

E nforcement Reporter



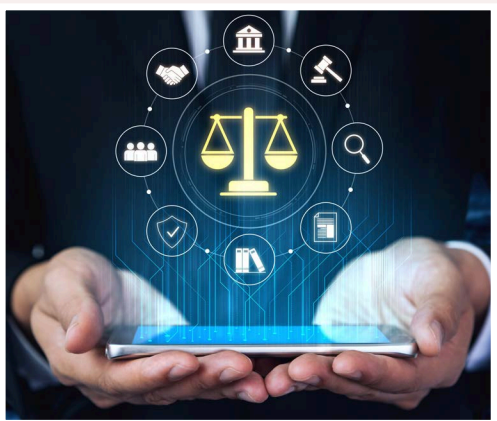
SECURITIES AND
FUTURES COMMISSION
證券及期貨事務監察委員會

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No Safe Harbour: Holding Intermediaries to Account



Highlights of This Issue



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Fund Manager Misconduct

Fund managers sit at the heart of investor trust – and when that trust is abused, the consequences ripple far beyond individual portfolios. The SFC keeps a close watch on Hong Kong’s asset management industry – an increasingly complex and globally connected sector where governance failures, disclosure gaps, and risk management shortfalls can rapidly erode market confidence.

To provide some guidance to asset managers, on 9 October 2024, the SFC issued the [“Circular to licensed corporations engaged in asset management business – Deficiencies and substandard conduct noted in the management of private funds and discretionary accounts.”](#) The Circular informed the market of significant deficiencies and substandard conduct identified during our supervisory work, highlighting the critical responsibility of senior management to maintain robust internal controls and act with integrity. Crucially, we warned the market that following the Circular, “the SFC will step up its disciplinary actions and impose harsher penalties against similar or persistent misconduct to send a strong deterrent message to preserve the integrity of our market and instil confidence in the investing public.”

Making good on that warning, the SFC continues to take firm and proportionate enforcement action where misconduct is uncovered. This includes imposing significant financial penalties, revoking licences, issuing industry bans, or restricting operations to ensure compliance with regulatory requirements, deter systemic threats, and preserve confidence in Hong Kong’s financial markets.

Agg. Asset Management Limited (Agg)

The SFC took disciplinary actions against two former responsible officers (ROs) of Agg. Asset Management Limited (Agg), a now dissolved licensed corporation, following an investigation into serious misconduct involving provision of false or misleading financial returns to the SFC and mismanagement of two private funds.

The probe revealed a pattern of window-dressing activities by Ng Ka Shun, sole director and shareholder and an RO of Agg, to conceal the firm’s actual liquid capital position, alongside substandard fund management practices, with Ng exploiting the fund investors and taking benefit of some of the investors’ subscription proceeds. In December 2024, the SFC banned Ng from re-entering the industry for life and fined him HK\$1.7 million.



In September 2025, following his agreement to resolve the SFC’s concerns, the SFC also suspended Chow Tsz Lam, another RO, for 12 months for failing to discharge his duties as a member of the senior management of Agg in respect of the mismanagement of one of the funds.

These outcomes underscore the SFC’s commitment to holding senior management accountable for failures that undermine market integrity and investor confidence.

Key Findings

⚠ Mismanagement of Fund A: As investment manager, Agg invested substantially all of the fund’s assets in debentures issued by companies controlled by Ng, failing to avoid conflicts of interest and properly manage the risks of the fund. Two of these debentures appeared to have been constructed to inflate the fund’s net asset value (NAV).

⚠ Mismanagement of Fund B: Agg failed to properly safeguard the fund’s assets by allowing Ng to withdraw part of the investors’ subscriptions from the fund ultimately for his own benefit. It also failed to ensure that the fund’s investments were in line with its stated investment objective, and its assets were valued and properly accounted for.

