

**IN THE MATTER OF THE LISTED SECURITIES OF  
ASIA TELEMEDIA LIMITED  
(NOW KNOWN AS REORIENT GROUP LIMITED)  
(STOCK CODE 376)**

**NOTICE TO THE MARKET MISCONDUCT TRIBUNAL  
PURSUANT TO SECTION 252(2) OF AND SCHEDULE 9 OF THE  
SECURITIES AND FUTURES ORDINANCE CAP 571  
("THE ORDINANCE")**

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Whereas it appears to the Commission that market misconduct within the meaning of section 270 ("**Insider Dealing**") of Part XIII of the Ordinance has or may have taken place arising out of the dealings in the securities of Asia TeleMedia Limited (now known as Reorient Group Limited) (Stock Code 376) ("**ATML**"), the Market Misconduct Tribunal is hereby required to conduct proceedings and determine:

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

**Persons suspected to have engaged in market misconduct activities**

Lu Ruifeng ("**Lu**")

Yiu Hoi Ying ("**Charles**")

Wong Nam, Marian ("**Marian**")

Ho King Lin, Cecilia ("**Cecilia**")

### Statement for institution of proceedings

1. ATML was at all material times a listed company on the Stock Exchange of Hong Kong with stock code 376. Between 1<sup>st</sup> February 2007 and 6<sup>th</sup> June 2007, the following were officers and/or employees of ATML:

Lu	Chairman, CEO, Executive Director and substantial shareholder
Charles	Director of Finance and Executive Director
Marian	Company Secretary
Cecilia	Assistant Company Secretary

2. China United Telecom Ltd. ("**China United**") was a company in which Asia TeleMedia Holdings Limited ("**ATMHL**") held 35% of the issued share capital. ATMHL was 100% owned by Lu who was the only person authorised to operate the securities account of China United.
3. Clear Excel Limited ("**Clear Excel**") was a BVI company owned and controlled by Lu.
4. Kayden Limited ("**Kayden**") was a BVI company owned by the Kayden Trust as an investment holding company. Lu in substance controlled the assets of the Kayden Trust with the power to revoke the trust in which case the assets of the trust would revert to Lu.
5. Yao Wen Pei ("**Yao**") is the father of Charles and an acquaintance of Lu. He held no office or employment with ATML, but was a director and sole shareholder of TeleMedia Capital Inc. ("**TCI**").
6. At some time in or before 2002, Mansion House Group Limited (the previous name of ATML) became indebted to one Liu Lien Lien. Between July 2002 and May 2006, there were negotiations and agreements between Liu Lien Lien and Mansion House Group Limited/ATML as to repayment of this debt. During the period of these negotiations and agreements, Lu Lien Lien served five statutory demands on Mansion House Group Limited/ATML at various different times. None of these statutory

demands appear to have been followed up by any legal action and instead repayment arrangements were agreed between Liu Lien Lien and Mansion House Group Limited/ATML.

7. By a deed of assignment dated 1<sup>st</sup> February 2007 (“**the Assignment**”), Liu Lien Lien assigned the debt, comprising outstanding principal of HK\$58,083,992.133, interest and legal costs, to Goodpine Limited (“**Goodpine**”). Goodpine agreed to pay HK\$25,000,000 as consideration for the Assignment. On 5<sup>th</sup> February 2007, Goodpine, through its solicitors, Woo Kwan Lee and Lo (“**WKLL**”), sent a notice of the Assignment together with a demand for payment to ATML via its solicitors, Chiu & Partners. By an email dated 6<sup>th</sup> February 2007, Chiu & Partners advised ATML that it did not seem to have a real defence to the demand from Goodpine. On 2<sup>nd</sup> March 2007, WKLL provided Chiu & Partners with a copy of the Assignment.
8. On 20<sup>th</sup> April 2007, ATML published its final results for the year ended 31<sup>st</sup> December 2006. These revealed inter alia that ATML had a cash balance of HK\$12,432,308. The final results also disclosed that ATML had consolidated total assets of HK\$132,045,000 compared to consolidated total liabilities of HK\$190,583,000. The auditors disclaimed their opinion in respect of a material uncertainty relating to the going concern basis of ATML noting that “[p]rovided that the repayment arrangement for the [Debt] can be agreed upon and provided that income generating investments are injected into the Group, the directors of [ATML] are satisfied that the Group will be able to meet in full its financial obligations as they fall due for the foreseeable future. The auditors were unable to obtain sufficient evidence to assess whether any impairment should be recognised in respect of an amount equivalent to HK\$27,725,067. They also declined to express an opinion on the financial statements as to whether they gave a true and fair view of the state of ATML’s affairs.
9. On 26<sup>th</sup> April 2007, WKLL on behalf of Goodpine sent a statutory demand (“**the Statutory Demand**”) to ATML demanding payment of HK\$70,270,491.357 (comprising outstanding principal, interest up to and including 25<sup>th</sup> April 2007 and legal costs) within 21 days, failing which Goodpine would issue proceedings for the winding-up of ATML.

