

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

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

THE COMMISSION GIVES NOTICE THAT:

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

1. Under sections 204(1)(a) and 205(1) of the SFO, Yuanta Securities (Hong Kong) Company Limited (the "**Specified Corporation**") is, in respect of the following account (**Account**):

Account no.	Cash balance as at 7/8/2017 HK\$	Securities balance as at 7/8/2017 HK\$
138842	43,257.64	602,956.00

- (a) prohibited from disposing of or dealing with, assisting, counselling or procuring another person to dispose of or deal with, any assets in any way in the Account up to the total value of HK\$1,700,000, including:
- (i) entering into transactions for any securities;
 - (ii) processing any withdrawals or transfers of securities and/or cash or any transfers of money arising from the disposal of securities;
 - (iii) disposing of or dealing with any securities or cash on the instructions of any authorized person of the Account or by any person acting on their behalf;
 - (iv) assisting another person to dispose of any relevant property or deal with any relevant property in a specified manner;
- (b) required to notify the Commission immediately upon receipt of any instruction from the authorized person of the Account, or by any person acting on their behalf, regarding:
- (i) any requests to withdraw any securities or cash from the Account and/or transfer money arising from the disposal of any securities which would result in the value of assets remaining in the Account to fall below the value of HK\$646,213.64; and/or
 - (ii) any requests to dispose of or deal with any securities or cash which concern those assets subject to the prohibitions in (a) above.

2. Under section 217 of the SFO, an application may be made to the Securities and Futures Appeal Tribunal for a review of the Commission's decision to impose the prohibition and/or requirement 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, under section 208 of the SFO, the Specified Corporation may apply to the Commission for the prohibition and/or requirement imposed by this Notice to be withdrawn, substituted or varied.

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

Date this 22nd day of August 2017

For and on behalf of the Commission

Ashley Alder
Chief Executive Officer

Statement of Reasons
Under section 209(2) of the Securities and Futures Ordinance (Cap. 571)
(SFO)

1. Caitong International Securities Co., Ltd (**Caitong**), Pacific Foundation Securities Limited (**Pacific Foundation**) and Yuanta Securities (Hong Kong) Company Limited (**Yuanta**) (collectively referred to as the “**Specified Corporations**”) are corporations licensed under the SFO to carry out various regulated activities as follows:
 - Caitong – Type 1 and 4 regulated activities
 - Pacific Foundation – Type 1 and 9 regulated activities
 - Yuanta – Type 1, 2, 4, 5, 6 and 9 regulated activities
2. It appears to the Securities and Futures Commission (**Commission**) that the imposition of the prohibition and the requirement set out in the Notices of this date issued by the Commission under sections 204 and 205 of the Securities and Futures Ordinance (**SFO**) is desirable in the interest of the investing public and in the public interest.
3. The Commission has reached this view on the basis of the following matters:
 - (a) On 22 February 2017, GME Group Holdings Limited (**GME**, stock code: 08188) was listed on the Growth Enterprise Market Board of The Stock Exchange of Hong Kong Limited by way of a placing (**IPO Placing**) at the price of \$0.54 per share. Within the first few minutes of the Pre-opening Session (**POS**) on that day, a number of at-auction limit buy orders with unusually high prices ranging from \$3.37 to \$3.46, more than 5 times the Placing Price, were placed causing the share price of GME to surge substantially. GME’s share price closed at \$3.47 at the end of the morning trading session. As it appeared to the Commission that there might not be an orderly and fair market in the trading of GME shares, it exercised its power under section 8(1) of the Securities and Futures (Stock Market Listing) Rules to suspend trading of GME shares with effect from 1:00 pm on that day. Trading in GME shares resumed on 28 March 2017. The share price fell more than 80% to close at \$0.61 on 28 March 2017.
 - (b) Whilst the investigation is still ongoing, evidence suggests a manipulative scheme involving a group of 30 traders and nominees (**Connected Traders**), who might have acted together in a prearranged manner to trade GME shares on 22 February 2017 with the intention of pushing up the opening price of GME shares and/or maintaining the share price at an artificial level.
 - (c) According to information obtained from the investigation, all of the high priced at-auction limit buy orders placed in the first 3 minutes of the POS originated from the Connected Traders. Their aggregated purchases accounted for 76.5% of the turnover of the morning trading session on 22 February 2017 and had an effect of pushing up and maintaining the share price of GME at an unusually high level of \$3.44 or above.
 - (d) According to information obtained from the investigation, the Connected Traders are directly or indirectly connected to one another. The clients of the Specified Corporations, whose accounts are the subject of the Notices of this

date issued by the Commission under sections 204 and 205 of the SFO (the **Clients**), are amongst the Connected Traders.

- (e) The Clients, together with six other Connected Traders were placed in the IPO placing. They acquired substantial interests in GME of over 20%, in aggregate, of the total placed shares at the time of placing. Had trading in GME shares not been suspended in the afternoon of 22 February 2017, these Connected Traders would have been able to sell their shares in GME obtained from the IPO Placing at an artificially high price (approximately 5 times the Placing Price) and make a significant profit. However, as trading was suspended in the afternoon of 22 February 2017 and the share price plummeted when trading resumed on 28 March 2017, no profit has been realised from the alleged manipulation.
- (f) The Commission has reasons to suspect that false trading, price rigging and/or market manipulation within the meaning of sections 274 and 275 of the SFO might have taken place and/or persons might have committed offences under sections 295, 296, 299 and/or 300 of the SFO.
- (g) The Commission is of the view that certain public investors who net bought GME shares at unusually high prices on 22 February 2017, might have suffered aggregate losses of approximately HK\$5.1 million, whether realized or notional, as the share price fell more than 80% to close at \$0.61 upon the resumption of trading on 28 March 2017. If any person is found liable under any of the provisions of the SFO specified above, he/she may be ordered to take such steps as the Court of First Instance may direct, including steps to restore the parties to the any transaction to the position in which they were before the transaction was entered into or to pay compensate to these victims under section 213 of the SFO.
- (h) The Clients have securities and cash at the Specified Corporations with an estimated value totalling \$1.74 million. The Commission believes that it is necessary to prevent the Clients and/or persons connected with them from operating and dealing with the accounts and to preserve the assets in the accounts pending further investigation, including fund tracing.
- (i) As there is a potential risk of dissipation, the Commission considers it is desirable in the interest of the investing public and in the public interest to impose on the Specified Corporations the prohibitions and the requirement set out in the Notices issued by the Commission on this date.

Date this 22nd day of August 2017

For and on behalf of the Commission

Ashley Alder
Chief Executive Officer