-  **Window-Dressing of Financial Resources:** Agg and Ng misrepresented the firm's liquid capital in its licensing application and provided false or misleading information in subsequent monthly financial returns to mask its inability to maintain the required liquid capital under the Securities and Futures (Financial Resources) Rules.
-  **Senior Management Responsibility for Fund Management Failures:** Ng was responsible for making investment decisions for both funds and was primarily responsible for the mismanagement of the funds. While bearing a lower level of responsibility within Agg vis-à-vis Ng, Chow, as an RO and a member of the senior management of Agg, also failed to ensure that Agg acted in the best interests of Fund A by avoiding conflicts of interest, managing identifiable risks, and ensuring that the fund's NAV would reflect the true value of the assets held by it.

Regulatory Actions and Deterrence




The SFC acted decisively by issuing a restriction notice against Agg in 2020, barring it from carrying on regulated activities due to fitness and properness concerns that became apparent soon after our investigation started, and imposed a lifetime ban and fine on Ng, as well as a 12-month suspension on Chow following investigation. These robust enforcement actions underscore the SFC's commitment to upholding investor confidence in Hong Kong's financial markets, protecting the interests of the investing public, and making full use of powers and tools at its disposal to hold senior management of licensed corporations accountable for regulatory breaches.

Nerico Brothers Limited (NBL) and Amber Hill Capital Limited (AHCL)

The SFC revoked the licences of Nerico Brothers Limited (NBL) and Amber Hill Capital Limited (AHCL), following an investigation into egregious misconduct involving the misuse and misappropriation of client funds, use of fabricated documents, and provision of false information to the SFC and investors. The probe uncovered an elaborate scheme in which NBL diverted client funds to a segregated portfolio (Sub-fund) of a Cayman-incorporated fund (the Fund) managed by AHCL, under the false pretence of fund unit acquisitions. Meanwhile, AHCL accepted these funds and dissipated a significant portion to a corporate vehicle owned by its ultimate sole shareholder, Neo Ng Yu.

On 28 August 2025, in addition to revoking the licences of both NBL and AHCL, the SFC banned NBL's director Jerff Lee Cheuk Fung, as well as AHCL's former senior management Neo Ng and Simon Ng She Chun, from all regulated activities for life. These sanctions reflect the SFC's zero tolerance for dishonesty that erodes investor confidence and market integrity.

Key Findings

-  **Misuse of Client Assets:** Between June 2020 and January 2021, NBL, without the client's knowledge, consent, or authorisation, misused over US\$68 million of a client's funds – deposited for spot forex trading – on six occasions to subscribe for shares in two segregated portfolios (including the Sub-fund) of the Fund for NBL's own account and retained the profits.
-  **Misappropriation of Client Funds:** NBL knowingly facilitated the misappropriation of approximately US\$154 million of the same client's funds by transferring nearly all of it to the Sub-fund between January and August 2021, purportedly for the acquisition of fictitious "liquidity provider units" that the Sub-fund neither issued nor held. AHCL accepted these funds, along with fabricated documents, from NBL, directed significant portions to Neo Ng's corporate vehicle and used most of the remainder for the Sub-fund's purposes.
-  **Provision of False or Misleading Information to the SFC:** To further conceal the misappropriation, NBL and Jerff Lee presented two false narratives regarding the use and whereabouts of the misappropriated client funds during the SFC's enquiry and investigation, relying on two contradictory sets of fabricated documents to support these narratives.

False Representations to Auditors and Investors: AHCL misled the Sub-fund's auditors and administrators by claiming that the Sub-fund maintained a major broker account with NBL (which did not exist), falsely stating that US\$297 million in subscription proceeds from Neo Ng's vehicle had been transferred to this NBL account, overstating the Sub-fund's cash position at the account by up to US\$451 million (Nov 2019 – May 2021), and fabricating auditors' reports – all to inflate the Sub-fund's value, and mislead investors and prospective investors.

Senior Management Failures: Neo Ng masterminded the misappropriation scheme, personally benefiting from both the misappropriated funds and the artificial inflation of the Sub-fund's value. Simon Ng conspired with Neo Ng by processing and authorising the dissipation of misappropriated funds, and providing false documents. Jerff Lee was the directing mind behind NBL's misconduct and maintained close ties with Neo Ng.

