



Ontario
Securities
Commission

Commission des
valeurs mobilières
de l'Ontario

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Toronto ON M5H 3S8

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Toronto ON M5H 3S8

**IN THE MATTER OF
HRU MORTGAGE INVESTMENT CORPORATION, HRU FINANCIALS LTD.,
YAU LING (PATRICK) LAM, QINGYANG (MICHAEL) XIA,
and ZICHAO (MARSHALL) LIANG**

M. Cecilia Williams, Commissioner and Chair of the Panel

File No. 2022-10

April 8, 2022

ORDER

(Sections 127 and 127.1 of the
Securities Act, RSO 1990, c S.5)

WHEREAS on April 8, 2022 the Ontario Securities Commission (the **Commission**) held a hearing by video-conference to consider the request jointly made by HRU Mortgage Investment Corporation (**HRUMIC**), HRU Financials Ltd. (**HRUFL**), Yau Ling (Patrick) Lam (**Lam**), Qingyang (Michael) Xia (**Xia**) and Zichao (Marshall) Liang (**Liang**) (collectively, the **Respondents**) and Staff of the Commission (**Staff**) for approval of a settlement agreement dated March 30, 2022 (the **Settlement Agreement**);

AND WHEREAS pursuant to the Settlement Agreement, HRUMIC and HRUFL have given an undertaking (the **Undertaking**) to the Commission, in the form attached as Schedule "A" to this Order;

ON READING the Joint Application for Settlement Hearing, including the Settlement Agreement, the Statement of Allegations dated March 30, 2022, and the Memorandum of Fact and Law and Brief of Authorities provided by Staff and on hearing the submissions of the representatives for the Respondents and Staff, each appearing by video-conference, and on considering HRUFL, Lam, Xia and Liang jointly having made payment of the \$400,000 administrative penalty and a payment of \$25,000 on account of costs to the Commission in accordance with the terms of the Settlement Agreement, and on considering the Undertaking dated March 25, 2022 attached as Schedule "A" to this Order;

IT IS ORDERED THAT:

1. the Settlement Agreement is approved;
2. each of the Respondents is reprimanded, pursuant to paragraph 6 of subsection 127(1) of the *Securities Act*, RSO 1990, c S.5 (the **Act**);
3. HRUFL, Lam, Xia and Liang shall pay an administrative penalty in the amount of \$400,000, on a joint and several basis, pursuant to paragraph 9 of subsection

127(1) of the Act, which amount is designated for allocation or use by the Commission in accordance with paragraph 3.4(2)(b) of the Act;

4. HRUFL, Lam, Xia and Liang shall pay costs in the amount of \$25,000, pursuant to section 127.1 of the Act;
5. Lam, Xia and Liang immediately resign any position that they hold as a director or officer of a reporting issuer, pursuant to paragraph 7 of subsection 127(1) of the Act;
6. Lam, Xia and Liang immediately resign any position that they hold as a director or officer of a registrant, pursuant to paragraph 8.1 of subsection 127(1) of the Act;
7. Lam, Xia and Liang are prohibited from becoming or acting as a director or officer of any reporting issuer for a period of 3 years commencing on the date of this Order, pursuant to paragraph 8 of subsection 127(1) of the Act, subject to paragraph 10 below;
8. Lam, Xia and Liang are prohibited from becoming or acting as a director or officer of any registrant for a period of 3 years commencing on the date of this Order, pursuant to paragraph 8.2 of subsection 127(1) of the Act, subject to paragraph 10 below;
9. Lam, Xia and Liang are prohibited from becoming or acting as a registrant or a promoter for a period of 3 years commencing on the date of this Order, pursuant to paragraph 8.5 of subsection 127(1) of the Act, and subject to paragraph 10 below;
10. following the periods set out in sub-paragraphs 7, 8 and 9 above, Lam, Xia and Liang shall each successfully complete the Ethics and Professional Conduct Course (EPC) and the Partners, Directors & Senior Officers Course provided by the IFSE Institute (the **Required Courses**), as well as meeting all proficiency requirements, before applying to become a registrant or an officer and/or director of a registrant with the Commission. Pending:
 - i. the successful completion of the Required Courses by Lam, pursuant to paragraphs 8, 8.2, 8.4 of subsection 127(1) of the Act, Lam will be prohibited from becoming or acting as a director or officer of any reporting issuer or registrant, and pursuant to paragraph 8.5 of subsection 127(1) of the Act, Lam will be prohibited from becoming or acting as a registrant or promoter;
 - ii. the successful completion of the Required Courses by Xia, pursuant to paragraphs 8, 8.2, 8.4 of subsection 127(1) of the Act, Xia will be prohibited from becoming or acting as a director or officer of any reporting issuer or registrant, and pursuant to paragraph 8.5 of subsection 127(1) of the Act, Xia will be prohibited from becoming or acting as a registrant or promoter; and
 - iii. the successful completion of the Required Courses by Liang, pursuant to paragraphs 8, 8.2, 8.4 of subsection 127(1) of the Act, Liang will be prohibited from becoming or acting as a director or officer of any

reporting issuer or registrant, and pursuant to paragraph 8.5 of subsection 127(1) of the Act, Liang will be prohibited from becoming or acting as a registrant or promoter.

