

Enforcement Actions

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12 January 2006

SFC Prosecutes Cheung Wan Chiu for Market Manipulation

The SFC has successfully prosecuted Mr Cheung Wan Chiu for creating a false or misleading appearance with respect to the market for Innovis Holdings Limited shares, contrary to section 295 of the Securities and Futures Ordinance.

An SFC investigation found that shortly before market close on 8, 14 and 16 February 2005, Cheung had via the Internet placed single-board-lot orders to purchase Innovis shares at prices higher than the then prevailing market prices. Cheung's orders which were placed without any genuine intention to acquire the shares caused the closing price of the stock to rise by a maximum of 16%. By placing the orders in this way, Cheung intended to create a false or misleading appearance with respect to the market for, or the price for dealing in Innovis shares.

The investigation further found that Cheung had adopted a similar trading pattern for the KanHan Technologies Group Limited shares on 15, 18, 24 and 29 March 2005, causing the closing price of the stock to rise by a maximum of 26%.

Cheung today pleaded guilty to one summons before Mr Ian Candy, a Magistrate at Eastern Magistracy, for intentionally creating a false or misleading appearance with respect to the market for Innovis shares. Cheung agreed that his manipulative trading in KanHan shares be taken into consideration for the purposes of sentencing. He was sentenced to four months' imprisonment, suspended for three years, and fined a total of \$30,000. Cheung was also ordered to pay investigation costs of \$10,000 to the SFC.

In passing the sentence, Mr Candy pointed out that market manipulation is a serious offence, usually meriting the imposition of a sentence of six months' immediate imprisonment upon conviction after a trial. However, taking into account the fact that this was Cheung's first offence and that he had admitted the offence during the SFC investigation, the Magistrate ordered the sentence of imprisonment to be suspended.

Mr Alan Linning, SFC's Executive Director of Enforcement, welcomed the sentence: "In this case, the court has again given the clear message that anyone who engages in market manipulation can ordinarily expect to receive a custodial sentence. Taking into consideration that Cheung co-operated with the SFC investigation, pleaded guilty to the offence with which he was charged and the additional incident of market manipulation, the court decided that Cheung merited a more lenient sentence."

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Page last updated: 12 January 2006

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