Regulatory Actions and Deterrence

The SFC revoked the licences of both firms and imposed lifetime bans on responsible individuals, citing egregious conduct that led to substantial client losses, undermined investor confidence, and compromised market integrity. These actions, amid heightened SFC scrutiny via the Circular, not only reflect the SFC's unwavering stance against dishonesty and its commitment to rooting out bad actors from the industry, but also serve as a strong deterrent to others who might consider similar misconduct.

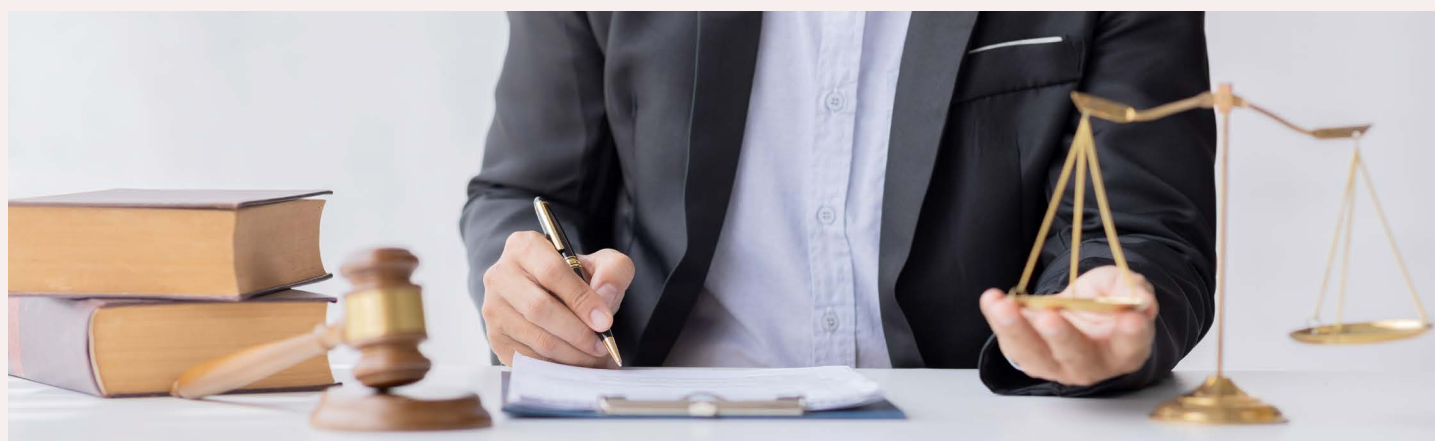
Other Notable Cases

Company Name	Cardinalasia Consulting Limited ("Cardinalasia")
Misconduct	Cardinalasia served as principal investment adviser to five private funds. During its tenure, seven inter-fund loan agreements totalling HK\$203.9 million were entered into, addressing only the liquidity needs of borrowing funds while neglecting the interests of lending funds. Fourteen pairs of cross trades between the funds were also conducted at substantial discounts to market prices. Cardinalasia failed to: <ul style="list-style-type: none"> ensure that the loan arrangements were fair and in the best interests of both borrowing and lending funds; and properly assess the basis for the cross trades and ensure they were executed on the best available terms and in the best interests of both buying and selling funds.
Action/Fine	Cardinalasia was reprimanded and fined HK\$1.5 million, and the licence of its RO, Edward Lee Shiu Lun, was suspended for nine months following the Securities and Futures Appeals Tribunal's (SFAT) determination.
Press Release	January 2023

Company Name	Ruifeng Securities Limited ("Ruifeng")
Misconduct	Ruifeng invested 90% of a private fund's US\$94.5 million NAV in instruments linked to a Mainland property developer, despite identified downside risks. Ruifeng failed to, among other things: <ul style="list-style-type: none"> implement adequate risk management measures and ensure investment decisions were reasonable and in the fund's best interest; provide sufficient disclosure of the fund's investment holdings to a fund investor; manage and disclose conflicts of interest from the underwriting service it provided in respect of an instrument that it purchased on behalf of the fund; and ensure the accuracy of a representation in a notes subscription agreement.
Action/Fine	Ruifeng was reprimanded and fined HK\$5.2 million, and the licence of its RO, Fang Zhi, was suspended for 10 months.
Press Release	December 2023