"M. Cecilia Williams"

M. Cecilia Williams

SCHEDULE "A"

UNDERTAKING OF HRU MORTGAGE INVESTMENT CORPORATION AND HRU FINANCIALS LTD.

IN THE MATTER OF HRU MORTGAGE INVESTMENT CORPORATION, HRU FINANCIALS LTD., YAU LING (PATRICK) LAM, QINGYANG (MICHAEL) XIA, and ZICHAO (MARSHALL) LIANG

UNDERTAKING TO THE ONTARIO SECURITIES COMMISSION

1. This Undertaking is given in connection with the settlement agreement dated March 30, 2022 (the **Settlement Agreement**) between HRU Mortgage Investment Corporation (**HRUMIC**), HRU Financials Ltd. (**HRUFL**), Yau Ling (Patrick) Lam, Qingyang (Michael) Xia, and Zichao (Marshall) Liang and Staff (**Staff**) of the Commission. All terms shall have the same meanings in this Undertaking as in the Settlement Agreement.
2. HRUMIC and HRUFL (together **HRU**) undertake to the Commission to:
 - (a) conduct any subsequent trades of securities of HRUMIC through or to a firm registered under Ontario securities law in a category that permits such trade, or by HRU directly only if and when registered to conduct such trades.
 - (b) provide to any dealer registered under Ontario securities law engaged by HRU a copy of the Settlement Agreement and the Order approving the Settlement Agreement.
 - (c) retain an exempt market dealer (**EMD**) to:
 - (i) conduct a full review of all HRU marketing materials and investor statements, including any Offering Memoranda and any online marketing or online portals, in order to: (1) remove or clarify any potential inconsistent or confusing statements regarding investor returns and/or dividends; and (2) clarify statements made regarding loan-to-value (**LTV**) ratios to be consistent across all investor materials;
 - (ii) conduct a review of the adequacy of the know-your-client (**KYC**) and suitability documentation obtained by HRU with respect to its current existing investors who did not purchase securities of HRUMIC through a registered dealer, to be completed within four months from the date of the Order approving the Settlement Agreement;
 - (iii) obtain such additional KYC and suitability information as required for a suitability assessment where the EMD deems that the existing documentation at HRU for a client is inadequate pursuant to paragraph 2(c)(ii) above and conduct a suitability analysis in relation to that client;
 - (iv) conduct a suitability analysis in accordance with sections 13.2 and 13.3 of National Instrument 31-103 *Registration Requirements, Exemptions and Ongoing Registrant Obligations* (**NI 31-103**) for a random sample of

20 current existing investors, selected by the EMD, who did not purchase securities of HRUMIC through a registered dealer, to be completed within four months from the date of the Settlement Hearing;

- (v) if five or more of the 20 investors are identified by the EMD to have made unsuitable investments in HRUMIC, conduct a suitability analysis in accordance with sections 13.2 and 13.3 of NI 31-103 for all current existing investors who did not purchase securities of HRUMIC through a registered dealer; and
- (vi) report the results of the reviews to HRU and Staff.
- (d) once an EMD has been retained, HRU shall immediately provide Staff with a written authorization granting Staff free and unfettered access to communicate with the EMD with respect to the retainer; and
- (e) redeem the shares held by all investors identified by the EMD to have made an unsuitable investment in HRUMIC at the issue price of \$1 per share, unless the investor(s) confirm to HRU and the EMD in writing that they wish to retain their investments and provided the EMD has first informed the investor(s) in writing of the EMD's determination that the shares are not a suitable investment for them along with the basis for that determination, and has recommended to the investor(s) an alternative investment action that is suitable in accordance with subsection 13.3(2.1) of NI 31-103.

DATED at Toronto, Ontario this 25 day of March, 2022.

HRU MORTGAGE INVESTMENT CORPORATION

By: "Patrick Lam"

Name: Patrick Lam
Title: CEO

DATED at Toronto, Ontario this 25 day of March, 2022.

HRU FINANCIALS LTD.

By: "Qingyang Xia"

Name: Qingyang Michael Xia
Title: CIO