



SFC PRESS RELEASE

2 April 2004

TO THE BUSINESS EDITOR
FOR IMMEDIATE RELEASE

**SFC Successfully Prosecutes Pacific Pearl Securities Limited,
Pacific Pearl Futures Limited and their Management, Cheng Kwok Cheung and
Yung Ki Cheong Philip, for Defrauding the SFC and
Failing to Notify the SFC of Liquid Capital Deficiencies**

The SFC has successfully prosecuted Pacific Pearl Securities Limited (PPSL), Pacific Pearl Futures Limited (PPFL), Mr Cheng Kwok Cheung, the then director of PPSL who was responsible for accounting and financial matters of both PPSL and PPFL, and Mr Yung Ki Cheong Philip, the then director and major shareholder of both PPSL and PPFL, with intent to defraud the SFC that the firms could comply with the Financial Resources Rules (FRR) relating to brokers during September and October 2002.

Investigation revealed that Cheng and Yung had created a system of artificial fund transfers between the bank accounts of PPSL and PPFL, including the clients' accounts, and the personal bank account of Yung. Monies not belonging to clients were deposited into the clients' accounts and withdrawn from these accounts without the clients' directions. The effect of this artificial fund transfer mechanism was to inflate the bank balances of PPSL and PPFL which had to be reported to the SFC in its purported compliance with the requirement under the FRR.

PPSL, PPFL, Cheng and Yung pleaded guilty to a total of seven summonses before Mr Abu Bakar bin Wahab, a Magistrate at Kowloon City Magistracy for breaches of section 65C, sections 84(2), (5), (7)(b) and section 147(1) of the Securities Ordinance, sections 46(2),(4),(6)(b) and section 110(1) of the Commodities Trading Ordinance. The case is now adjourned to 14 April 2004 for sentencing.

Ends

For enquiries, please contact C K Chan at 2842 7624 or Ernest Lau at 2840 9470.

CC\04PR65