10. ATML, through Chiu & Partners, responded with letters dated 7<sup>th</sup> May 2007 and 22<sup>nd</sup> May 2007. The first of these offered to pay HK\$8,000,000 by instalments in full and final settlement of Goodpine's claim. The second offered the same sum as a lump sum payment. There was no reply to either letter.
11. On 6<sup>th</sup> June 2007, Goodpine served a winding-up petition on ATML. ATML's shares were suspended from trading before market opening on 7<sup>th</sup> June 2007. The closing price on 6<sup>th</sup> June 2007 was HK\$0.83. Thereafter on 15<sup>th</sup> June 2007, ATML announced that it had been served with a winding-up petition by Goodpine ("**the Announcement**"). Trading remained suspended until 18<sup>th</sup> October 2007 and on the resumption of trade the share price dropped 62% to HK\$0.315.

#### Trading in ATML shares

12. On 23<sup>rd</sup> March 2005, Lu, Charles, Marian and Cecilia had been granted options in ATML's shares at an exercise price of HK\$0.2 per share as follows:

Lu	1 million share options
Charles	8 million share options
Marian	8 million share options
Cecilia	3 million share options

These options were exercisable until 22<sup>nd</sup> March 2010.

13. On 7<sup>th</sup> May 2007, Marian and Cecilia were granted further options in ATML's shares at an exercise price of HK\$0.4 per share as follows:

Marian	5 million share options
Cecilia	1 million share options

These options were exercisable until 6<sup>th</sup> May 2009.

14. Lu, Charles, Marian, Cecilia and Yao sold ATML shares on various dates between 26<sup>th</sup> February 2007 and 5<sup>th</sup> June 2007 as set out below:

<u>Date</u>	<u>No. of shares</u>	<u>Price per share (HK\$)</u>
<u>Lu (through China United account)</u>		
4 – 25/4/07	5.5 million	0.39 – 0.4923
26/4 – 30/5/07	50.75 million	0.4 – 0.8965
<u>Lu (through his personal account)</u>		
14/5/07	0.5 million	0.65
23/5/07	0.5 million	0.66
(These shares were obtained by Lu as a result of exercising share options at \$0.20 for 1 million ATML shares on 14 <sup>th</sup> and 23 <sup>rd</sup> May 2007 respectively.)		
<u>Charles</u>		
28 – 31/5/07	6 million	0.85 – 0.91
(These shares were obtained by Charles as a result of exercising share options at \$0.20 for 6 million shares between 28 <sup>th</sup> and 31 <sup>st</sup> May 2007.)		
<u>Marian</u>		
28/2 – 26/4/07	6.2 million	0.37 – 0.494
27/4 – 5/6/07	3.8 million	0.395 – 0.98
(These shares were obtained by Marian as a result of exercising share options for 8 million shares at \$0.20 and for 2 million shares at \$0.40.)		
<u>Cecilia</u>		
26/2 – 19/4/07	2.7 million	0.2938 – 0.495
11 – 31/5/07	0.9 million	0.5017 – 0.96
(These shares were obtained by Cecilia as a result of exercising share options at \$0.20 for 3 million shares and at \$0.40 for a further 1 million shares.)		
<u>Yao (through TCI account on behalf of Lu)</u>		
21/3 – 20/4/07	9 million	\$0.385 – 0.509
14 – 25/5/07	48.6 million	0.63 – 0.903

15. The Commission contends that Yao was acting as a nominee for Lu in conducting the trades through the TCI account. Yao was a friend of Lu, and of the sale proceeds of the trades by Yao through the TCI account, HK\$1.25 million was paid to Clear Excel (Lu's company) and the balance of HK\$37.7 million was paid to Yao's wife, from whose account HK\$32.4 million was transferred to Kayden (Lu's trust company).

16. Each of the above persons sold ATML shares after notice of the Assignment had been sent to ATML, but before the existence of the Assignment had become public knowledge; and also each of them sold ATML shares after service of the Statutory Demand on ATML but before the existence of the Statutory Demand had become public knowledge.
17. The Commission relies on the Assignment and notice thereof on 1<sup>st</sup> and 5<sup>th</sup> February 2007 respectively, and the Statutory Demand from Goodpine on 26<sup>th</sup> April 2007, as being relevant information within the meaning of section 245 of the Ordinance. It was specific information about ATML “*which [was] not generally known to the persons who are accustomed or would be likely to deal in the listed securities of [ATML] but which would if it were generally known to them be likely to materially affect the price of the listed securities*”. The information did not become generally known until the Announcement of 15<sup>th</sup> June 2007.
18. All 4 persons suspected of insider dealing were connected with ATML within the definition of section 247 of the Ordinance, by virtue of their positions as set out in paragraph 1 above. The evidence will show that at the time that they sold the ATML shares they had the relevant information, and must have known it to be relevant information.
19. Accordingly, by reason of the matters set out above, Lu, Charles, Marian and Cecilia engaged or may have engaged in market misconduct, namely insider dealing contrary to section 270 of the Ordinance.

Dated this 16<sup>th</sup> day of January 2014.

*Securities & Futures Commission*  
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