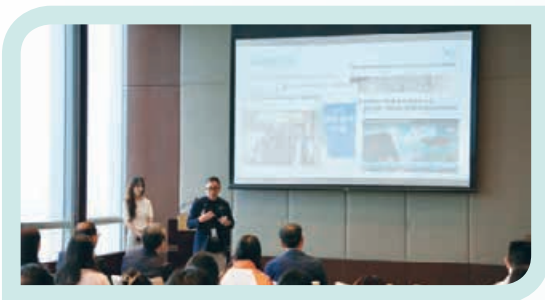
⁴ Now renamed to Hong Kong Entertainment International Holdings Limited.

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Public education as critical front in battling scams

Targeted outreach to intensify impact

To promote anti-scam resilience especially among the younger generation, we stepped up education efforts for university students. In September and October 2025, we delivered talks at the Hong Kong University of Science and Technology and the City University of Hong Kong, respectively. We also partnered with the HKMA and the Chinese Banking Association of Hong Kong to host a fraud prevention and investment education session for Mainland-based university students in Hong Kong in March 2026.



Educational talks for different community groups

Our anti-scam outreach extended to diverse community groups, including members of the Hong Kong Chinese Women's Club, as well as senior citizens at a Sik Sik Yuen community centre and those participating in a Consumer Council event.

In these sessions, we shared tips to avoid investment scams with around 400 attendees.

Raising awareness through "Shui Yu" campaign

As part of our "Don't be Sucker" (咪做水魚) anti-scam campaign, we launched advertisements featuring the campaign's character "Shui Yu" ("水魚" in Cantonese) to warn the public against prevalent investment scam tactics across high-visibility channels, including radio, MTR stations, over 200 public estates and other outdoor locations.

Our dedicated anti-scam Instagram page cautions the public against emerging scam tactics and provides useful tips through Shui Yu. Close to 90 posts were published and viewed by about 3 million unique users during the year. We expanded our outreach with WhatsApp and WeChat sticker packs to promote anti-scam awareness in a friendly and accessible manner.



Raising the public's anti-scam awareness with fun games and giveaways

We participated in the Anti-Crime Elite Games organised by the Police in October 2025, leveraging educational games and giveaways to deepen our anti-scam outreach. We further engaged with the public with Shui Yu-themed booths and souvenirs at four public estate shopping centres across Hong Kong in February 2026.

Moreover, the SFC and the Hong Kong Investment Funds Association jointly launched a short animation featuring interaction between our mascots in November 2025, doubling up the impact of our warning against fund manager impersonation and dubious investment schemes.



NEW

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Leading the fight on air

To enhance public vigilance, we launched radio advertisements in August and September 2025 to highlight risks associated with digital assets. In August 2025, Dr Eric Yip, the SFC's Executive Director of Intermediaries, was interviewed on TVB's news feature programme, "On the Record", in which he emphasised the importance of trading VAs only on SFC-licensed VATPs and flagged the risks of using unregulated platforms. Dr Yip also explained the SFC's investor-centric regulatory philosophy.



Executive Director of Intermediaries
Dr Eric Yip on TVB's "On the Record"

In June 2025, Mr Paul Yeung, Commission Secretary and Chief Governance Officer, also appeared on TVB's infotainment programme "Scoop" to share tips against investment scams. This feature story garnered over 2.8 million views in Hong Kong and Guangdong province.



Commission Secretary and Chief Governance Officer
Mr Paul Yeung on TVB's "Scoop"

- The Eastern Magistrates' Courts granted an application by the Department of Justice to transfer a securities fraud case brought by the SFC to the District Court for criminal proceedings, marking the first time that a criminal prosecution for securities fraud involving illegal short selling under Section 300 of the SFO will be held in the District Court. The SFC alleges that the two defendants employed a fraudulent scheme and made an illicit profit of around \$11 million.
- In another case, two individuals, Li King Hong and Lam Hin Fai, were sentenced to imprisonment of 24 and 22 months respectively for committing securities fraud via naked short selling. The Court heard that, in 2020, Li and Lam directed their wives to deceive an account executive at CVP Securities Limited (CVP) by falsely representing ownership of shares of Hong Kong-listed companies with the intent to defraud, and inducing CVP to place selling orders at inflated prices. They made illicit profits of \$3.3 million.

