



Ontario
Securities
Commission

Commission des
valeurs mobilières
de l'Ontario

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File No.: 2022-14

**IN THE MATTER OF
XIAO HUA (EDWARD) GONG**

PART I – INTRODUCTION

1. An Ontario resident who was the directing mind of a corporation, which corporation was solely convicted of serious securities-related criminal offence poses significant risks to our capital markets. Such individuals must be subject to measures to effectively limit their participation in our capital markets.

2. The Respondent Xiao Hua (Edward) Gong was the directing mind of a corporation that operated a pyramid scheme involving over 40,000 investors and hundreds of millions of dollars. The scheme resulted in the criminal conviction of Edward Enterprise International Group Inc. (the **Edward Group**) for the use of forged documents and for operating a pyramid scheme. The Crown withdrew charges against Gong in his personal capacity as part of a negotiated resolution. Despite the outcome as against Gong personally, the Commission's mandate to protect investors going forward requires that he be subject to conduct and trading bans to restrict his participation in our capital markets.

PART II – JOINT SETTLEMENT RECOMMENDATION

3. Gong agrees to the making of an order in substantially the form attached as **Schedule "A"** (the **Order**) to this Settlement Agreement, based on the facts set out in this agreement and in the

Agreed Statement of Facts dated February 9, 2021 (the **ASF**) from the Edward Group's guilty plea attached as **Schedule "B"**.

4. For the purposes of the proceeding, and any other regulatory proceeding commenced by a securities regulatory authority, Gong agrees with the facts set out in Part III and the conclusions set out in Part IV of this Settlement Agreement.

PART III – AGREED FACTS

Background

5. The Respondent, Xiao Hua (Edward) Gong, is a 59-year-old resident of Ontario. Gong's first language is not English. Neither the Respondent nor his company, the Edward Group were registered with the Ontario Securities Commission (the **Commission**) to trade in securities and no exemption from the requirement to be registered applies.

6. Gong is the sole shareholder, officer and director of the Edward Group. The Edward Group was incorporated on November 4, 2005, in Ontario.

7. Gong and the Edward Group were each charged with criminal offences on December 20, 2017 and January 15, 2021, respectively. On February 10, 2021, Gong entered a guilty plea on behalf of the Edward Group as its directing and controlling mind (the **Edward Group Guilty Plea**) and signed the ASF in relation to the guilty plea.

8. Charges against Gong personally were withdrawn on consent as part of the negotiated resolution. The Edward Group was convicted of using forged documents and operating a pyramid scheme, contrary to ss. 368(1)(b) and 209(1)(e) of the *Criminal Code*, RSC 1985, c C-46.

9. Gong admits to all of the facts contained in the ASF for the purpose of this Settlement Agreement.

Agreed Statement of Facts dated February 9, 2021

10. Gong, personally and by directing representatives of his companies, ran an operation that promoted the products and shares of O24 Pharma PLC (**O24**) under the Edward Group umbrella. The organization actively recruited members (this term is used interchangeably with “investors”), who obtained rewards by recruiting other members. The Edward Group primarily ran the enterprise in Canada and recruited members in China.

11. Members relied on the Edward Group’s representations to invest up to ¥5,000 RMB or the equivalent of up to approximately \$1,000 CAD to receive a package that consisted of health supplements and O24 shares. The company later provided Canada National Television (**CNTV**) shares once the O24 shares ran out. Members were promised large returns on their investment once O24 went public and the shares were traded on the stock market. However, the shares could not convey their purported interest because this version of O24 had been dissolved years prior, in 2010.

12. The Edward Group’s selling mechanism included a pyramid or multi-level marketing structure. Members were told that they could make money by recruiting other investors. Members, by purchasing health supplements in the Edward Group operation, were entitled to receive larger sums of money than what they had paid, by reason of the fact that new recruits became members and purchased supplements. Between January 2012 and December 2017, approximately 40,000 people became members in the company, which brought hundreds of millions of dollars into the Edward Group and its related companies.

13. Pursuant to s. 22.2(b) of the *Criminal Code*, RSC 1985, c C-46, Gong had the mental state required, to wit recklessness and wilful blindness, to be a party to the offences and always acted within the scope of his authority in his actions on behalf of these companies, or in directing the

work of the companies' employees and representatives. Gong was, again, not personally convicted.

Abuse of Process Motion

14. Gong agrees to withdraw the Abuse of Process/Stay motion, brought on December 1, 2022.

PART IV – CONDUCT CONTRARY TO ONTARIO SECURITIES LAW

15. The Respondent acknowledges and admits that by engaging in the conduct described above, he contravened subsection 25(1) and subsection 126.1(1)(b) of the *Securities Act*, RSO 1990, c S.5 (the **Act**) and that his conduct was contrary to the public interest.

