
Enforcement News

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Former investment banker arrested and charged with insider dealing

A former managing director at Morgan Stanley Asia Limited (Morgan Stanley) has been arrested and charged with nine counts of insider dealing and one count of counselling or procuring another person to deal in the shares of a listed company prior to the announcement of an acquisition deal.

Mr Du Jun was detained at the Hong Kong International Airport yesterday after arriving from Beijing and appeared at the Eastern Magistracy before Principal Magistrate Mr Garry Tallentire this afternoon. No plea was taken and the case was adjourned to 5 September 2008 for transfer to the District Court (Note 1).

Du was granted bail on the condition that he pays cash bail of \$500,000. He was also ordered to surrender all travel documents; not to leave Hong Kong and to report to the Central Police Station twice a month.

The arrest was made following an SFC investigation. The charges allege that on nine occasions between 15 February 2007 and 30 April 2007, Du dealt in the shares of CITIC Resources Holdings Limited (CITIC Resources), a company listed on the Stock Exchange of Hong Kong, whilst in possession of material and price sensitive information not known to the market.

The information related to a proposed deal by CITIC Resources to acquire oil field assets, which was announced on 9 May 2007 (Note 2).

It is alleged that Du obtained the information while he was part of a Morgan Stanley team involved in advising CITIC Resources.

The charges relate to a total of 26.7 million shares in CITIC Resources allegedly acquired by Du at a cost of about \$86 million. On 30 April 2007, the last day Du was alleged to have bought CITIC Resources shares, the share price of CITIC Resources closed at \$3.68. The price rose by 13.86% to \$4.19 on the day of the announcement.

Du is also alleged to have counselled or procured his wife Ms Li Xin, who is not facing any charges, to deal in CITIC Resources shares on 27 February 2007.

The SFC acknowledges the assistance of the Commercial Crime Bureau of Hong Kong Police in arresting and charging Du.

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Notes:

1. Mr Du is no longer employed by Morgan Stanley. Du has been residing mainly in Beijing since last year. Morgan Stanley reported Du's trading to the SFC in May 2007. The charges allege offences under section 291 of the Securities and Futures Ordinance (SFO). Morgan Stanley has co-operated fully with the SFC in the investigation.
2. CITIC Resources' announcement to the market concerned the acquisition of the right to buy from CITIC Group its interest in an oilfield in Kazakhstan for US\$1 billion; the issuance of US\$1 billion of bonds to finance the Kazakhstan oilfield acquisition; and the acquisition by CITIC Resources' wholly owned subsidiary of the right to purchase 90% of the issued share capital of Tincy Group Energy Resources Limited which held the right to operate an oilfield in Bohai Bay in China.

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