Insider dealings

- The criminal trial of the insider dealing prosecution against Wong Pak Ming was held at the Eastern Magistrates' Courts in February 2026. Wong allegedly counselled or procured another person to deal in the shares of Pegasus Entertainment Holdings Limited in 2017, when he was the chairman and the controlling shareholder of the company and had inside information on Pegasus. The Court will hand down its judgment in May 2026.
- We obtained from the CFI a worldwide interim injunction order against Chan Ching Wa, a former staff member of HKEX, and his two extended family members for alleged insider dealing. In parallel, we obtained an interim injunction order from the High Court of Justice, Business and Property Courts of England and Wales to freeze the respondents' assets in England and Wales. Under the two orders, the respondents were prohibited from disposing of or diminishing the value of their assets of up to \$4.3 million.

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Insider dealing

Company/Name	Breaches/Convictions	Action/Fine
CHOI Chun Wai, former vice president of Computershare Hong Kong Investor Services Limited	Sold his shares of ENM Holdings Limited (ENM) on inside information, ahead of ENM's announcement of the lapse of the privatisation, thereby avoiding a loss of around \$289,500	2 months of imprisonment - A fine of \$289,500, equivalent to the losses avoided
- Cynthia CHEN Si Ying, former company secretary of Asiasec Properties Limited⁵ - WEN Lide, Chen's Mainland associate	Insider dealing in the company's shares	- Disgorging over \$1 million in illicit profit - Chen was disqualified from participating in the management of listed corporations in Hong Kong for 4 years

Tackling corporate misconduct

As part of our front-loaded approach against corporate misconduct, we conduct daily review of corporate announcements and disclosures to identify potential irregularities.

During the year, we issued Section 179⁶ directions to gather additional information in 29 cases. In one case, we wrote to the relevant issuer separately to express our concerns that their corporate transaction appeared potentially oppressive or unfairly prejudicial to their shareholders.

We also initiated 62 new enquiries into listed company affairs under Section 179 of the SFO and 223 new investigations into different forms of misconduct under Section 182⁷ of the SFO. We have also commenced one set of proceedings in the CFI under Section 214⁸ of the SFO seeking redresses for corporate misconduct, as summarised below:

- Among ongoing proceedings under Section 214 of the SFO, we obtained an order to freeze more than \$101 million in the personal bank account of Ng Kwok Fai, a suspected shadow director of Teamway International Group Holdings Limited (Teamway). Ng and another shadow director, Yang Zhihui, are alleged to have engineered transactions that prejudiced the interests of Teamway. We are seeking disqualification and compensation orders against Ng, Yang and 10 other former directors of Teamway for \$532 million in losses.



62 new enquiries
into listed companies

Tackling corporate misconduct

Listed companies concerned	Respondents	Circumstances	Orders sought
Century Energy International Holdings Limited	Gregory HO Chun Kit, ZHENG Jian Peng, Eugenia YANG, Vincent LAU Sung Tat	Prolonged lack of oversight of the 4 former directors led to loss of control over 4 major operating subsidiaries in the Mainland, resulting in a loss of \$184 million for the company for the year ended 31 March 2019	Disqualification orders

⁵ Previously known as Dan Form Holdings Company Limited.

⁶ 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.

⁷ Section 182 of the SFO gives the SFC the power to investigate SFO offences, market misconduct, fraud, misfeasance and disciplinary misconduct.

⁸ 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.

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- Eight sets of proceedings that we brought under Section 214 of the SFO were concluded or partly concluded. Among these proceedings, we obtained from the CFI an order requiring three former directors and senior executives of Superb Summit International Group Limited (Superb Summit) to pay a total of \$595 million — equal to the amount lost — in compensation to Superb Summit for orchestrating and/or participating in fraudulent schemes to defraud the company. We also obtained disqualification orders from 2.5 to 15 years against the trio and 10 other directors of Superb Summit at the material time.

Table below summarises other orders under Section 214 of the SFO which we obtained in the year:

