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## Director denies insider trading

Former civil aviation chief made almost HK\$80,000 after he used price-sensitive information about Haeco deal to buy shares, court told

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A former director general of the Civil Aviation Department appeared in Eastern Court yesterday accused of using insider information to buy shares in advance of an acquisition of Hong Kong Aircraft Engineering Company, earning almost HK\$80,000 in profit.

Albert Lam Kwong-yu, 66, pleaded not guilty to insider trading. He denied abusing price-sensitive information he obtained as a non-executive director of Hong Kong Aircraft Engineering Company (Haeco (SEHK: [0044](#))) to acquire 4,000 Haeco shares one trading day before Swire Pacific (SEHK: [0019](#)) acquired 15 per cent of the company's stock from Cathay Pacific (SEHK: [0293](#)) on June 7, 2010.



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Albert Lam was a non-executive director of Haeco.

Photo: Dickson Lee



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The alleged misconduct took place ahead of Swire's announcement of a general offer to buy Haeco shares from all shareholders at a price about HK\$20 higher than it closed at on the last trading day.

Lam is being prosecuted by the Securities and Futures Commission for making a profit of HK\$79,436. He has resigned from Haeco.

Augustus Tang Kin-wing, chief executive officer of Haeco, testified yesterday that he told Lam on June 3 about an urgent meeting to be called on the evening of June 4. He called Lam again at about 3.15pm on June 4, informing him that the meeting was in relation to Swire's intended acquisition of 15 per cent of Haeco shares from Cathay, and the buyout would trigger a general offer, Tang said.

On the morning of June 5, Tang said, Lam had called. "[Lam] told me that he mistakenly placed a buy order of 4,000 [Haeco] shares yesterday morning," Tang said. "He said he made a mistake and was willing to take any punishment from the board, including resignation."

Tang said Lam changed his account of the purchase. Tang said Lam first told him that the purchase was made on the morning of June 4. But after he told Lam that the company would include Lam's purchase of stock in a public announcement of the share purchase on June 7, Lam confessed that he bought the 4,000 shares on the afternoon of June 4, after Tang told him why the meeting was being called.

Tang said Lam promised him that he would sell the shares and give all profits to charity.

Prosecutor Allen Lam Ming-yiu, citing transaction records, said that Lam placed the buy order of Haeco shares minutes after he was told of Swire's intended acquisition at the price of HK\$84 apiece.

Trading in Haeco shares was suspended on June 7 when the acquisition took place, the prosecutor said. On the same day, Swire announced a general offer to buy shares from existing shareholder at the price of HK\$105 per share - the same price it offered to Cathay. Trading of Haeco shares resumed on June 8, closing at HK\$104 - about 24.1 per cent

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higher than the price closed at the last trading day before the public announcement, the court heard.

Lam sold the shares on June 9.

With the 15 per cent stake in Haeco acquired from Cathay, Swire held a 60 per cent stake of the firm. Its stake further rose to 75.9 per cent after the general offer.

The trial continues before deputy magistrate John Glass.

Lawrence Lok Ying-kam SC, for Lam, said if the magistrate ruled that there was a case to answer, they would call two witnesses including a medical expert who would give evidence on the effects of alcohol.

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