

SFC Takes Action Against Wan Chuen Chung Joseph

9 Mar 1998

The Securities and Futures Commission announced today that, it had suspended the registration of Mr Wan Chuen Chung, Joseph as an investment adviser under the Securities Ordinance for a period of 12 months effective from 6 March 1998. The suspension follows the withdrawal of Mr Wan Chuen Chung, Joseph's appeal to the Securities and Futures Appeals Panel against the SFC's decision of 30 September 1996 to suspend such registration.

The SFC's action resulted from an inquiry into Mr Wan Chuen Chung, Joseph's role in relation to announcements made concerning to a proposed acquisition of a shareholding in Tungtex (Holdings) Company Limited (Tungtex) and general offer for that company in 1995, which did not in the event proceed. Mr Wan Chuen Chung, Joseph was a director and substantial shareholder of the firm which acted as financial adviser to the proposed acquirer.

The SFC found that investors relied on the public announcements that the acquisition and general offer would proceed and investors suffered loss when it was announced that the acquisition would not take place.

The SFC found that as a financial adviser Mr Wan Chuen Chung, Joseph failed to meet the standards of commercial conduct and behavior that the SFC, through the Takeovers Code, seeks to achieve and considers acceptable for advisers in takeover transactions.

In particular, the SFC found that Mr Wan Chuen Chung, Joseph failed to act with due skill care and diligence in carrying out the responsibilities of a financial adviser:

(a) to satisfy himself that the proposed acquirer could, and would continue to be able to, implement the proposed acquisition and that there were sufficient funds to satisfy the general offer in full before confirming to the market that such financial resources were available;

(b) to ensure the accuracy of the public announcements made in connexion with the proposed acquisition and general offer;

(c) to disclose all relevant information to the Takeovers Executive and to the market.

In view of these findings, the SFC has suspended the registration of Mr Wan Chuen Chung, Joseph as an investment adviser for a period of 12 months effective from 6 March 1998. In deciding on the period of suspension the SFC took into account that this was the first occasion in which disciplinary action had been taken in relation to conduct of this kind.

A spokesman for the SFC said that the disciplinary action taken underlined the importance the SFC placed on ensuring that the highest standards of commercial conduct are applied and maintained in takeovers transactions. Given the non-statutory nature of the Takeovers Code, the SFC places considerable reliance on financial and other professional advisers to properly carry out their responsibilities so as to ensure that those standards are maintained.

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