

**Notice under Sections 204 and 205 of the
Securities and Futures Ordinance
Cap. 571 ("Ordinance")**

It appears to the Securities and Futures Commission ("**Commission**"), for the reasons set out in the Statement of Reasons of even date, that the Commission should exercise the powers conferred by sections 204 and 205 of the Ordinance.

THE COMMISSION HEREBY GIVES NOTICE THAT:

Except with the prior written consent of the Commission, such consent to be granted by any two Executive Directors of the Commission:

1. Pursuant to section 204 of the Ordinance, China Prospect Securities Limited ("**Specified Corporation**") is prohibited from carrying on any business, whether directly or through agents, which constitutes regulated activities for which it is licensed by the Commission.
2. Pursuant to section 205(1) of the Ordinance, the Specified Corporation is prohibited from:
 - (a) disposing of or dealing with any relevant property (as defined in section 205(2) of the Ordinance) in any manner; and
 - (b) assisting, counselling or procuring another person to dispose of any relevant property or deal with any relevant property.
3. Pursuant to the provisions of section 217 of the Ordinance, an application may be made to the Securities and Futures Appeals Tribunal for a review of the Commission's decision to impose the prohibitions by this Notice. Such application must be made within twenty-one days after the day on which this Notice is served on the Specified Corporation. Further, pursuant to the provisions of section 208 of the Ordinance, the Specified Corporation or a person affected by the prohibitions may apply to the Commission for the prohibitions imposed by this Notice to be withdrawn, substituted or varied.

This Notice takes effect at the time of service upon the Specified Corporation.

Dated this 19th day of September 2023

For and on behalf of the
Securities and Futures Commission

Julia Leung
Chief Executive Officer

Statement of Reasons
Pursuant to Section 209(2) of the Securities and Futures Ordinance
(Cap. 571) (“Ordinance”)

1. China Prospect Securities Limited (“**Specified Corporation**”) is a corporation licensed under the Ordinance to carry on Type 1 and Type 4 regulated activities. It is a participant of The Stock Exchange of Hong Kong Limited and a direct clearing participant of the Hong Kong Securities Clearing Company Limited.
2. It appears to the Securities and Futures Commission (“**Commission**”) that:
 - (a) the property of the Specified Corporation’s clients might be dissipated, transferred or otherwise dealt with in a manner prejudicial to the interest of its clients;
 - (b) the Specified Corporation is not a fit and proper person to remain licensed or is not a fit and proper person to carry on any regulated activity for which it is licensed;
 - (c) the Specified Corporation has failed to comply with the requirement specified in section 180(2) of the Ordinance; and
 - (d) the imposition of the prohibitions set out in the Notice issued by the Commission of even date under sections 204 and 205 of the Ordinance (to which this Statement of Reasons is attached) is desirable in the interest of the investing public or in the public interest.
3. The Commission has reached this view on the basis of the following matters:
 - (a) Managerial vacuum at the Specified Corporation;
 - (b) Failure to submit financial return;
 - (c) Concerns on the continued safeguarding of client assets held by the Specified Corporation; and
 - (d) Announcement by the Specified Corporation’s substantial shareholder in relation to the cessation of its securities brokerage business.

Managerial vacuum at the Specified Corporation

4. The responsible officer (“**RO**”) and sole executive director of the Specified Company resigned and ceased to be a director and an RO with effect from 31 December 2022. Since then, the Specified Company had only one RO for Type 1 and Type 4 regulated activities.
5. Subsequently, the only remaining RO also resigned with effect from 31 July 2023. The Specified Corporation has had no RO since 1 August 2023 to manage its affairs or oversee its day-to-day business operations.

6. According to information obtained by the Commission, except for the Manager-In-Charge (“MIC”) of Compliance, all MICs of core functions have left the Specified Corporation since early August 2023.
7. The two directors of the Specified Corporation (one of them being the MIC of Compliance) are both based outside Hong Kong. They have neither been contactable nor responded to the Commission’s requirements for information, despite the Commission’s repeated attempts to contact them since November 2022.
8. Accordingly, the Commission reasonably believes that the Specified Corporation has no senior management actively overseeing the firm’s affairs or managing the firm’s daily operations. The managerial vacuum at the Specified Corporation raises concerns on whether and how the Specified Corporation can ensure continued compliance with all applicable laws, rules and regulatory requirements, including the requirement to safeguard client assets.

Failure to submit financial return

9. The Specified Corporation also failed to submit its July 2023 financial return by the deadline of 21 August 2023, in breach of section 56 of the Securities and Futures (Financial Resources) Rules. Despite the Commission’s repeated reminders, the July 2023 financial return remains outstanding as of the date of this Statement of Reasons.

Concerns on the continued safeguarding of client assets held by the Specified Corporation

10. According to its June 2023 financial return submitted to the Commission, as of 30 June 2023, the Specified Corporation:
 - (a) had 64 active clients;
 - (b) held client money in the amount of approximately HK\$10.1 million; and
 - (c) held client securities with market value of approximately HK\$132.5 million.
11. Based on information obtained independently by the Commission from other sources, the Commission noted that as of 22 August 2023, the Specified Corporation held client money in the amount of approximately HK\$7.7 million and client securities with market value of approximately HK\$90.4 million.
12. The managerial vacuum at the Specified Corporation raises concerns on not just the continued safeguarding of the client assets held by the Specified Corporation, but also whether and how the Specified Corporation could handle clients’ requests for the return of their client assets in an orderly and timely manner. As such, the lack of senior management overseeing and managing the Specified Corporation’s operations may be prejudicial to clients’ interests.

Announcement by the Specified Corporation's substantial shareholder in relation to the cessation of its securities brokerage business

13. On 31 May 2023, the Specified Corporation's substantial shareholder and ultimate holding company, SEEC Media Group Limited (stock code 205), issued an announcement that its board had decided to cease the operation of the securities brokerage business of the Specified Corporation and that an application would be made to the Commission to surrender the relevant licences.
14. Notwithstanding the fact that the Specified Corporation has not submitted a notification to the Commission in relation to the cessation of business, the announcement by its substantial shareholder, coupled with the managerial vacuum at the Specified Corporation, raise concerns on whether and how the Specified Corporation will be able to wind down its business and return client assets in an orderly and timely manner.

Commission's Conclusions

15. In light of the foregoing, the Commission has concerns regarding the operational capabilities and human resources of the Specified Corporation, particularly in relation to the safekeeping and handling of client assets. The managerial vacuum at the Specified Corporation calls into question the Specified Corporation's ability to carry on regulated activities competently, honestly and fairly, as well as the Specified Corporation's fitness and prudence to remain licensed with the Commission.
16. In the circumstances, the Commission considers it desirable in the interest of the clients of the Specified Corporation, and in the wider interest of the investing public or in the public interest, to impose on the Specified Corporation the prohibitions stipulated in the Notice to which this Statement of Reasons is attached.

Dated this 19th day of September 2023

For and on behalf of the
Securities and Futures Commission

Julia Leung
Chief Executive Officer