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Court Dismisses Appeals by Daido Group Limited and To Shu Fai

The High Court has dismissed appeals by Daido Group Limited and its former chairman Mr To Shu Fai against their convictions in April 2007 for providing false or misleading information to the SFC (Note 1).

The case concerned information provided by Daido Group to the Stock Exchange of Hong Kong (SEHK) following a sudden rise in turnover for Daido Group shares on 16 October 2003 (Note 2).

SEHK had asked Daido Group to check whether any of its directors had bought or sold shares that day or whether there was any other disclosable information that should be announced to the market. Daido Group's announcement to SEHK stated that it was not aware of any reason for the increased turnover.

The trial court found that Daido Group and To were reckless in not ensuring the response to SEHK was complete, accurate and not misleading because they knew or should have known about the sale of the 200 million shares that day in Daido Group by Top Synergy Associates Ltd, a company associated with To.

The Hon Madam Justice Beeson found no basis to disturb the findings of the trial court. In her judgement, The Hon Madam Justice Beeson stated: "The SFC considers it important that directors take their duties seriously and part of that duty is that directors take responsibility for the accuracy of any announcements made to the public about shares under these provisions." (Note 3)

Mr Mark Steward, the SFC's Executive Director of Enforcement, said: "This decision confirms the obligation of listed company directors to make proper inquiries when responding to Stock Exchange queries and to ensure that the responses do not mislead the investing public."

The trial court imposed fines of \$50,000 each on Daido Group and To.

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