

## Enforcement Actions

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12 May 2003

### SFC Welcomes Sentencing on Gay Giano Case

The SFC welcomes that deterrent prison sentences have been passed on two persons manipulating Hong Kong stocks.

District Court Deputy Judge H F Woo today sentenced former Chairman of Gay Giano International Group Ltd, Mr Cheung Sing Chi, and his brother, Mr Cheung For Sang, who was a manager of the company, to 16 months and 13 months of imprisonment respectively. They were last month convicted of conspiracy to defraud investors by market manipulation. Both were also disqualified under the Companies Ordinance for becoming directors and prohibited from involvement in the management of any company for three years.

The Deputy Judge indicated that it was appropriate in the case to pass a sentence that was near to the maximum under the Securities Ordinance. The Securities Ordinance, replaced by the Securities and Futures Ordinance since 1 April 2003, imposed a maximum 24-month imprisonment for market manipulation.

Under the SFO, a person convicted of market manipulation is liable to imprisonment for 10 years and a \$10 million fine on indictment, or to imprisonment for three years and a \$1 million fine summarily.

Mr Alan Linning, SFC's Executive Director of Enforcement, said: "Deputy Judge Woo has sent a clear message that fraud and market manipulation by shareholders, directors and those involved in the operation of listed companies in Hong Kong will not be tolerated."

"The SFC is pleased that the Deputy Judge has imposed deterrent custodial sentences to reflect the flagrant and deliberate breach of trust committed by the defendants. It is vital for the integrity of the market and confidence of investors in the Hong Kong market," he said.

Mr Linning said the case, which stemmed from SFC's inquiries into suspected market manipulation, demonstrated the excellent liaison between the SFC and Police.

A member of the SFC enforcement staff was accepted as expert witness in the Police prosecution.

"The Commercial Crime Bureau of the Police and the SFC have co-operated closely in assisting the prosecution and it's a credit to all those involved that all persons committed for trial have been convicted," Mr Linning added.

Two other persons were last year given suspended prison sentence and a maximum Community Service Order respectively for their roles in the manipulation of Gay Giano shares.

The SFC has identified market misconduct including market manipulation and insider dealing as a priority enforcement area this year.

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