

G.N. 4892

NOTICE UNDER SECTIONS 204 AND 205 OF THE SECURITIES  
AND FUTURES ORDINANCE (Chapter 571)  
(the *Ordinance*)

It appears to the Securities and Futures Commission (the *Commission*), for the reasons set out in the Statement of Reasons annexed hereto, 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 the Chief Executive Officer or the Executive Director of Intermediaries and Investment Products of the Commission:—

1. Pursuant to section 204(1) of the Ordinance, Wing Yip Company Limited (the *Specified Corporation*) is prohibited from carrying on, whether directly or through agents, all of the regulated activities for which it is licensed by the Commission.
2. Pursuant to section 205(1) of the Ordinance, the Specified Corporation is:—
  - (a) prohibited from disposing of any relevant property (as defined in section 205(2) of the Ordinance) or dealing with any relevant property in any manner; and
  - (b) prohibited from assisting, counselling or procuring another person to dispose of any relevant property or deal with any relevant property in any manner.

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 decision to impose the prohibitions imposed 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 section 208 of the Ordinance, the Specified Corporation may apply to the Commission for the prohibitions imposed by this Notice to be withdrawn, substituted or varied.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 7th day of August 2006

For and on behalf of  
Securities and Futures Commission

Alexa LAM  
Chief Executive Officer (*Acting*)

STATEMENT OF REASONS  
PURSUANT TO SECTION 209(2) OF THE SECURITIES AND  
FUTURES ORDINANCE (Chapter 571)  
(the *Ordinance*)

1. Wing Yip Company Limited (the *Specified Corporation*) is a corporation licensed under the Ordinance to carry on a business in Type 1 regulated activity, namely, dealing in securities. Mr. Yip Kwok Kay (*Yip*) is the majority shareholder of the Specified Corporation and one of its two Responsible Officers.
2. It appears to the Securities and Futures Commission (the *Commission*) that:—
  - (a) the Specified Corporation has dissipated, transferred or otherwise dealt with clients' property in a manner prejudicial to the interest of its clients and that there might be further such dissipation, transfer or dealing;
  - (b) the Specified Corporation is not a fit and proper person to carry on the regulated activity for which it is licensed; and
  - (c) the imposition of the prohibitions set out in the Notice issued by the Commission 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 these views on the basis of the following matters:—

*Misappropriation of Client Securities*

In a signed statement that Yip provided to the Commission on 4 August 2006, he admitted that he had misappropriated securities belonging to eight clients of the Specified Corporation during the period from mid-2005 to July 2006. The purpose of the misappropriation was to cover his personal investment losses in the sum of approximately HK\$3 million. He estimated that the shortfall in the securities in these eight accounts was approximately HK\$5 million.

Yip admitted that he was the account executive of the eight accounts. He further admitted that he had disposed of clients' securities without their authority and transferred the proceeds of sale into his personal bank account. He then sent forged monthly statements to conceal the misappropriation from the clients.

In a further signed statement that Yip provided to the Commission later on 4 August 2006, he claimed that he began to misappropriate clients' securities in 1998 and had been keeping copies of the forged statements that he sent to clients from mid-2005 onwards. He further claimed that he had misappropriated securities belonging to nine clients instead of eight as he stated in his first signed statement.

On 4 August 2006, Yip provided the Commission with copies of forged statements that he sent to seven of these nine clients. He also provided a list setting out the shortfall in securities in the nine client accounts ('the Stock Shortfall List'). Based on the closing price on 4 August 2006, the total market value of the shortfall identified in the Stock Shortfall List amounted to HK\$5.6 million. On 6 August 2006, Yip provided a revised list setting out the shortfall in securities in the nine client accounts ('the Revised Stock Shortfall List'). Based on the closing price on 4 August 2006, the total market value of the shortfall identified in the Revised Stock Shortfall List amounted to HK\$4.3 million. Yip also admitted in the Revised Stock Shortfall List that he had misappropriated client money in the amount of HK\$108,442.80.

The Commission noted that the quantity of certain stocks held for the seven client accounts as shown in the forged statements provided by Yip was greater than the quantity as shown in these clients' statements of account generated from the computer system of the Specified Corporation. These differences match the shortfall identified for the seven clients in question in the Revised Stock Shortfall List.

*The Securities and Futures (Financial Resources) Rules (FRR)*

On 20 July 2006, the Specified Corporation submitted a financial return for June 2006 ('June FRR Return') to the Commission and reported that it had an excess liquid capital of approximately HK\$2.6 million (ie, liquid capital in excess of the required liquid capital) as at 30 June 2006. The return was signed by Yip electronically by a digital certificate in his capacity as Responsible Officer of the Specified Corporation, certifying the information in the returns to be true and correct to the best of his knowledge and belief. The Commission, upon a review of the abovementioned financial return in early August 2006, suspected that the Specified Corporation in fact had a required liquid capital deficit of approximately HK\$3 million as at 30 June 2006.

During a meeting with the Commission on 4 August 2006, Yip admitted in writing that the excess liquid capital reported in the June FRR Return included the debit balance of his personal securities dealing account (Yip's Dealing Account) with the Specified Corporation which amounted to approximately HK\$5 million, whereas securities he held only amounted to approximately \$60,000. He admitted that the debit balance of the account comprised trading losses and fund withdrawals by him. He acknowledged that it was incorrect to include the account's debit balance as excess liquid capital.

On 5 August 2006, Yip provided a signed revised liquid capital computation as at 30 June 2006 reflecting a required liquid capital deficit of HK\$7.3 million, after making provision in the amount of HK\$4.3 million for client securities shortfall.

*Commission's Conclusions*

The Commission considers that Yip's actions call into serious doubt his integrity and, by necessary implication, the integrity of the Specified Corporation and its fitness and properness to remain licensed. The Commission also considers that the financial integrity of Specified Corporation is in serious jeopardy and, by necessary implication, call into serious doubt its fitness and properness to remain licensed.

The Commission considers it desirable in the interest of the clients of the Specified Corporation, and more particularly in the interest of preserving their assets, 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 7th day of August 2006

For and on behalf of  
Securities and Futures Commission

Alexa LAM  
Chief Executive Officer (*Acting*)