

8 December 2011

Fund manager acquitted of market manipulation

The Eastern Magistracy today found a fund manager, Mr Liang Jiang, not guilty of false trading that took place during the global financial crisis in 2008.

Liang faced 13 charges that he intended that or was reckless as to whether his trading had the effect of creating a false or misleading appearance with respect to the market for, or the price for dealings in securities, contrary to section 295 of the Securities and Futures Ordinance.

The court heard that on the last trading days of each month between June and December 2008, Liang placed orders for Foundation China Opportunity Fund Ltd (the Fund) and his wholly owned company, Bridge Investment Advisors Ltd, to purchase shares of Shun Ho Resources Holdings Ltd (SHR) and Shun Ho Technology Holdings Ltd (SHT) (Note 1).

The Securities and Futures Commission (SFC) alleged that these share acquisitions intentionally raised the closing prices of SHR and SHT on those days and thus “pumped up” the month-end net asset values of the Fund during that six-month period.

In deciding to acquit Liang, Magistrate Mr Henry Mierczak said that although Liang’s actions were suspicious, he could not be satisfied that each element of the offence had been made out beyond a reasonable doubt. He considered that Liang could have been carrying out portfolio rebalancing for the Fund during the global financial crisis to maintain a holding of 30% of SHR and SHT in the Fund as Liang claimed.

The Magistrate ordered the SFC to pay Liang’s costs.

The SFC has asked for written reasons and will study them before deciding whether to lodge an appeal.

Note:

1. Shun Ho Resources Holdings Ltd and Shun Ho Technology Holdings Ltd are listed on the Stock Exchange of Hong Kong.

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