PART V – THE RESPONDENT'S POSITION

16. The Respondent requests and the Commission does not object that the Settlement Hearing panel consider the following mitigating circumstances:

- a. Other than this proceeding, there are no prior or current administrative proceedings commenced against Gong before a "securities regulatory authority of another province or territory in Canada" as defined in subsection 127(10) of the Act.
- b. Gong has recently displayed co-operative behaviour by obtaining counsel, meeting deadlines imposed by the Tribunal and engaging in settlement discussions, during this proceeding under subsection 127(1) of the Act.
- c. By entering into this Settlement Agreement, Gong is conserving Commission and Tribunal resources.
- d. Gong is not and never has been registered with the Commission.

17. The Respondent also intends to rely on the following as mitigating circumstances but acknowledges that the Commission does not agree that they constitute mitigating circumstances:

- a. To the best of the Commission's knowledge, the investors resided outside Ontario.
- b. In July 2016, Gong retained a consultant with respect to O24 shares and paid the consultant approximately US\$950,000 for these services.

PART VI – TERMS OF SETTLEMENT

18. The Respondent agrees to the terms of settlement set forth below.
19. The Respondent and the Commission consent to the Order substantially in the form attached as Schedule "A" pursuant to which it is ordered that:
 - a. This Settlement is approved;
 - b. Pursuant to paragraph 2 and 2.1 of subsection 127(1) of the Act, the Respondent is permanently prohibited from trading in any securities or derivatives, or acquiring any securities, except that he may trade securities or derivatives, and acquire securities in a Registered Retirement Savings Plan, Registered Retirement Income Fund, Registered Education Savings Plan, Registered Disability Savings Plan, or Tax-Free Savings Account (as those terms are defined in the *Income Tax Act*, RSC, 1985, c 1 (5th Supp)), of which only he, his spouse or his children are the sole or joint legal and beneficial owners, through a registered dealer in Canada to whom he has given a copy of the Capital Markets Tribunal's order;
 - c. Pursuant to paragraph 3 of subsection 127(1) of the Act, any exemptions contained in Ontario securities law shall not apply to the Respondent permanently;
 - d. Pursuant to paragraphs 7 and 8.1 of subsection 127(1) of the Act, the Respondent shall resign any position that he holds as a director or officer of issuers or registrants operating in Canada, save and except for his position as a director and officer of the following companies:

- i. Gong Party Ltd., Corporation # 1517919-0, which is incorporated under the *Canada Not-for-profit Corporations Act*, SC 2009, c 23, with its registered or head office located at Unit 518, 1315 Lawrence Ave. East, North York Ontario, M3A 3R4 (the **Gong Party**) which activities are limited to supporting Gong's political activities;
 - ii. Youth Party of Canada, Corporation # 1517655-7, which is incorporated under the *Canada Not-for-profit Corporations Act*, SC 2009, c 23, with its registered or head office located at Unit 518, 1315 Lawrence Ave. East, North York, Ontario, M3A 3R3 (the **Youth Party**) which activities are limited to supporting Gong's political activities;
 - iii. 2838445 Ontario Limited, which is incorporated under the *Business Corporations Act*, RSO 1990, c B.16, with its registered or head office located at 6394 Bethesda Road, Stouffville, Ontario, L4A 3A7 (**283 Ltd**) which activities are limited to the operation of a tree farm property and the associated equipment at 6394 Bethesda Road;
 - iv. 2869109 Ontario Limited, which is incorporated under the *Business Corporations Act*, RSO 1990, c B.16, with its registered or head office located at 518-1315 Lawrence Ave. East, North York, Ontario, M3A 3R3 (**286 Ltd**) which activities are limited to acting as owner and landlord of the property located at 518-1315 Lawrence Ave. East, North York, Ontario, M3A 3R3; and
 - v. Wenture Tech Inc., Corporation # 1057621-2, which is incorporated under the *Canada Business Corporations Act*, RSC 1985, c C-44 (**Wenture**) an active business with employees, which activities are limited to the provision of labour and administrative services to the Gong Party, the Youth Party, 283 Ltd and 286 Ltd.;
- provided that: (1) the corporations listed above in this subparagraph do not raise capital

other than from banks listed in Schedule I to the *Bank Act*, SC 1991, c 46; (2) the shareholders of 283 Ltd, 286 Ltd and Wenture are limited to Edward Gong, his spouse, his mother, his mother-in-law, father-in-law, brother-in-law or sister-in-law, his children and his grandchildren; and (3) the activities of the corporations listed above in this subparagraph are limited to the activities described above;

- e. Pursuant to paragraph 8 and 8.2 of subsection 127(1) of the Act, the Respondent shall be permanently prohibited from becoming or acting as a director or officer of any issuer or registrant operating in Canada, with the exceptions of the corporations listed above in subparagraph 19(d), provided that: (1) those corporations do not raise capital other than from banks listed in Schedule I to the *Bank Act*, SC 1991, c 46; (2) the shareholders of 283 Ltd, 286 Ltd and Wenture are limited to Edward Gong, his spouse, his mother, his mother-in-law, father-in-law, brother-in-law or sister-in-law, his children and his grandchildren; and (3) the business activities of the corporations are limited to the indicated business activities described in subparagraph 19(d); and
- f. Pursuant to paragraph 8.5 of subsection 127(1) of the Act, the Respondent shall be prohibited from becoming or acting as a registrant or promoter permanently.