Listed companies in concern	Respondents	Circumstances	Orders obtained	
			Compensation	Disqualification
Arta TechFin Corporation Limited ⁹ (Arta TechFin)	Andrew LIU, Quincy HUI Kwong Hei ¹⁰	Misconduct led to acquisition and subsequent disposal within 6 months of a stake in Liu's Holdings Limited, which resulted in a loss of \$76.8 million to the company	\$57.5 million to Arta TechFin	Liu: 8-year disqualification Hui: 6-year disqualification
Coolpad Group Limited (Coolpad)	ZHANG Wei	Involvement in transactions undertaken without proper approval or disclosure and causing losses of about RMB84 million to Coolpad. Proceedings against other former directors are ongoing	\$4 million to Coolpad	5-year disqualification
National United Resources Holdings Limited (NUR)	LO Ka Wai	Committed NUR to fictitious transactions and approved related payments totalling \$302 million for purported settlement. Proceedings against other former directors and officers of NUR are ongoing	N/A	3-year disqualification
Zhongda International Holdings Limited (Zhongda)	ZHANG Yuqing	Failed to block or disclose unauthorised fund transfers totalling RMB150 million and the sale of Zhongda's stake in "Zhongwei Bus". Both problematic transactions involved 2 former executive directors of Zhongda	N/A	6-year disqualification
First Credit Finance Group Limited	HO Siu Man	Failed to disclose Cho Kwai Chee's de facto directorship in the company, resulting in false and misleading announcements	N/A	7-year disqualification
National Agricultural Holdings Limited	LU Ying, REN Hai, PENG Guojiang, TING Tit Cheung	Misconduct led to the dissipation of approximately \$3 billion of the company's funds from 2015 to 2017	N/A	Disqualifications of 2-9 years
Combest Holdings Limited (Combest)	NG Kwok Fai, LIU Tin Lap, LEE Man To	■ Orchestrated acquisitions of 2 subsidiaries that were substantially overvalued in 2016 and 2017 ■ Arranged payments of fictitious loan interests and fees to entities related to Ng ■ Grossly inflated Combest's revenue between 2016 and 2019	■ \$192 million in compensation was distributed as special dividends to public shareholders of Combest ■ Administrator successfully distributed more than 98% of the compensation to around 600 independent public shareholders of Combest	Disqualifications of 8-12 years

⁹ Known as Freeman Financial Corporation Limited at the material time.

¹⁰ Seven other former directors of Arta TechFin including Lo Kan Sun, Sue Au Shuk Yee, Philip Suen Yick Lun, Scott Allen Phillips, Agustin V Que, Gary Drew Douglas and Peter Temple Whitelam were disqualified for one to two years.

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First-ever auditor compensation for listed company shareholders

Extending our efforts to enhance market quality and protect investors in a new fiscal year, we reached an agreement with PricewaterhouseCoopers Hong Kong (PwC HK) in April 2026 under which PwC HK will set aside \$1 billion to compensate eligible independent minority shareholders of China Evergrande Group[^]. This is the first time the auditor of a defunct company will compensate independent minority shareholders harmed by false and misleading financial statements, reinforcing the accountability of auditors as one of the essential gatekeepers in ensuring the accuracy and reliability of financial disclosures. We believe that this agreement best serves the interests of affected independent minority shareholders.

Our investigation found that China Evergrande had manipulated its annual revenue and profits by prematurely recognising revenue from property sales before completion and delivery. The company's financial statements for the fiscal years ended

31 December 2019 (FY2019) and 31 December 2020 (FY2020), audited by PwC HK, contained materially false or misleading information, significantly overstating its revenue by 45% and 69%, respectively. Consequently, the company's audited annual profits of RMB33.5 billion and RMB31.4 billion for FY2019 and FY2020, respectively, should have been reported as a loss of RMB7.12 billion and RMB19.9 billion, respectively.

We also examined the auditor's work and concluded that there had been multiple failings (not admitted by PwC HK), including a failure to exercise adequate professional scepticism and acquiescence in China Evergrande management's manipulation of audit samples and site inspections.



[^] Post-reporting period.

■ Under the Securities and Futures (Stock Market Listing) Rules, we directed SEHK to suspend dealings in the shares of Dashan Education Holdings Limited (Dashan) in December 2025, to maintain a fair and orderly market. Our investigation raised serious concerns on the integrity of the company's management. We found major discrepancies between bank statements submitted by Dashan to the SFC and those that we obtained independently. We also discovered material overstatements of bank balances in its financial statements.

■ In February 2026, we announced a settlement with Sino Wealth International Limited and Clear Prosper Global Limited in relation to dealings by their parent company, namely Chow Tai Fook Nominee Limited, and its concert parties in the shares in Giordano International Limited (Giordano) under the Takeovers Code. Subject to the number of successful claims received by the independent adjudicator, the payments the parties have agreed to make to eligible Giordano shareholders may potentially involve up to \$1.5 billion¹¹.

¹¹ For further details, please refer to the press release published by the SFC on 16 February 2026 and the announcement of even date made by Sino Wealth and Clear Prosper regarding the agreed cash payments, as posted on HKEXnews website under the stock code of Giordano.

