STATEMENT OF DISCIPLINARY ACTION

The Disciplinary Action

1. The Securities and Futures Commission (**SFC**) has prohibited Mr Paul Wan Kai Leung[1] (**Wan**), a former director, responsible officer (**RO**) and manager-in-charge (**MIC**) of core functions of Nerico Brothers Limited (**NBL**), from re-entering the industry for life pursuant to section 194 of the Securities and Futures Ordinance (**SFO**).

2. The disciplinary action is related to the SFC's earlier sanction against NBL[2] for:

   (a) misusing funds from its client (**Company X**) for its own purposes, without Company X's knowledge, instruction, authorization or consent between June 2020 and June 2021;

   (b) knowingly facilitating the misappropriation of Company X's funds since 2021; and

   (c) knowingly providing false or misleading information to the SFC.

Summary of facts

3. Company X opened a trading account (**Account**) with NBL in June 2020.

4. By September 2021, Company X had transferred over US$172 million into the Account. Since October 2021, Company X has repeatedly demanded that NBL return all funds in the Account, which stood at approximately US$154 million as of January 2022. Despite these repeated requests, NBL has failed to return the account balance to Company X.

I) Misuse of Company X's assets

5. Between June and December 2020, Company X deposited over US$77 million with NBL for spot forex (**SFX**) trading. However, less than 12% of the funds were allocated for SFX trading on behalf of Company X. The remaining funds, totalling over US$68 million, were used by NBL, without Company X's knowledge, to subscribe for shares in two segregated portfolios of a Cayman-incorporated fund (**Fund**) on 6 occasions for NBL's own account. By June 2021, the shares were fully redeemed, and the subscription principals were returned to the Account, while NBL retained the profits arising from the subscriptions.

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[1] Wan was a director of NBL from 1 October 2000 to 10 August 2022. He was accredited to NBL and approved to act as its RO in respect of: (a) Type 2 (dealing in futures contracts) and Type 9 (asset management) regulated activities between 1 April 2003 and 19 June 2022; (b) Type 5 (advising on futures contracts) regulated activity between 1 April 2003 and 2 August 2004; and (c) Type 1 (dealing in securities) and Type 3 (leveraged foreign exchange trading) regulated activities between 23 January 2019 and 19 June 2022. He was also NBL's MIC for the core functions of (a) Compliance; (b) Anti-Money Laundering and Counter-Terrorist Financing; (c) Overall Management Oversight; (d) Information Technology; (e) Key Business Line; and (f) Risk Management during different time periods between 29 June 2017 and 19 June 2022. Wan is currently not licensed by the SFC.

[2] The SFC has revoked the licence of NBL. Please refer to the SFC's press release dated 28 August 2025.

6. NBL's use of Company X's funds for its own subscriptions violated the express terms of the client agreement governing the Account (**Client Agreement**), which stipulated, among other things, that NBL shall maintain and operate the Account in accordance with Company X's written instructions and under the permissible conditions outlined in the Client Agreement.

7. Specifically, NBL breached the Client Agreement by using Company X's funds to make the relevant subscriptions for its own benefit without:

   (a) obtaining Company X's written instruction, authorization or consent; and

   (b) meeting the conditions outlined in the Client Agreement.

8. NBL's misuse of Company X's funds not only violated the express terms of the Client Agreement but also breached General Principle (**GP**) 8 and paragraph 11.1(a) of the Code of Conduct for Persons Licensed by or Registered with the Securities and Futures Commission (**Code of Conduct**), which require licensed persons to ensure that client assets are promptly and properly accounted for and adequately safeguarded.

II) Facilitating the misappropriation of Company X's assets

9. The SFC found that NBL knowingly facilitated a scheme orchestrated by Neo Ng Yu (**Neo Ng**)[3] and his connected persons / entities, resulting in the misappropriation of approximately US$154 million of Company X's funds held in the Account since January 2021.

10. Between January and August 2021, NBL transferred almost all of Company X's funds in the Account to one of the segregated portfolios of the Fund (**Sub-fund**) purportedly for the acquisition of "liquidity provider units" (**LP Units**)[4] from the Sub-fund. Neo Ng served as a director of the Sub-fund from 1 April 2019 to 30 July 2021 and was the ultimate sole shareholder and a director of the company that acted as the fund manager for the Sub-fund during the relevant period[5].

11. During the SFC's inquiry and investigation, NBL presented two contradictory narratives to explain the relevant transactions:

   (a) In response to a request made under section 180 the SFO, NBL claimed that Company X's funds were transferred to the Sub-fund to acquire LP Units issued by the Sub-fund. This explanation relied on a set of transaction documents and account statements purportedly pertaining to LP Units issued by the Sub-fund.

   (b) Subsequently, in response to notices issued under section 183 of the SFO, NBL claimed that Company X's funds were transferred to the Sub-fund to acquire from the Sub-fund LP Units issued by a separate

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[3] Neo Ng has been a substantial shareholder of Company X's holding company, a company formerly listed on the Main Board of The Stock Exchange of Hong Kong Limited, since 23 December 2020. He also served as a director of Company X from 15 July 2021 to 20 January 2022.

