

# SFC bans Wong Tang Chung for three years

20 Nov 2012

The Securities and Futures Commission (SFC) has banned Mr Wong Tang Chung, a former executive director of Mega Capital (Asia) Company Limited (Mega Capital), from re-entering the industry for three years from 19 November 2012 to 18 November 2015 (Note 1).

Mega Capital was the sole sponsor for the listing application of Hontex International Holdings Company Limited (Hontex) on the Stock Exchange of Hong Kong Limited (SEHK). Wong was one of the two responsible officers and sponsor principals in charge of the supervision of Mega Capital's transaction team on Hontex's listing application (Notes 2, 3 and 4).

The SFC's investigation found that Wong failed to discharge his duties as a sponsor principal and a responsible officer. The SFC's main findings are as follows:

## **1. Supervisory failures**

Wong has failed to properly and adequately supervise the transaction team. Although Wong was in a position to review the work of the transaction team and oversee the progress of the listing through emails that were copied to him, he admitted that he did not read most of the emails relating to Hontex's listing application.

Furthermore, Wong did not fully assess the quality and adequacy of the due diligence inquiries performed by the transaction team. Wong did not review the due diligence questionnaires completed by the transaction team with Hontex's major customers and suppliers. Consequently, Wong did not realise that material information (like transaction figures with Hontex) was missing from most of the questionnaires and failed to instruct the transaction team to follow up on the missing information.

## **2. Breach of sponsor's undertaking and filing untrue declaration with SEHK**

As one of the sponsor principals for Hontex's listing application, Wong and another sponsor principal Mr Hong Hui Lung, jointly signed and submitted the sponsor's undertaking and declaration to SEHK respectively, confirming that Mega Capital would/had made reasonable due diligence inquiries and all information provided to the SEHK was true in all material respects and did not omit any material information. However, Wong did not take adequate step to check whether the transaction team had conducted due diligence properly or at all (Note 5).

## **3. Refusal to accept responsibilities**

Wong claimed that he only took a secondary role in Hontex's listing and the principal officer of Mega Capital in charge of Hontex's listing was Hong, another responsible officer and sponsor principal.

Wong also claimed that he should not be held responsible for Mega Capital's sponsor failures because he had not been involved in drafting the prospectus or the due diligence inquiries performed by the transaction team; his major involvement in Hontex's listing was limited to providing technical advice to the transaction team, such as providing technical guidance on the direction and sufficiency of the answers provided by Mega Capital in response to SEHK's queries.

Wong failed to understand that he could not seek to limit his responsibility to the matters that he involved himself in or shift his responsibility to another sponsor principal. Both Wong and Hong should be jointly and severally liable in discharging their roles as sponsor principals (Note 6).

End

Notes:

1. Wong was licensed under the Securities and Futures Ordinance (SFO) to carry on Type 1 (dealing in securities), Type 4 (advising on securities) and Type 6 (advising on corporate finance) regulated activities and was accredited with Mega Capital until 2 May 2012. Wong was the responsible officer and executive director of Mega Capital at the time of the conduct in question.
2. The SFC has taken disciplinary action against Mega Capital as a result of the same investigation. Please see SFC's press release dated 22 April 2012.
3. Hontex was listed on the Main Board of SEHK on 24 December 2009. As a result of the legal proceedings commenced by the SFC against Hontex, Hontex agreed to make a repurchase offer to investors who subscribed for its shares in the initial public offering or purchased them in the secondary market.
4. For further details about the SFC's case against Hontex and its repurchase offer. Please see SFC's press releases dated 8 April 2010, 7 September 2010, 12 November 2010, 19 May 2011, 15 June 2011, 8 August 2011, 3 October 2011, 28 November 2011, 12 December 2011, 20 June 2012, 6 August 2012, 20 August 2012, 24 September 2012 and 25 October 2012.
5. The SFC has also taken disciplinary action against Hong. Please see SFC's press release dated 7 June 2012. Wong is the "Mr X" as referred to in the press release.

6. See paragraph 1.3.3 of the Additional Fit and Proper Guidelines for Corporations and Authorized Financial Institutions applying or continuing to act as Sponsors and Compliance Advisers, Appendix I of the SFC's Fit and Proper Guidelines.

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