



British Columbia Securities Commission

2016 BCSECCOM 25

### Notice of Hearing

**Pegasus Pharmaceuticals Group Inc., Careseng Cancer Institute Inc.,  
Winter Huang, also known as Dong Huang, and  
Vicky Dancho, also known as Ju Huang**

**(collectively, the Respondents)**

#### **Section 161 of the *Securities Act*, RSBC 1996, c. 418**

- ¶ 1 The British Columbia Securities Commission (Commission) will hold a hearing (Hearing) at which the Executive Director will tender evidence, make submissions and apply for orders against the Respondents under sections 161, 162 and 174 of the *Securities Act*, RSBC 1996, c. 418 (the Act), based on the following facts:

#### **Background**

1. Pegasus Pharmaceuticals Group Inc. (Pegasus) is a company incorporated in British Columbia, operating from an office in Richmond. Pegasus claims that it is a high-tech biopharmaceutical group of companies involved in the research, development, and production of healthcare products and medical services.
2. Careseng Cancer Institute Inc. (Careseng Cancer) is a company incorporated in British Columbia, sharing the Pegasus Richmond office space.
3. Winter Huang, also known as Dong Huang, (Huang) was a resident of British Columbia and a director and controlling mind of Pegasus and Careseng Cancer.
4. Vicky Dancho, also known as Ju Huang, (Dancho) is Huang's sister and a resident of Richmond, British Columbia. Dancho was a director, the CEO, and the President of Careseng Cancer.
5. None of the Respondents have ever been registered under the Act in any capacity.



### **Illegal Distribution**

6. Between April 2008 and August 2012 (the Illegal Distribution Period), Pegasus raised approximately USD \$65 million by issuing approximately 1800 Pegasus bonds in 11 series to investors in Taiwan.
7. Pegasus issued the 11 series of Pegasus bonds purportedly for different business projects under its control. Each bond consisted of an investment certificate and a promissory note.
8. Huang signed investment certificates and promissory notes as Chairman or director, and President of Pegasus.
9. Approximately 800 of the promissory notes issued in the Illegal Distribution Period totaling approximately USD \$25.6 million stated that Careseng Cancer guaranteed repayment of principal at maturity. Dancho signed these promissory notes as a director of the guarantor, Careseng Cancer. Approximately USD \$22.9 million of these promissory notes were for investments to which no exemptions applied.
10. Pegasus did not file a prospectus or exempt distribution reports with the Commission for distributions of Pegasus bonds.
11. Pegasus and Huang contravened section 61 of the Act by distributing approximately USD \$56 million of the Pegasus bonds without a prospectus for which no exemptions applied.
12. Huang, as director and control person of Pegasus, also contravened section 61 of the Act by authorizing, permitting or acquiescing in Pegasus' contravention of the same provision under section 168.2 of the Act.
13. Careseng Cancer and Dancho contravened section 61 of the Act by performing acts in furtherance of Pegasus' trades in Pegasus bonds by guaranteeing approximately USD \$22.9 million of them, for which no exemptions applied.
14. Dancho, as director of Careseng Cancer, also contravened section 61 of the Act by authorizing, permitting or acquiescing in Careseng Cancer's contravention of the same provision under section 168.2 of the Act.



## **Fraud**

### ***Georgia Bonds***

15. Between January 2011 and August 2012, Pegasus raised approximately USD \$15.4 million in four series of Pegasus bonds related to projects in the Republic of Georgia (the Georgia Bonds).
16. Pegasus' promotional materials for the Georgia Bonds stated that the capital would be used for two projects:
  - (a) in three series of bonds, for construction works on the National Cancer Centre in Georgia; and
  - (b) in one series of bonds, to build pharmaceutical manufacturing facilities in Georgia.
17. Only approximately USD \$1.4 million was put towards the Georgian projects. Instead, Pegasus used approximately USD \$14 million of investors' funds from the Georgia Bonds to make payments to earlier investors, pay commissions to Pegasus bonds sales agents, and for Pegasus' operational costs unrelated to Georgia.
18. Each time Pegasus raised money by issuing an investment certificate to an investor in the Georgia Bonds as described in paragraphs 15 through 17 of this Notice of Hearing, Pegasus perpetrated fraud against investors, contrary to section 57(b) of the Act.
19. Huang, as director and control person of Pegasus, authorized, permitted or acquiesced in Pegasus' contraventions of section 57(b) of the Act, and therefore contravened the same provision under section 168.2 of the Act.

