

Former CITIC Pacific senior executive jailed for insider dealing

27 Nov 2012

The Eastern Magistracy today sentenced Mr Simon Chui Wing Nin, a former assistant director of finance at CITIC Pacific Limited (CITIC Pacific), to 15 months of imprisonment following his conviction on two counts of insider dealing in the company's shares prior to a profit warning issued in October 2008 (Note 1).

Chui was also fined a total of \$1,018,855 and ordered to pay investigation costs of \$228,469 to the Securities and Futures Commission (SFC).

The amount of the fine effectively disgorged the benefit earned by Chui from his trading being a loss avoided of \$1.36 million (Note 2).

He was also disqualified from being a director of corporations in Hong Kong, including listed corporations for three years.

The Court heard that Chui was involved in assessing the impact of the fall in the Australian dollar in mid 2008 on a number of foreign exchange derivatives contracts, including some target redemption forward contracts in Australian dollar, that CITIC Pacific had entered into to hedge its position in funding an Australian mining subsidiary.

The target redemption forward contracts were like accumulator contracts and required CITIC Pacific to purchase a multiple amount of Australian dollar if it fell below designated strike rates.

By late August 2008, the Australian dollar had fallen significantly against the designated strike prices in the contracts. Chui was involved in calculating the financial impact on CITIC Pacific and knew that CITIC Pacific faced a very substantial mark to market loss that would materially impact the company's financial position.

Whilst in possession of this information and before it was generally available, Chui sold most of his shares in CITIC Pacific.

On 20 October 2008, CITIC Pacific announced a mark to market loss, as at that point, of over HK\$14.7 billion, sending the share price down approximately 60%.

Mr Mark Steward, SFC's executive director of Enforcement said, "There is no excuse for this kind of blatant insider dealing. The SFC will continue to attack all forms of market misconduct to protect and enhance the quality of Hong Kong's markets for the benefit of the investing public in Hong Kong and abroad."

End

Notes:

1. Please see SFC's press releases on [25 August 2011](#), [20 October 2011](#), [29 February 2012](#), [23 April 2012](#) and [26 October 2012](#).
2. The amount of the loss avoided exceeded the jurisdiction of the Magistrates' Court to impose fine at the maximum of \$1 million for an offence.