[4] According to NBL, its clients were required to purchase LP Units issued by a fund in order to trade currency with the issuing fund.

[5] See also the SFC's press release dated 28 August 2025 for the SFC's related disciplinary actions against Amber Hill Capital Limited (**AHCL**) (the manager of the Sub-fund at the material time) and its senior management, including Neo Ng. Neo Ng was AHCL's director from 1 March 2019 to 1 November 2021 and ultimate sole shareholder since 26 February 2019.

Cayman-incorporated fund (**Second Cayman Fund**). In support of this narrative, NBL provided the SFC with a different set of transaction documents and account statements purportedly pertaining to LP Units issued by the Second Cayman Fund.

12. The SFC's investigation revealed that:

    (a) Contrary to NBL's claims, neither the Sub-fund nor the Second Cayman Fund had issued any LP Units at any material time. Therefore, Company X's funds could not have been transferred to acquire LP Units, as asserted.

    (b) Company X's funds transferred by NBL to the Sub-fund were misappropriated by Neo Ng and his connected persons / entities. After Company X's funds were transferred to the Sub-fund:

        (i) a substantial amount of the traceable proceeds were transferred to a corporate vehicle of Neo Ng, part of which was further dissipated to accounts belonging to Neo Ng and his other corporate vehicles; and

        (ii) some of the traceable proceeds were used by the Sub-fund for its own purposes, including fulfilling redemption requests, paying dividends, and settling charges.

    (c) NBL and its director, Jerff Lee Cheuk Fung (**Lee**), were closely connected with Neo Ng.

    (d) The two contradictory narratives presented by NBL to the SFC were both false and concocted to conceal the misappropriation and the true whereabouts of Company X's funds. NBL either fabricated or employed fabricated documents to further such purposes.

13. By knowingly facilitating the misappropriation of Company X's funds, NBL breached GP 8 and paragraph 11.1(a) of the Code of Conduct (see paragraph 8 above), as well as GP 1 of the Code of Conduct, which requires licensed persons to act honestly, fairly, and in the best interests of their clients and the integrity of the market in conducting their business activities.

III) Provision of false or misleading information to the SFC

14. Under section 180(15) of the SFO, it is an offence for a person, in purported compliance with a requirement under section 180 of the SFO, to knowingly or recklessly produce any record or document or give an answer that is false or misleading in a material particular.

15. Similarly, under section 184(2) of the SFO, it is an offence for a person, in purported compliance with a requirement under section 183(1) of the SFO, to knowingly or recklessly produce any record or document, give any explanation, or say or state anything that is false or misleading in a material particular.

16. As set out in paragraphs 11 and 12 above, NBL provided the SFC with two false narratives in response to inquiries under sections 180 and 183 of the SFO, relying on two sets of fabricated documents to support these narratives.

17. NBL's shift from one false narrative to another as the SFC's investigation progressed, along with its possession and use of two contradictory sets of supporting documents, demonstrated a clear intention to mislead and deceive the SFC.

18. The SFC found that NBL knowingly produced records and documents and made representations to the SFC that were false or misleading in a material particular, in breach of sections 180(15) and 184(2) of the SFO.

IV) Misconduct of Lee and Wan

19. The above misconduct of NBL was directly attributable to the actions of Lee[6] and Wan. Specifically:

    (a) Lee, as a director of NBL and the person in charge of handling Company X and its funds, was the directing mind and will behind NBL's conduct in misusing Company X's funds and facilitating their misappropriation by Neo Ng, with whom he had a close connection.

    (b) Wan, as a director, RO and MIC of NBL, played a key role in NBL's misconduct, including executing the relevant subscription and transaction documents and authorising the transfers of Company X's funds from NBL to the Sub-fund during the relevant period.

    (c) Lee and Wan caused NBL to produce false or misleading information and documents to the SFC to conceal and disguise the misappropriation by Neo Ng.

20. Furthermore, Lee and Wan personally breached section 184(2) of the SFO by knowingly providing false or misleading answers and explanations during their respective interviews with the SFC.

21. Their conduct was fundamentally incompatible with the standards expected of the senior management of a licensed corporation under GP 9 of the Code of Conduct[7] and casts seriously doubt on their fitness and properness to be regulated persons.

Conclusion

22. Having considered all the circumstances, the SFC is of the view that Wan is guilty of misconduct and not fit and proper to be licensed[8].

23. In deciding the disciplinary sanction set out in paragraph 1 above, the SFC has taken into account all the relevant circumstances, including:

    (a) the conduct of Wan was egregious and serious, undermining the confidence of investors and the public in market integrity;

    (b) his honesty and integrity were compromised; and

    (c) his conduct caused significant losses to Company X.

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[6] The SFC has separately banned Lee from engaging in all regulated activities for life. Please refer to the SFC's press release dated 28 August 2025.

[7] GP 9 of the Code of Conduct provides that the senior management of a licensed corporation should bear primary responsibility for ensuring the maintenance of appropriate standards of conduct and adherence to proper procedures by the firm.

[8] The SFC issued a decision in August 2025 to ban Wan for his misconduct. Wan applied to the Securities and Futures Appeals Tribunal for a review of the SFC's decision in October 2025. He subsequently withdrew the review application in May 2026.