Company Name	PICC Asset Management (Hong Kong) Company Limited ("PICC")
Misconduct	<p>PICC failed to properly manage a Cayman-incorporated fund by maintaining a portfolio of only one to three stocks at any given time over a 21-month period, with highly concentrated positions in two Hong Kong-listed stocks, including one which was not on the permitted securities list approved by its senior management. PICC failed to manage the fund according to its stated investment objectives and restrictions, and did not have adequate internal controls to manage risks. PICC's failings include the following:</p> <ul style="list-style-type: none"> • inadequate controls to ensure adherence to the investment mandate; • ineffective controls to manage liquidity and concentration risks, and ensure compliance with stop loss procedure; and • significant reliance on the investment manager to manage the fund without proper supervision.
Action/Fine	PICC was reprimanded and fined HK\$2.8 million. Ex-investment manager/licensed representative Shum Wai Nap was suspended for seven months.
Press Release	February 2024 June 2024

Company Name	Kylin International (HK) Co., Limited ("Kylin")
Misconduct	<p>Kylin breached multiple regulatory requirements in the management of six private funds. The breaches included:</p> <ul style="list-style-type: none"> • failing to manage and disclose conflicts of interest arising from loans Kylin or its director made to four of the funds; • failing to conduct regular reconciliations, valuations, and annual audits of fund assets; • lacking adequate know-your-client and suitability assessment controls; • not maintaining records demonstrating anti-money laundering and counter-terrorist financing compliance; and • misrepresenting regulatory exemptions based on investors' professional investor status.
Action/Fine	Kylin was reprimanded and fined HK\$9 million. Former RO and CEO Steven Wong Yung was banned for 14 months, while substantial shareholder, director and former Manager-In-Charge Zhu Hong was banned for 12 months and fined HK\$400,000.
Press Release	March 2025 August 2025 February 2026



Sponsor Misconduct

When a sponsor puts its name to a listing, it is a representation to the market that the underlying business has been rigorously tested and found to be what it claims. When that assurance proves hollow, the damage extends well beyond a single listing. The SFC holds sponsors to demanding due diligence standards, and the cases examined in this section illustrate what happens when professional scepticism gives way to an over-reliance on management representations. Substantial fines, licence suspensions, and industry bans serve notice that gatekeeping failures – whether isolated or systemic – will not go unaddressed.

RaffAello Capital Limited

What Happened



Paprika Holdings Limited (Paprika) was seeking a GEM listing, with Raffaello Capital Limited (RaffAello) acting as sole sponsor.



The investigation and subsequent SFAT proceedings focused on whether Raffaello had performed all reasonable due diligence on Paprika's business, in particular its Hong Kong retail sales and its dealings with a key wholesaler and supplier.



The [SFC concluded that Raffaello's](#) due diligence fell materially below the required standard and took disciplinary action, which Raffaello appealed to the SFAT. The SFAT affirmed the disciplinary decision, the HK\$4 million fine and public reprimand, emphasising that critical red flags had either been missed or not probed with sufficient professional scepticism.

Key Misconduct Features



Retail sales red flags ignored



RaffAello overlooked clear indicators of fabricated retail sales – suspicious consecutive cash transactions within short periods of time across different retail stores, bulk credit card purchases by linked individuals and invoices treated as revenue – failing to apply professional scepticism or independent verification beyond management's explanations.





RaffAello relied heavily on documents provided by Paprika and did not properly verify whether the reported sales were genuine.

Wholesalers and suppliers

Key counterparties had prior ownership ties to one of Paprika’s substantial shareholders; RaffAello did not sufficiently probe independence, commercial substance, or circular transaction risks.



Superficial process overall

-  Due diligence relied excessively on untested management representations despite red flags, breaching Code of Conduct requirements for substance-testing and audit trails.
-  RaffAello identified some of the issues but failed to carry out sufficient follow-up investigation to resolve the concerns.