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Combatting intermediary misconduct

Misappropriation of client assets

- We revoked the licences of two fund houses, namely Nerico Brothers Limited (NBL) and Amber Hill Capital Limited (AHCL), for their involvement in fraudulent schemes to misappropriate clients' assets, and banned three responsible individuals from engaging in any regulated activities for life. Between 2020 and 2021, NBL misused a client's funds of more than US\$68 million to subscribe for shares for the firm's own account, without the client's knowledge or consent. NBL also knowingly facilitated a scheme orchestrated by a then director (who has also been the ultimate sole shareholder) of AHCL, resulting in further misappropriation of about US\$154 million of the same client's funds since January 2021.

Internal control deficiencies

We reprimanded and fined the following intermediaries during the year for internal control failures:

Company/Name	Breaches/Convictions	Action/Fine
Deutsche Bank Aktiengesellschaft	■ Overcharged clients on management fees of approximately \$39 million ■ Incorrectly assigned product risk ratings impacting 93 clients and 265 transactions ■ Failed to disclose its investment banking relationships with various Hong Kong-listed companies in more than 1,800 research reports	A fine of \$23.8 million
EFG Bank AG (EFG)	Failed to: ■ Take into account the special features of 322 bonds ■ Update its internal policies in a timely manner ■ Provide clients with sufficient information and warning statements for certain complex products ■ Keep product due diligence records for 141 bonds	A fine of \$10.85 million
UBS AG	Failed to ensure accurate classification of professional investors for over 12 years	A fine of \$8 million
Instinet Pacific Limited	Failed to comply with SEHK's reporting requirements for cross trades involving transactions worth around \$25.9 billion between its clients and affiliated company	A fine of \$8 million
The Hongkong and Shanghai Banking Corporation Limited (HSBC)	Failed to disclose or made incorrect disclosures regarding its investment banking relationships with various companies covered in more than 4,200 research reports on Hong Kong-listed securities between 2013 and 2021	A fine of \$4.2 million
Interactive Brokers Hong Kong Limited	■ Relied on expired standing authorities of 7,911 clients to loan their listed securities pursuant to a securities borrowing and lending agreement ■ Failed to send clients renewal notices for the standing authority	A fine of \$4.2 million

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Fund management failures

- We reprimanded and fined Kylin International (HK) Co., Limited (Kylin) \$9 million for multiple failures in managing private funds over a period of three years. Breaches found included its failure to: (a) manage and disclose conflicts of interest regarding its loans; (b) perform monthly reconciliations of fund assets; (c) implement adequate systems and controls; and (d) maintain records on compliance with AML/CFT regulations. Kylin also misrepresented to its investors that it was exempt from the suitability assessment requirement. We also banned Zhu Hong, a director of Kylin, for 12 months and fined her \$400,000.
- We banned Lui Pak Tong, a former licensed representative of Thunder Capital Limited (Thunder), for life and fined him \$17.43 million. We found that he caused a fund managed by Thunder to extend five unsecured loans totalling \$22.5 million to a company he controlled without disclosing related conflicts of interest, and subsequently diverted a substantial portion of the loan proceeds to himself or connected persons.

Regulatory breaches over distribution of VA-related products

- We reprimanded and fined Saxo Capital Markets HK Limited (SCMHK) \$4 million for failures relating to distributing VA funds not authorised by the SFC and VA-related products (collectively, VA Products) on the firm's online trading platform. SCMHK allowed retail clients to trade complex VA Products that should only be offered to professional investors on its online platform. It executed transactions involving VA Products without assessing the clients' relevant knowledge or providing sufficient information and warning statements.

Sponsors' failures

- We reprimanded and fined RaffAello Capital Limited (RaffAello) \$4 million for failing to discharge its duties as the sponsor in the listing application of Paprika Holdings Limited after the Securities and Futures Appeals Tribunal upheld our disciplinary action against RaffAello.

AML/CFT-related breaches

- We reprimanded and fined Freeman Commodities Limited (Freeman) \$3.4 million for failures to comply with AML/CFT and other regulatory requirements. We also suspended its former ROs Pun Hong Hai and Li Chun Kei for 10 and four months, respectively, due to failures to discharge their duties. From 2017 to 2018, Freeman failed to conduct any due diligence on the customer-supplied systems used by clients for placing orders, or put in place an effective monitoring system to detect suspicious trading in client accounts.