### ***Dalian Bonds***

20. Between January 2011 and August 2012, Pegasus raised approximately USD \$11.1 million in three series of Pegasus bonds related to a project in Dalian, China (the Dalian Bonds).
21. Pegasus' website and promotional materials for the Dalian Bonds made it seem that the capital would be used for the Dalian BioPark project.
22. Only approximately USD \$560,000 was put towards the Dalian BioPark project. Instead, Pegasus used approximately USD \$10.6 million of investors' funds from the Dalian Bonds to make payments to earlier investors, pay commissions to Pegasus bonds sales agents, and for Pegasus operational costs unrelated to Dalian.



23. Each time Pegasus raised money by issuing an investment certificate to an investor in the Dalian Bonds as described in paragraphs 20 through 22 of this Notice of Hearing, Pegasus perpetrated fraud against investors, contrary to section 57(b) of the Act.
24. Huang, as director and control person of Pegasus, authorized, permitted or acquiesced in Pegasus' contraventions of section 57(b) of the Act, and therefore contravened the same provision under section 168.2 of the Act

#### ***Careseng Cancer Guarantees***

25. Between January 2006 and August 2012, Careseng Cancer guaranteed the principal of approximately 1300 Pegasus bonds through the issuance of promissory notes totaling approximately USD \$38 million.
26. Pegasus was a party to the promissory notes guaranteed by Careseng Cancer, and Huang signed them.
27. Dancho signed 1100 of these promissory notes totaling approximately USD \$36.4 million as a director of the guarantor, Careseng Cancer.
28. Huang and Dancho knew, or ought to have known, that these guarantees were false as Careseng Cancer had no operations, no employees, no revenue, and less than USD \$50,000 in assets.
29. Each time Huang, Dancho, Careseng Cancer and Pegasus participated in the conduct described in paragraphs 25 through 28 of this Notice of Hearing, they perpetrated fraud against investors, contrary to section 57(b) of the Act.
30. Huang, as director of Pegasus, Careseng Cancer, and Dancho, as director of Careseng Cancer, authorized, permitted or acquiesced in Careseng Cancer's and Pegasus' contraventions of section 57(b) of the Act, and therefore contravened the same provision under section 168.2 of the Act.

#### **Hearing Process**

- ¶ 2 The Respondents or their counsel are required to attend at the 12th Floor Hearing Room, 701 West Georgia Street, Vancouver, British Columbia, on Tuesday, February 23, 2016, at 9:00 a.m. if they wish to be heard before the Commission sets a date for the Hearing. Relevant information gathered by Commission Staff in the investigation of this matter will be disclosed to the Respondent upon request to the Executive Director.



- ¶ 3 At the Hearing, the Respondents may be represented by counsel, make submissions and tender evidence. The Respondents are requested to advise the Commission of their intention to attend the Hearing by informing the Secretary to the Commission at PO Box 10142, Pacific Centre, 701 West Georgia Street, Vancouver, BC V7Y 1L2; phone: (604) 899-6500; email: commsec@bcsc.bc.ca.
- ¶ 4 If the Respondents or their counsel do not appear at the Hearing, the Executive Director will apply to have questions of liability and sanction heard at the same time. Determinations adverse to the Respondents may be made in their absence.

*Paul C. Bourque*  
*Jan 28 2016 5:45 PM*

- ¶ 5 Paul C. Bourque, Q.C.  
Executive Director