Regulatory Outcome

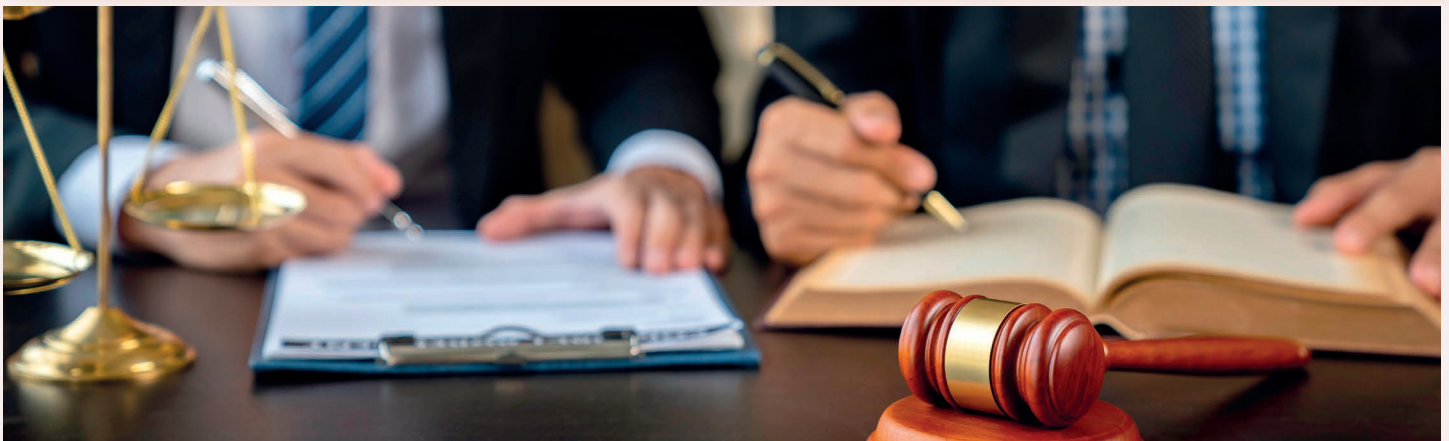


RaffAello was reprimanded and fined HK\$4 million.

The SFAT dismissed RaffAello’s appeal, and affirmed that the SFC’s findings of misconduct and the sanction were appropriate, underscoring that failing to respond properly to red flags in core financial metrics (like revenue) is a serious sponsor breach.

The SFC originally proposed a HK\$13 million fine against RaffAello in light of the gravity of its failings, but accepted a reduction to HK\$4 million to account for RaffAello’s financial difficulties. The SFAT agreed that too great a financial penalty could drive RaffAello into liquidation, to the prejudice of its existing clients.

The SFC also imposed a two-year industry re-entry ban on the sponsor principal, reinforcing both corporate and individual accountability.



Changjiang Corporate Finance (HK) Limited

What Happened



Changjiang Corporate Finance (HK) Limited (CJCF) acted as sponsor on six separate listing applications within a period of 27 months. The SFC’s investigation concluded that across these mandates, CJCF’s sponsor work suffered from “serious and extensive failures” rather than isolated or one-off errors.



The SFC found systemic weaknesses in CJCF’s policies, procedures, and execution of due diligence, covering key areas such as business model understanding, customer and supplier verification, financial information testing, and internal supervision of sponsor work.



Given the number of mandates and the breadth of failings, the SFC treated CJCF’s case as indicative of systemic control failings in its sponsor function, rather than a single problematic deal.

Key Misconduct Features

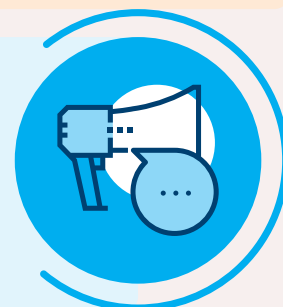


Deficient due diligence

CJCF repeatedly failed to perform reasonable due diligence on core business risks. It ignored regulatory red flags threatening an applicant’s viability, accepted management representations without independent verification despite heightened financial risks, and failed to investigate complex, unusual transactions involving related parties.