20. The Respondent consents to regulatory orders made by any securities regulatory authority of another province or territory in Canada containing any or all of the prohibitions set out in paragraph 19 above. These prohibitions may be modified to reflect the provisions of the relevant provincial or territorial securities law.

21. The Respondent acknowledges that this Settlement Agreement and the Order may form a basis for orders of parallel effect in other jurisdictions in Canada. The securities laws of some other Canadian jurisdictions allow orders made in this matter to take effect in those other jurisdictions

automatically, without further notice to the Respondent. The Respondent should contact the securities regulator of any other jurisdiction in which the Respondent intends to engage in any securities- or derivatives-related activities prior to undertaking such activities.

PART VII – FURTHER PROCEEDINGS

22. If the Capital Markets Tribunal (the **Tribunal**) approves this Settlement Agreement, the Staff of the Ontario Securities Commission (the **Enforcement Division**) will not commence or continue any proceeding against the Respondent under Ontario securities law based on the misconduct described in Part III of this Settlement Agreement, unless the Respondent fails to comply with any term in this Settlement Agreement, in which case the Enforcement Division may bring proceedings under Ontario securities law against the Respondent that may be based on, among other things, the facts set out in Part III of the Settlement Agreement as well as the breach of the Settlement Agreement.

23. The Respondent waives any defences to a proceeding referenced in paragraph 22 based on the limitation period in the Act, provided that no such proceeding be commenced later than six years from the date of the occurrence of the last failure to comply with this Settlement Agreement.

PART VIII – PROCEDURE FOR APPROVAL OF SETTLEMENT

24. The parties will seek approval of the Settlement Agreement at the Settlement Hearing before the Tribunal, which shall be held on a date determined by the Registrar in accordance with this Settlement Agreement and the Tribunal's *Rules of Procedure*.

25. The Respondent will attend the Settlement Hearing.

26. The parties confirm that the Settlement Agreement sets forth all of the agreed facts that will

be submitted at the Settlement Hearing, unless the parties agree that additional facts should be submitted at the Settlement Hearing.

27. If the Tribunal approves the Settlement Agreement:

- a. The Respondent irrevocably waives all rights to a full hearing, judicial review or appeal of this matter under the Act; and
- b. The parties will not make any public statement or advance a position in any other legal proceeding that is inconsistent with this Settlement Agreement or with any additional agreed facts submitted at the Settlement Hearing. Gong will not make any public statement or advance a position in any other legal proceeding that the Commission acted in bad faith in relation to him or the Edward Group, except in Gong's civil actions filed against the Commission currently before the Ontario Superior Court of Justice (Court File Nos. CV-23-00694277-0000, CV-23-00694285-0000 and CV-23-00697770-0000).

28. Whether or not the Tribunal approves the Settlement Agreement, the Respondent will not use, in any proceeding, the Settlement Agreement or the negotiation or process of approval of the Settlement Agreement as the basis for any attack on the Tribunal's jurisdiction, alleged bias, alleged unfairness or any other remedies or challenges that may be available.

PART IX – DISCLOSURE OF SETTLEMENT AGREEMENT

29. If the Tribunal does not make the Order:

- a. The Settlement Agreement and all discussions and negotiations between the parties before the Settlement Hearing will be without prejudice to the parties; and
- b. The parties will each be entitled to all available proceedings, remedies and challenges,

including proceeding to a hearing. Any such proceedings, remedies and challenges will not be affected by the Settlement Agreement, or by any discussions or negotiations relating to the Settlement Agreement.

30. The parties will keep the terms of the Settlement Agreement confidential until the Settlement Hearing, unless they agree in writing not to do so or unless otherwise required by law. If, for whatever reason, the Tribunal does not approve the Settlement Agreement, the terms of the Settlement Agreement shall remain confidential indefinitely, unless the parties otherwise agree in writing or if required by law.

PART X – EXECUTION OF SETTLEMENT AGREEMENT

31. This Settlement Agreement may be signed in one or more counterparts which together constitute a binding agreement.

32. A facsimile or other electronic copy of any signature will be as effective as an original signature.

DATED at Toronto, Ontario this 29th day of October, 2024.

