

Enforcement Actions

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10 January 2006

Stephen Lee Sing Wai Sentenced to Immediate Imprisonment for Market Manipulation

The SFC has successfully prosecuted Mr Stephen Lee Sing Wai for intentionally creating a false or misleading appearance of active trading in the shares of Essex Bio-Technology Limited, contrary to sections 135 and 139 of the Securities Ordinance.

An SFC investigation revealed that from 14 February 2003 to 31 March 2003, Lee, with the intention of raising the turnover and market price of Essex Bio-Tech shares, had acted in concert with another person to control 14 accounts with eight brokers and traded Essex Bio-Tech shares between each other. The trading accounted for over 70% of the market turnover of Essex Bio-Tech during the period. Their aggressive trading inflated the market price of Essex Bio-Tech by 120% from \$0.10 to above \$0.22 and boosted its daily turnover over tenfold from about one million shares to over 12 million shares. With their manipulative activities, they took profit of about \$3.6 million. They also failed to settle their aggressive purchases in Essex Bio-Tech with a broker firm, which eventually led to the winding-up of that broker firm.

Lee today pleaded guilty to one summons before Magistrate Mr Josiah Lam at Eastern Magistracy. Lee was sentenced to seven months' imprisonment and ordered to pay investigation cost of \$10,054 to the SFC. In passing the sentence, Mr Lam commented that Hong Kong was an important financial centre and false trading had to be viewed seriously, and that this was a second offence committed by Lee when he was on a suspended sentence for an offence of the same nature (Note 1).

Mr Alan Linning, SFC's Executive Director of Enforcement, welcomed the sentence: "I am pleased with the Magistrate's comment as it shows that the Judiciary regards market manipulation offences seriously and is prepared to hand down heavy sentence for such offences."

Ends

Notes to Editor:

1. Lee was convicted on 23 July 2002 of intentionally creating a false or misleading appearance of active trading in the shares of Gay Giano International Group Limited. He was sentenced to nine months' imprisonment suspended for three years. On 7 October 2005, Lee was convicted of failing to attend an SFC investigation interview. As a result, Lee's suspended sentence in relation to the Gay Giano case was activated and he was sentenced to six months' imprisonment. Please see SFC [press releases on 7](#) and [18 October 2005](#) for details.

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