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## Enforcement News

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7 July 2009

### **Former investment banker and fund manager pleaded guilty to insider dealing**

A former investment banker and a former fund manager today have been remanded in jail custody after pleading guilty at the District Court to insider dealing offences committed during a proposed acquisition by JCDecaux Pearl & Dean Ltd (JCDecaux) of Media Partners International Holdings Inc (Media Partners) (Note 1) in 2005.

Allen Lam Kar Fai, a former Director of Investment Banking at CLSA Equity Capital Markets Ltd (CLSA), and Ryan Fong Yen-hwung, a former portfolio fund manager at HSZ (Hong Kong) Ltd (HSZ), were convicted on a total of two charges of insider dealing under section 291 of the Securities and Futures Ordinance (SFO) following an investigation by the Securities and Futures Commission (SFC).

The case is adjourned for sentencing on 13 July 2009.

Prior to this case there had already been seven convictions for insider dealing following investigations by the SFC in the last 12 months.

The SFC found during its investigation that:

- (a) in 2005, CLSA was engaged as the financial adviser for JCDecaux in a proposed acquisition by JCDecaux of 73.38% controlling interests in Media Partners International Holdings Inc (Media Partners) at \$1.141 per share (the Takeover);
- (b) although Lam was not directly involved in the Takeover, as a senior officer at CLSA, he had access to confidential information about the Takeover;
- (c) Lam wrongfully tipped off Fong, a close friend, about the Takeover, knowing the information was confidential and price sensitive;
- (d) Fong illegally purchased a total of 10,626,000 shares in Media Partners for an HSZ fund and for himself at prices ranging from \$0.6 to \$0.83, which are well below the Takeover price, between 21 July 2005 and 12 September 2005;
- (e) the transaction was announced on 21 September 2005 and the share price of Media Partners jumped dramatically;
- (f) Fong sold the shares he bought at prices ranging from \$1.09 to \$1.10, making a profit of \$3,390,000 for the Asia Opportunity Fund, an HSZ fund which he was authorised to trade for, and \$1,026,459 for himself; and
- (g) Lam's wife made an indirect profit from the trading as a result of her interest in the HSZ fund.

The SFC found that Lam and Fong stayed in contact via email about the progress of the Takeover, with Lam updating Fong using a code in which the Takeover was referred to as "the French car". The SFC alleged that the emails about the "French car" mirrored developments and progress of the Takeover in the weeks leading up to its announcement.

End

Note:

1. Media Partners (former stock code 8072) is now de-listed.