Other notable cases

- We conducted a joint operation with the Independent Commission Against Corruption (ICAC), targeting a sophisticated syndicate suspected of manipulating the shares of a listed company and engaging in corrupt activities. The offices of the listed company and SFC-licensed brokers were searched. The ICAC arrested a former chairman and a former executive director of the listed company under the Prevention of Bribery Ordinance. The investigation is ongoing.
- The High Court, in October 2025, convicted Wong Ming Chun, former financial controller and company secretary of Hua Han Health Industry Holdings Limited (Hua Han), of two counts of money laundering charges related to the misappropriation of Hua Han's funds. Wong was sentenced to seven years and eight months' imprisonment. We then withdrew restriction notices imposed on three brokers to facilitate the return of restricted assets to affected parties.
- We prosecuted AMTD Global Markets Limited (AMTD; now known as oOo Securities (HK) Group Limited) for failing to comply with statutory notices issued. The CFI ordered AMTD to produce outstanding records by mid-January 2026 and ruled that its past non-compliance constituted contempt of court, warranting a penalty.

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Other disciplinary actions

Company/Name	Breaches/Convictions	Action/Fine
Roofer Securities Limited (Roofer)	Mishandling of client money: Roofer failed to maintain sufficient funds in its segregated client account in 12 incidents. The largest shortfall in 1 client account amounted to \$15.5 million	Public reprimand and a fine of \$2.1 million
Sino-Rich Securities & Futures Limited, BUDIHardJO Wilhelm Soeharsono	Failures concerning margin lending policy and practices	- Public reprimand and a fine of \$2 million - RO suspended for 5.5 months
Tung Tai Securities Company Limited (Tung Tai)	Failure to establish effective internal control: Tung Tai acted on instructions from a bogus email address and sold shares in a client's account	Public reprimand and a fine of \$0.9 million
SUEN Kin-wing	Criminal conviction for laundering over \$134 million by misappropriating client assets	Banned from re-entering the industry for life
CHEUNG Ngai Yi	Criminal conviction for stealing client assets totalling \$1.53 million	Banned from re-entering the industry for life
Andy LAU Ka Ho	Engaged in unauthorised trading in a client's accounts, falsified client instructions and account statements, and forestalled a client's withdrawal by falsely claiming a deposit arrangement between 2014 and 2019	Banned from re-entering the industry for life
TONG Ho Yin	Failure to discharge his duties as an RO of HF Asset Management Limited, which resulted in significant financial losses arising from the firm's failures to act in the best interests of a fund under its management and to properly manage conflicts of interest	Banned from re-entering the industry for 9 years and fined \$350,000
Richard Charles HEYES	Failure to discharge his duties as an RO of Citigroup Global Markets Asia Limited in ensuring adequate policies and system controls were in place	Banned from re-entering the industry for 5 years
KUO Che-jung	Operated secret accounts to conduct matched trades in Hang Seng Index options at his employer's expense, benefiting his wife's account at another brokerage	Banned from re-entering the industry for 4.5 years and fined \$1 million
MUI Chok Wah	Criminal conviction for theft and delay in notifying the SFC of his criminal charge	Licence revoked and banned from re-entering the industry for 2 years
LAW Man Wai	Executed 109 matched or wash trades in 9 stocks in his personal account and the accounts of his sister and friend; intentionally concealed his beneficial interests and personal trades	Banned from re-entering the industry for 3 years

Maintaining market resilience and mitigating serious harm to our markets

Curbing unlawful influencer activities with local enforcement and global collaboration

Locally, we secured the first custodial sentence against a influencer, Chau Pak Yin, for providing paid investment advice on social media without a licence. Chau was sentenced to six weeks' imprisonment. Our investigation found that, in 2021, Chau earned subscription fees totalling \$43,680 from operating a Telegram chat group named "Futu真。財自Private Group". In this group, he circulated commentaries, recommendations and target prices on securities, while responding to subscribers' questions on the securities' performance.

On the global front, we joined other members of the International Organization of Securities Commissions in the "Global Week of Action Against Unlawful Finfluencers" in June 2025, recognising the cross-border nature of these illicit activities. Together with fellow regulators, we highlighted how supervisory and enforcement powers are used to disrupt these activities. By combining these powers with education and consumer awareness programmes, we strive to safeguard market integrity and alert the investing public to misleading investment advice.

Issuing restriction notices

We issued restriction notices to 16 brokers to freeze assets held in their client accounts which were related to suspected market and corporate misconduct. We also issued a restriction notice to one LC, namely GA (Int'l) Capital Management Limited, due to doubts over its fitness and properness to remain licensed.

