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Former CITIC Pacific senior executive convicted of insider dealing

26 Oct 2012

Mr Simon Chui Wing Nin, a former assistant director of finance at CITIC Pacific Limited (CITIC Pacific), was today found guilty of insider dealing in the company's shares prior to a profit warning issued in 2008.

Chui was convicted following an eight-day trial in the Eastern Magistracy. He had pleaded not guilty to the two charges. The case was adjourned to 27 November 2012 for sentencing.

The Court heard that Chui was involved in assessing the impact of the fall in the Australian dollar 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 avoiding an alleged notional loss of about HK\$1.36 million.

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

The SFC's Executive Director of Enforcement, Mr Mark Steward said: "Chui knew he held privileged information that the market could not even imagine could be the case. Dishonestly, he took full advantage of it and sold almost his entire holdings. This was blatant insider dealing."

Chui was granted bail and ordered to surrender all travel documents and not to leave Hong Kong pending sentencing on 27 November 2012.

End

Note:

1. Please see SFC's press releases on [25 August 2011](#), [20 October 2011](#), [29 February 2012](#) and [23 April 2012](#).

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