Inadequate prospectus disclosures

CJCF failed to ensure prospectuses disclosed material information required for an informed assessment by regulators and investors. Crucial omissions included key regulatory developments, core profit drivers, and critical details underlying complex financing arrangements and liquidity risks.



Misapplication of Listing Rules

Demonstrating a fundamental misunderstanding of regulatory requirements, CJCF advised an applicant to proceed despite clear ineligibility under GEM Listing Rules due to missing property title certificates. It advanced untenable rule interpretations and failed to properly advise on track record periods.

Lack of professional scepticism

Across multiple mandates, CJCF failed to critically assess the reliability and commercial credibility of documents. It did not challenge inconsistencies or probe implausible explanations for adverse financial indicators, embedding unverified assumptions into public disclosures.



Systemic record-keeping failures

CJCF failed to maintain proper audit trails, verification notes, or documented analyses. Consequently, it could not evidence compliance with its sponsor obligations or demonstrate that material issues were properly considered.

Regulatory Outcome



[CJCF was reprimanded and fined HK\\$20 million](#) for its serious and extensive sponsor failings. Had it not been for the firm's financial position, the SFC would have imposed a heavier fine against it.

The SFC also imposed a partial suspension of CJCF's licence barring new SEHK¹ sponsor work for one year, or until the SFC is satisfied that controls were adequate, whichever is later.

Separately, the [SFC banned Ivan Chan Chuk Cheung](#), a former RO of CJCF, from re-entering the industry for seven years for his role in the failings, underlining the principle that senior individuals responsible for sponsor compliance and due diligence will be held personally accountable where systemic issues arise.



¹ Stock Exchange of Hong Kong Limited.

Collaboration with the Hong Kong Monetary Authority (HKMA)

Effective enforcement rarely stops at jurisdictional boundaries. In a market as deeply interconnected as Hong Kong – where brokers, banks, asset managers, and other intermediaries routinely operate across the same client base – the SFC's enforcement reach is strongest when it works in concert with its regulatory counterparts. The SFC's working relationship with HKMA is the centrepiece of this approach, underpinned by the 2002 [SFC-HKMA Memorandum of Understanding](#) (MoU), that enables case referrals, joint inspections, and the exchange of supervisory intelligence.

At the operational level, this partnership governs the SFC's and HKMA's oversight of regulated intermediaries, regardless of which authority serves as the frontline regulator. In practice, it has delivered collaborative thematic reviews, shared inspection findings, and coordinated enforcement initiatives targeting concerns that span both regulators' remits. By maintaining aligned standards and open channels for intelligence-sharing, the two regulators collectively strengthen the resilience of Hong Kong's financial ecosystem against threats that – left unchecked – could cascade rapidly in the market.

EFG Bank AG (EFG)

In an example of SFC-HKMA collaboration, [EFG was fined HK\\$10.85 million in December 2025](#) following an HKMA referral of findings and the SFC's further investigation into product due diligence, record-keeping, and reporting failures. Issues included inadequate due diligence on 322 bonds (notably, failures to consider special product features, update internal policies in a timely manner to reflect regulatory changes, and provide customers with sufficient information/warning statements when distributing certain complex products), missing records for 141 bonds, and delayed reporting to the SFC of suspected issues in July 2020. EFG self-reported issues, enhanced its product due diligence framework, cooperated fully, and committed to reviewing affected customer complaints. This case underscores SFC-HKMA collaboration in tackling serious compliance lapses, protecting financial integrity through effective enforcement and remediation.

Hang Seng Bank Limited (HSB)

Following an HKMA referral to the SFC and a joint investigation by the two regulators, the [SFC fined HSB HK\\$66.4 million in January 2025](#) for systemic failures over nine years (February 2014 to May 2023). Violations included excessive trading of collective investment schemes eroding 46 clients' returns via high transaction fees; unsuitable derivatives sold to 121 clients exceeding their risk tolerance; and improperly charged fees of HK\$22.4 million. HSB remediated by compensating clients, refunding fees, and reviewing controls. HSB also cooperated fully and accepted the sanction. This highlights cross-regulator collaboration in exposing long-term misconduct and safeguarding the interests of investors.



