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Trio guilty of share options and listing fraud

09/06/2011

The former chairperson of two listed companies and two other persons, charged by the ICAC, were today (Thursday) convicted by a District Court judge of their roles in a listing fraud and share options scam after the judge had spent three days in reading his verdict.

Lily Chiang, 50, former chairperson of a listed company formerly known as Pacific Challenge Holdings Limited (PCH), and Shah Tahir Hussain, 48, former executive director of PCH, were found guilty of a joint charge of conspiracy to defraud.

Chiang, also former chairperson of publicly listed Eco-Tek Holdings Limited (Eco-Tek), and Pau Kwok-ping, 57, former chief executive officer of Eco-Tek, were convicted of two joint charges - one of fraud and one of authorising the issue of a prospectus containing an untrue statement.

Judge Albert Wong Sung-hau adjourned the case for mitigation tomorrow (Friday). The defendants were remanded in the custody of the Correctional Services Department.

The case arose from a corruption complaint. Subsequent ICAC enquiries revealed the above offences.

The court heard that on April 22, 2002, a few days before a company announced its intention to acquire PCH, Chiang and Shah concurred to announce that the board of directors had approved the granting of 23,880,000 share options to 10 employees.

But these grantees were junior staff, including Chiang's personal driver, a personnel and administration officer, and three mainland staff of a subsidiary of PCH hired at a monthly wage of RMB1,000. Under Chiang's instruction, the said five grantees held the share options on her behalf. After they had surrendered the share options to the company that acquired PCH, Chiang received about HK\$3 million from them.

Chiang and Shah had never disclosed to the Stock Exchange of Hong Kong (SEHK) and the Securities and Futures Commission that the said grantees were not the true owners of the share options. Had SEHK known the matter, they would have made enquiry into the potential breaches of the listing rules.

The court also heard that Eco-Tek applied for listing on the Growth Enterprise Market (GEM) of SEHK in June 2001.

On November 21, 2001, Chiang and Pau authorised the issue of a prospectus containing an untrue statement, claiming that 8,844,800 shares had been allotted to an administration manager as an incentive and that the administration manager was not connected with Eco-Tek, its directors, chief executive, substantial shareholders or initial management shareholders.

In fact, shortly before the listing of Eco-Tek, Pau asked the administration manager, who was actually the personal assistant of Chiang, to hold Eco-Tek shares as a nominee.

After the listing of Eco-Tek on December 5, 2001 and allotment of 8,844,800 shares to the personal assistant, Chiang asked the personal assistant to transfer 8,000,000 Eco-Tek shares to another company and to sell the remaining 844,800 shares at a total of HK\$370,000. Chiang received HK\$340,000 as profits from the sale.

Had SEHK been made aware of the matter, those shares would have been required to be locked up for a moratorium period of 12 months as Chiang was regarded as an initial management shareholder under the listing rules of GEM, the court was told.

The prosecution was today represented by Senior Counsel Simon Westbrook and Senior Public Prosecutor Anthony Chau, assisted by ICAC officer Chris Lai.