Strengthening cross-boundary enforcement collaboration

During the year, we maintained close and effective cooperation with the Enforcement Bureau of the China Securities Regulatory Commission to safeguard market integrity and protect investor interests in both jurisdictions. The two regulators provided efficient and timely mutual investigatory assistance, driving significant progress in a number of important cases. Furthermore, our regular and constructive discussions helped streamline request-handling processes and enhance the effectiveness of cross-boundary enforcement cooperation.

To further facilitate in-depth experience sharing and mutual understanding between the two regulators, we held a two-day joint training event for over 140 officers in November 2025. The training covered key enforcement topics including market surveillance, case studies on market manipulation, misconduct by intermediaries and listed companies, and applying technology in enforcement work.

Handling public complaints and investor compensation claims

Processing complaints to protect the public

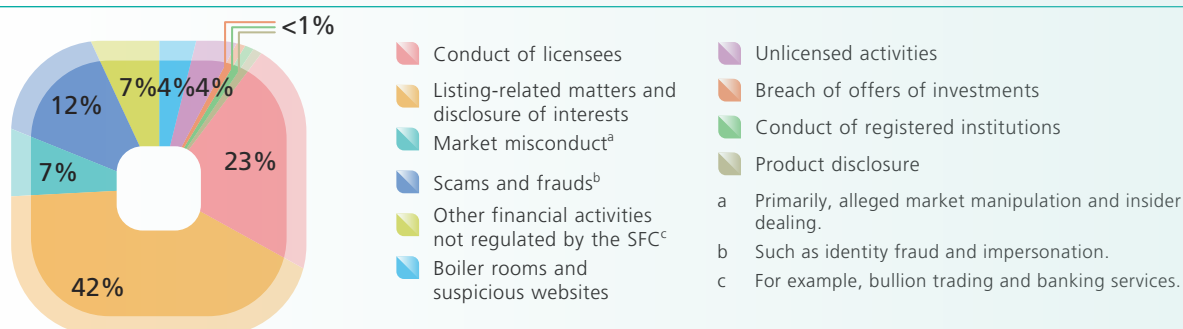
We foster a positive complaint-handling culture and administer procedures to ensure complaints, petitions and protests are handled properly with professionalism. We handle and evaluate public complaints about intermediaries' conduct, publicly-offered securities and market activities. After conducting preliminary assessments, we determine the appropriate course of action. We also handle petitions and protests, and liaise internally and with the Police.

During the year, the total number of complaints increased by 39% from the previous year, amongst which the conduct of licensees and listing-related matters accounted for about two-thirds. We received 5,770 complaints, handled over 3,565 calls with complainants, 117 walk-in requests, and four protests against intermediaries and market activities.

Complaints against listed companies mainly involved software or patent infringement, insufficient disclosure or misleading information in IPO prospectuses, and corporate actions. Meanwhile, complaints against intermediaries were largely related to trading disputes, conduct issues, system outages and unauthorised trades.

Maintaining market resilience and mitigating serious harm to our markets

Complaints against intermediaries and market activities



Processing claims for investor compensation

We regularly review the financial status of the Investor Compensation Fund (ICF) and the current compensation limit of \$500,000 per investor per default. The ICF provides protection to investors who suffer losses as a result of defaults by intermediaries licensed by or registered with the SFC in relation to trading of products on the exchanges and securities through the northbound trading link of Stock Connect. During the year, the Investor Compensation Company Limited, the SFC's wholly-owned subsidiary, received 18 claims and processed 10 claims against the ICF.

Net asset value of compensation funds

	As at 31.3.2026 (\$ million)	Change	As at 31.3.2025 (\$ million)	Change	As at 31.3.2024 (\$ million)
Unified Exchange Compensation Fund ^a (UECF)	93.8	4.8%	89.5	1.6%	88.1
Investor Compensation Fund ^b (ICF)	2,858.3	4.0%	2,748.5	4.2%	2,636.8
Total	2,952.1	4.0%	2,838.0	4.2%	2,724.9

a See pages 165–178 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 151–164 for the financial statements of the ICF.

Investor compensation claims

	2025/26	2024/25	2023/24
Balance brought forward	37	37	39
Received	18	7	2
Processed	10	7	4
– Not qualified for compensation	7	7	2
– Compensation payments made	0	0	0
– Rejected	3	0	2
– Withdrawn	0	0	0
– Reconsidered	0	0	0
Balance carried forward	45	37	37