

**IN THE MATTER OF THE  
SECURITIES AND FUTURES ORDINANCE (CAP 571)  
AND  
IN THE MATTER OF THE LISTED SECURITIES OF  
ABC COMMUNICATIONS (HOLDINGS) LIMITED  
(Stock Code 0030)**

**NOTICE**

**to the Market Misconduct Tribunal pursuant to Section 252(2)  
and Schedule 9 of the Securities and Futures Ordinance (Cap. 571)**

WHEREAS it appears to me that market misconduct within the meaning of Section 270 (“insider dealing”) of Part XIII of the Securities and Futures Ordinance (Cap. 571) has or may have taken place arising out of the dealings in the securities of ABC Communications (Holdings) Limited (Stock Code 0030) (“ABC”), I hereby, pursuant to Section 252(2) and Schedule 9 of the Ordinance, require the Market Misconduct Tribunal to institute and conduct proceedings and determine –

- (a) whether any market misconduct in the nature of insider dealing or otherwise has taken place;
- (b) the identity of every person who has engaged in market misconduct found to have been perpetrated; and
- (c) the amount of profit gained or loss avoided, if any, as a result of the market misconduct found to have been perpetrated.

Persons suspected to have engaged in market misconduct activities

- (a) Vincent SZE Chun Ning (“Sze”), the Executive Director and Managing Director of China Water Industry Group Limited (“China Water”) at the material time;
- (b) WANG Chao, a director and the General Manager of Jinan Hong Quan Water Supply Limited at the material time; and
- (c) GUO Aiwen (“Guo”), the Chairman of Jinan Hong Quan Water Supply Limited at the material time.

Particulars of suspected misconduct activities

- 1. In or about January 2008, 52.59% of the shares in ABC were owned by HCBC Communications (International) Limited (“HCBC”). HCBC was interested in selling those shares.
- 2. In September or October 2007, Andy Cheung Wai Shing (“Cheung”) was told by Sze that he was seeking to buy a listed company. In January 2008, Cheung found out from a solicitor, Lawrence Chan (“Chan”) of Messrs Stephenson, Harwood and Lo, Solicitors, that there was a listed company for sale, i.e. the majority shareholder wanted to dispose of his shares. Chan gave Cheung a written proposal for the sale but did not tell him the name of the company. Cheung informed Sze, who said he was interested and asked Cheung to negotiate the best price possible on his behalf.

3. Cheung was told by Sze in mid-January 2008 that the buyer of the company would be a person named "Mr. Wang", who he understood to be Wang Chao.
4. At the end of February 2008, Chan told Cheung that the company for sale was ABC. Cheung informed Sze of this immediately.
5. The sale and purchase involved a mandatory general offer to the remaining shareholders under the SFC Takeovers Code.
6. Sze instructed Cheung that a BVI company should be acquired to hold the ABC shares to be purchased. As a result, a BVI company called Asian Gold Dragon Ltd. ("AGD") was acquired from an accounting firm by Cheung on behalf of Sze in March 2008. The registered shareholders in AGD are Sze (85%) and a Mainland tour guide named, Lin Qun ("Lin") (15%). Lin took no active part in the affairs of AGD. The true beneficial shareholder and controller of AGD was Wang Chao.
7. Cheung continued to negotiate the sale price with Chan in March and April 2008.
8. On 15<sup>th</sup> April 2008, Sze, on behalf of AGD, met with financial advisors, President Securities (HK) Limited ("PS") and began to discuss the facilities to finance the ABC share purchase. By 25<sup>th</sup> April 2008, PS had sent to Cheung a third draft facility letter for funding of \$90 million to complete the purchase and a second draft placing agreement.

9. On 21<sup>st</sup> April 2008, Partners Capital International Limited ("PC") was approached by PS to act as joint financial advisors to AGD for the purchase. Cheung met with PC staff to discuss the matter on 22<sup>nd</sup> April 2008.
10. On 22<sup>nd</sup> April 2008, Cheung sent PC figures by e-mail showing an estimated offer price for the ABC shares of \$0.4075 per share and the special dividend as \$0.5688 per share.
11. On 30<sup>th</sup> April 2008, Cheung e-mailed PC advanced drafts of the legal documents containing figures of the aggregate consideration and the price of \$0.3992 per share for the ABC shares.
12. On 2<sup>nd</sup> May 2008, Cheung e-mailed PC the final draft of the engagement letter and the deal structure with revised numbers and a calculation including the offer price of \$0.3992 per share and the special dividend at \$0.5866 for the ABC shares.
13. No information appeared in the press or other media in March or up to 28<sup>th</sup> April 2008 about the sale of the ABC shares.
14. On 29<sup>th</sup> April 2008, ABC publicly announced that it was informed by its controlling shareholder HCBC that HCBC was in negotiation with an independent third party in respect of the sale of its controlling shareholding in ABC but that nothing had yet been agreed.
15. On 2<sup>nd</sup> May 2008, trading in ABC shares was suspended pending the release of price sensitive information. The shares remained suspended until 2<sup>nd</sup> June 2008.

