

## Enforcement Actions

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**3 August 1999**

### **The SFC's Successful Prosecution for Market Manipulation**

The Securities and Futures Commission (SFC) announced today that it had successfully prosecuted Mr. LAU Kin Chung for manipulating the share price of South East Asia Wood Industries Holdings Limited (SEA Wood). Mr. LAU pleaded guilty before Ms Pang Ip Tsui-Yuk at Western Magistracy to a total of 4 summonses in relation to his employment of improper trading practices during the period April 1998 to July 1998 and he was fined \$80,000 and ordered to pay costs of \$50,000 to the SFC.

An investigation launched by the SFC into unusual price movements in SEA Wood shares found that Mr LAU, the Vice President of SEA Wood, since the listing of SEA Wood shares in September 1997 to March 1998, had by April 1998 accumulated a large number of SEA Wood shares. However, since September 1997 the price of SEA Wood shares had declined from about \$2 to \$0.38 by March 1998. In order to protect the value of his investment and arrest this decline in price, Mr. LAU conducted a series of trades in SEA Wood shares with the intention of creating a false and misleading appearance of active trading in the said shares. Such trading was in contravention of section 135(1)(a) of the Securities Ordinance.

As part of this scheme Mr. LAU also bought and sold SEA Wood shares from and to himself through his trading accounts maintained at 2 different brokerage houses. These fictitious transactions involved no change in beneficial ownership and were in contravention of section 135(3) of the Securities Ordinance.

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