“Rikin Morzaria”

“Edward Gong”

Witness: (print name): Rikin Morzaria

Edward Gong

DATED at Toronto, Ontario this 29th day of October, 2024

THE ONTARIO SECURITIES COMMISSION

“Bonnie Lysyk”

Bonnie Lysyk
Executive Vice President, Enforcement
Ontario Securities Commission

Schedule “A”



Capital
Markets
Tribunal

Tribunal des
marchés
financiers

22nd Floor
20 Queen Street West
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22e étage
20, rue queen ouest
Toronto ON M5H 3S8

IN THE MATTER OF

Xiao Hua (Edward) Gong

File No. 2022-14

Adjudicators: []

[Date Order made]

ORDER

(Subsection 127(1) and section 127.1 of the
Securities Act, RSO 1990, c S.5)

WHEREAS on [date], 2024, the Capital Markets Tribunal held a hearing at the offices of the Ontario Securities Commission (the **Commission**), located at 20 Queen Street West, 17th Floor, Toronto, Ontario, to consider the Joint Request for a Settlement Hearing filed by Xiao Hua (Edward) Gong (the **Respondent**) and the Commission for approval of a settlement agreement dated April [date], 2024 (the **Settlement Agreement**);

ON READING the Statement of Allegations dated June 13, 2022 and the Settlement Agreement, and the materials filed by the Commissions and by Edward Gong, and on hearing the submissions of representatives of the Commission and Edward Gong;

IT IS ORDERED THAT:

1. Pursuant to paragraphs 2 and 2.1 of subsection 127(1) of the *Securities Act*, RSO 1990, c S.5 (the **Act**), the Respondent is permanently prohibited from trading in any securities or derivatives, or acquiring any securities, except that he may trade securities or derivatives, and acquire securities in a Registered Retirement Savings Plan, Registered Retirement Income Fund, Registered Education Savings Plan, Registered Disability Savings Plan, or Tax-Free Savings Account (as those terms are defined in the *Income Tax Act*, RSC, 1985, c 1 (5th Supp)), of which only he, his spouse or his children are the sole or joint legal and beneficial owners, through a registered dealer in Canada to whom he has given a copy of our order;
2. pursuant to paragraph 3 of subsection 127(1) of the Act, any exemptions contained in Ontario securities law shall not apply to the Respondent, permanently;

3. pursuant to paragraph 7 and 8.1 of subsection 127(1) of the Act, the Respondent shall resign from any positions that he holds as a director or officer of issuers or registrants operating in Canada, save and except for his position as a director and officer of Youth Party of Canada, Gong Party Ltd., 2838445 Ontario Limited, 2869109 Ontario Limited and Wenture Tech Inc., provided that (1) those corporations do not raise capital other than from banks listed in Schedule I to the *Bank Act*, SC 1991, c 46; (2) the shareholders of 2838445 Ontario Limited, 2869109 Ontario Limited and Wenture Tech Inc. are limited to Edward Gong, his spouse, his mother, his mother-in-law, father-in-law, brother-in-law or sister-in-law, his children and his grandchildren; and (3) the activities of the corporations listed above are limited to those set out in paragraph 5;
4. pursuant to paragraph 8 and 8.2 of subsection 127(1) of the Act, the Respondent is permanently prohibited from becoming or acting as a director or officer of any issuer or registrant operating in Canada, with the exception of Youth Party of Canada, Gong Party Ltd., 2838445 Ontario Limited, 2869109 Ontario Limited and Wenture Tech Inc., provided that (1) those corporations do not raise capital other than from banks listed in Schedule I to the *Bank Act*, SC 1991, c 46; (2) the shareholders of 2838445 Ontario Limited, 2869109 Ontario Limited and Wenture Tech Inc. are limited to Edward Gong, his spouse, his mother, his mother-in-law, father-in-law, brother-in-law or sister-in-law, his children and his grandchildren; and (3) the activities of the corporations listed above are limited to those set out in paragraph 5;
5. The permitted activities of the corporations listed in paragraphs 3 and 4 are:
 - a) Youth Party of Canada and Gong Party Ltd. - to support Gong's political activities;
 - b) 2838445 Ontario Limited - operation of a tree farm and the associated equipment at 6394 Bethesda Road, Stouffville, ON, L4A 3A7;
 - c) 2869109 Ontario Limited - to act as owner and landlord of the property located at 518-1315 Lawrence Ave. East, North York, Ontario, M3A 3R3; and
 - d) Wenture Tech Inc. - the provision of labour and administrative services to other corporations listed in paragraphs 3 and 4.
6. pursuant to paragraph 8.5 of subsection 127(1) of the Act, the Respondent is prohibited permanently from becoming or acting as a registrant or as a promoter.

Schedule “B”

R v Edward Enterprise International Group Inc. – Agreed Statement of Facts (Plea to Pyramid Scheme Selling & Using Forged Documents)