

Market Misconduct Tribunal fines Fujikon, its CEO and CFO \$1.5 million in total for late disclosure of inside information

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The Market Misconduct Tribunal (MMT) has found that Fujikon Industrial Holdings Limited (Fujikon), the company's chairman and chief executive officer, Mr Yeung Chi Hung, and its chief financial officer and company secretary, Ms Chow Lai Fung, had failed to make timely disclosure of inside information following proceedings brought by the Securities and Futures Commission (SFC) (Notes 1 to 3).

The MMT ordered Fujikon, Yeung and Chow to pay fines of \$1,000,000, \$300,000 and \$200,000, respectively, after they admitted that they had been late in disclosing inside information on the discontinuance of headphone production for one of the company's top customers. Yeung and Chow also admitted that they had been negligent which resulted in Fujikon's breach of the requirements of the corporate disclosure regime.

The headphone was the only product that Fujikon manufactured for that customer and generated revenue of about \$157 million and \$210 million for Fujikon in the years ended 31 March 2013 and 31 March 2014, representing about 10 per cent and 14 per cent of its revenue in the period. Although Fujikon became aware on 16 April 2014 about the discontinuance of the headphone production, Fujikon did not disclose the inside information until 6 June 2014 – a more than seven-week delay in disclosure (Note 4).

In addition to the fines, the MMT ordered:

- Fujikon, Yeung and Chow to pay the SFC's investigation and legal costs, as well as the costs of the MMT proceedings;
- Fujikon to appoint a SFC-approved independent professional adviser to review its procedures for compliance with the corporate disclosure regime; and
- Yeung and Chow to attend SFC-approved training programme on corporate disclosure regime, directors' duties and corporate governance.

End

Notes:

1. The MMT found that Fujikon breached the disclosure requirement pursuant to section 307B(1) of the Securities and Futures Ordinance (SFO). The MMT also found that Yeung and Chow had been negligent in respect of Fujikon's failure to make timely disclosure, and therefore they were in breach of the disclosure requirements under section 307G(2)(a) of the SFO.
2. Listed corporations must by law disclose inside information that has come to their knowledge as soon as reasonably practicable. Timely disclosure of inside information is central to the orderly operation of the market and underpins the maintenance of a fair and informed market.
3. For more details, please see the SFC's press release dated [10 April 2018](#).
4. Fujikon's announcement on the inside information was published after market close on 6 June 2014. The share price of Fujikon fell 11.42 per cent from \$2.19 on 6 June 2014 to \$1.94 on the following trading day on 9 June 2014, and continued on a downward trend until 17 June 2014.
5. The MMT's report will be available on its website (www.mmt.gov.hk).

Page last updated : 12 Apr 2019