

Takeover insider convicted of insider dealing

5 Aug 2010

A negotiating agent was found guilty in the Eastern Magistracy today of insider dealing while acting as representative of the controlling shareholder in a proposed acquisition.

Mr Pablo Chan Pak Hoe was convicted of one charge of insider dealing after a lengthy trial lasting 15 days. The case was adjourned to 19 August 2010 for sentencing.

The Securities and Futures Commission (SFC) prosecuted Chan following an investigation which found that:

- as a representative of the controlling shareholder of Universe International Holdings Ltd (Universe), Chan took part in the negotiation of a proposed acquisition by Goldwyn Management Ltd (Goldwyn) of Universe shares from the controlling shareholder between March and June 2008;
- between 2 May 2008 and 19 June 2008, Chan purchased a total of 3,880,000 Universe shares whilst in possession of confidential, price-sensitive information about Goldwyn's offer;
- on 19 June 2008, Universe announced that its controlling shareholder was negotiating with an independent third party regarding the disposal of its entire holding of Universe shares and trading in Universe shares was suspended. Trading resumed the following day and the share price of Universe soared by about 40%; and
- Chan promptly disposed of all his Universe shares, making a profit of approximately \$120,000 from the trades.

"It is clear from the evidence that the Defendant received relevant information by virtue of the fact that he was part of the negotiation team. He knew that he had to keep such information confidential," said Magistrate Mr Anthony Yuen.

"Insider dealing is a dishonest act. Chan, as the negotiating agent for the offeree in a proposed takeover, was at the heart of the transaction with privileged access to information. Today's verdict underscores our dedication and commitment to protecting ordinary investors from this type of misconduct," said Mr Mark Steward, the SFC's Executive Director of Enforcement.

"The SFC will continue the fight against market misconduct to ensure ordinary investors can be confident in dealing in Hong Kong's markets," Mr Steward added.

End

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