16. On 2<sup>nd</sup> May 2008, on behalf of AGD, Sze arranged for a \$20 million cashier's order from the Chiyu Bank to be paid to an escrow agent as a deposit for the purchase of the ABC shares. The proceeds of this cashier's order emanated from Wang Chao.
17. On 30<sup>th</sup> May 2008, ABC announced that AGD had entered into a share purchase agreement with HCBC by which AGD had unconditionally agreed to purchase HCBC's 52.59% shareholding in ABC at approximately \$0.3992 per share with a special dividend of \$0.5866 per share. This meant that ABC shareholders could sell their shares for a guaranteed price of 98.58 cents per share.
18. On 20<sup>th</sup> August 2008, the transfer of the ABC shares to AGD was completed after a final payment to HCBC of \$78,014,865. The proceeds of this payment emanated from Wang Chao.
19. The price of ABC shares on the Stock Exchange of Hong Kong rose 32.3% from the closing price of \$0.62 on 25<sup>th</sup> April 2008 to a closing price of \$0.82 on 30<sup>th</sup> April 2008 with a significant increase in turnover. The total turnover rose from 326,000 shares on 25<sup>th</sup> April 2008 to 24,490,000 shares on 29<sup>th</sup> April 2008. When trading in ABC shares resumed on 2<sup>nd</sup> June 2008, the share price immediately rose to \$1.00, an increase of 21.95%.
20. Between 31<sup>st</sup> March 2008 and 30<sup>th</sup> April 2008, 4,616,000 ABC shares were bought for \$3,310,440 for the share trading account of Guo with First Shanghai Securities Limited ("the Guo account"). The Guo account sold ABC shares on 2<sup>nd</sup> June 2008 (200,000 @ \$1.06) and on 3<sup>rd</sup> June 2008 (600,000 @ between \$0.99 and \$1.01)

after trading in ABC shares resumed. The Guo account continued selling the ABC shares on 31<sup>st</sup> July 2008 (300,000 @ between \$0.99 and \$1.00) and on 1st August 2008 (200,000 @ \$1.00).

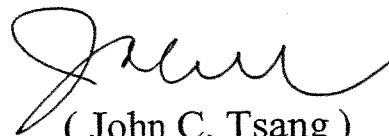
21. In order to fund the purchase of the ABC shares between 31<sup>st</sup> March 2008 and 30<sup>th</sup> April 2008, the Guo account sold only shares in China Water. Those shares were purchased in mid-2007 with the sum of \$12,145,000 provided by Wang Chao through a company called Easygold Investments Limited.
22. During the period between 31<sup>st</sup> March 2008 and 2<sup>nd</sup> May 2008 (“the relevant period”) Sze, Wang Chao and Guo came into possession, directly or indirectly, of specific non-public price sensitive information that AGD would announce and purchase the 52.59% HCBC shareholding in ABC and then make a general offer to shareholders of ABC, which would result in them being able to dispose of their ABC shares at a guaranteed price of 98.58 cents per share. When trading was suspended on 2<sup>nd</sup> May 2008, the closing price of ABC shares had been \$0.82.
23. Telephone records reveal that Sze’s mobile phone contacted Wang Chao’s mobile phone 23 times between 18<sup>th</sup> March 2008 and 30<sup>th</sup> April 2008. There were four such calls before 4.07 pm on 30<sup>th</sup> April 2008, three of which lasted for more than 1.8 minutes.
24. During the relevant period:
  - (a) Sze, who was contemplating or had contemplated making, whether with or without another person, a take-over offer for the corporation ABC at a price of \$0.3992 per share with a

special dividend of \$0.5866 per share and who knew that the information that the offer was contemplated was relevant information in relation to the corporation, directly or indirectly disclosed the information to Wang Chao, knowing or having reasonable cause to believe that Wang Chao would make use of the relevant information to deal in the listed securities of ABC and breached section 270(1)(d), Cap. 571;

- (b) Wang Chao, being a person who was contemplating or had contemplated making, whether with or without another person, a take-over offer for the corporation ABC at a price of \$0.3992 per share with a special dividend of \$0.5866 per share and who knew that the information that the offer was contemplated was relevant information in relation to the corporation, dealt in the listed securities of ABC through the Guo account otherwise than for the purpose of the take-over and breached section 270(1)(b)(i), Cap. 571;
- (c) Wang Chao, being a person who was contemplating or had contemplated making, whether with or without another person, a take-over offer for the corporation ABC at a price of \$0.3992 per share with a special dividend of \$0.5866 per share and who knew that the information that the offer was contemplated was relevant information in relation to the corporation, counseled or procured Guo to deal in the listed securities of ABC shares, otherwise than for the purpose of the take-over and breached section 270(1)(b)(ii), Cap. 571;

- (d) Guo, having received, directly or indirectly, from Wang Chao, a person whom he knew or had reasonable cause to believe was making or contemplating making a take-over offer for the corporation ABC at a price of \$0.3992 per share with a special dividend of \$0.5866 per share, information to that effect which he knew was relevant information in relation to the corporation, dealt in the listed securities of ABC and breached section 270(1)(f)(i), Cap. 571.

Dated this 9<sup>th</sup> day of April 2010.

  
( John C. Tsang )  
Financial Secretary