

28 June 2012

Retail investor convicted of illegal short selling

The Eastern Magistrates Court today convicted Mr Allan Tsang Kwok Leung after he pleaded guilty to one count of illegal short selling in the shares of Bao Yuan Holdings Limited (Bao Yuan).

The Court fined Tsang \$20,000 and ordered him to pay the Securities and Futures Commission's (SFC) investigation costs.

Tsang and three other defendants, all of whom were convicted of illegal short selling on 31 May 2012, sold shares in Bao Yuan ahead of an 8:1 rights issue in which all four investors were participating (Note 1). Since the number of shares sold was more than their entitlement at the time, their conduct constituted illegal short selling.

There have been several instances in recent times of shareholders selling shares which they expect to receive in rights issues before the allocation of shares has been finalised and the shares have been allotted. This constitutes naked short selling, which is a criminal offence.

End

Note:

1. The Court fined Mr Fung Hon Yue, Mr Yiu Wang Kwong and Ms Caren Lee Siu Fun a total of \$18,000 and ordered them to pay the SFC's investigation costs. Please see SFC's press release dated [31 May 2012](#).

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