Modernising Secure Document Exchange for Intermediaries

SFC's Secure Platform for Document Exchange

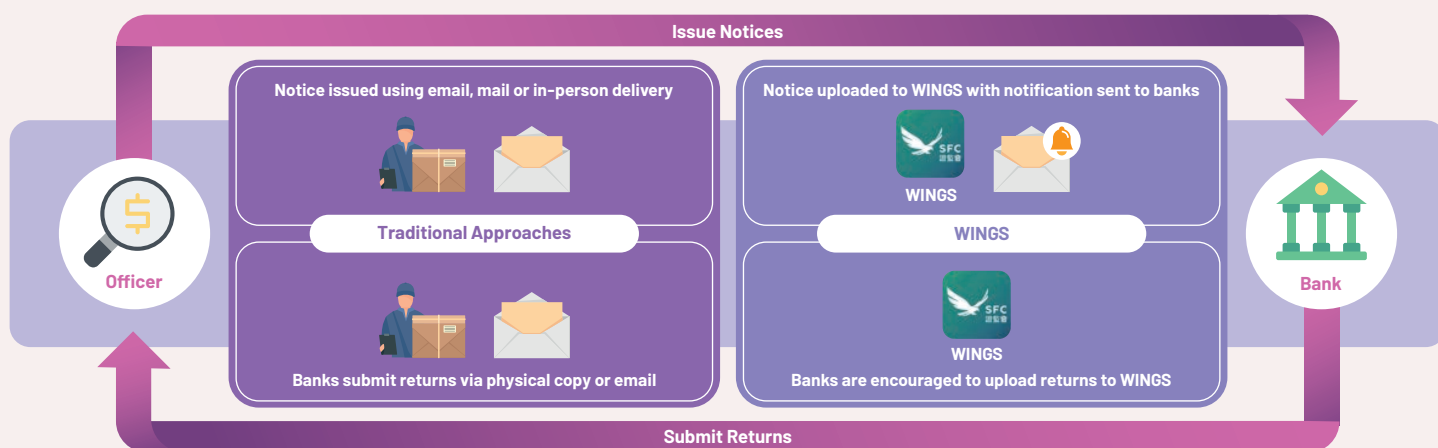
Enforcement work generates a steady stream of sensitive documents and for years, these moved between regulators and intermediaries via a patchwork of emails, letters, and courier packages. WINGS changes that. Developed by the SFC, it provides a centralised, secure online platform where intermediaries and enforcement teams can exchange notices and sensitive documents with confidence, replacing fragmented workflows with a controlled, audit-tracked environment that prioritises confidentiality, efficiency, and compliance.

How WINGS Supports Swift, Reliable Communication

Enforcement teams have shifted from physical letters and ad-hoc emails to issuing bank notices electronically via WINGS. This paperless approach saves time, cuts costs on printing and delivery, and provides a streamlined alternative to email limitations, especially for notices with large attachments. Banks access notices via dedicated accounts and submit returns directly on the platform, ensuring seamless two-way communication.

Key Operational Features

- **Centralised Access:** Banks create WINGS accounts to receive notices and can submit returns directly on the platform, reducing reliance on emails or hard copies and minimising miscommunication.
- **Broad Adoption:** Both major and local banks participate, promoting standardised digital practices across the financial sector.
- **Secure Handling:** Supports transmission of bulky files and sensitive data in a controlled channel, enabling faster analysis, reduced errors, and groundwork for automation.
- **Integrated Workflow:** Complements other tools, such as structured bank statement formats, to accelerate evidence processing in misconduct investigations.



Ongoing Impact

Fully operational since May 2025, WINGS has already reshaped the way enforcement teams work with intermediaries. Sensitive materials that once moved through fragmented and inconsistent channels are now exchanged through a single, audit-tracked environment – reducing delays, minimising handling risk, and freeing up resources for substantive enforcement work. The shift to paperless workflows has also strengthened our ability to maintain rigorous records, reinforcing accountability on both sides of every interaction.