
Enforcement News

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Guilty verdict in Hong Kong's largest market manipulation case

Four people were today found guilty by the District Court of conspiring to manipulate the market in the shares of Asia Standard Hotel Group Ltd (ASH Group) (Note 1).

This is the first indictable prosecution for market manipulation in Hong Kong under the Securities and Futures Ordinance (SFO).

Mr Chan Chin Yuen, his sister-in-law Miss Elaine Au Yeung Man Chun, his brother Mr Chan Chin Tat and a friend Mr Chui Siu Fung were found guilty after a trial lasting two weeks.

His Honour Deputy Judge Johnny Chan handed down his verdict today after commencing to deliver his reasoning yesterday morning.

The case was adjourned until 26 November 2009 for sentencing. The four were allowed bail of \$200,000 each.

"Market manipulation is a serious crime of dishonesty designed to defraud the investing public for illegal profit. In this case, we alleged the market was given an entirely false picture of the market for shares in this company, giving a falsified value to the tune of \$4 billion," said Mr Mark Steward, Executive Director of Enforcement of Securities and Futures Commission (SFC).

"Criminals who think they can take advantage of innocent investors by falsifying the market are on notice by this result that the SFC will fight them all the way," added Mr Steward.

An SFC investigation alleged that from 1 August to 5 September 2005, the four conspired to create a false or misleading impression with respect to the market for ASH Group shares in breach of section 295 of the SFO (Note 2).

The SFC also alleged that:

- the group's trading activities were effectively rigged, producing a false picture of the depth and liquidity in the market for ASH Group shares;
- the effect of the false trading raised the share price of ASH Group by 78%, ramping up the company's market capitalisation by \$4 billion;
- Chan Chin Yuen funded trading conducted by the other three who traded largely among themselves; and
- the group's trading constituted more than 50% of ASH Group shares traded during the period on turnover of approximately \$190 million.

Chan Chin Tat and Chui are also charged with the offence of failing to answer questions as required under the SFO during the SFC investigation without reasonable excuse. The trial for this additional offence is scheduled to start on 17 December 2009.

The case was prosecuted by the Department of Justice on behalf of the Hong Kong SAR.

End

Notes:

1. The SFC laid the charges in 2008 and the defendants first appeared in the Magistrates Court on 10 July 2008 before it was transferred to the District Court for trial on indictment on 7 August 2008. Please refer to the SFC's press releases dated [10 July 2008](#) and [7 August 2008](#).
2. The maximum penalty for breach of section 295 of the SFO -- 10 years in jail and a fine of \$10 million -- can only be imposed upon conviction by indictment.

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