

**IN THE MATTER OF THE LISTED SECURITIES
OF MOBICON GROUP LIMITED
(Stock Code 1213)**

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

**AMENDED PURSUANT TO SECTION 15 OF
SCHEDULE 9 OF THE ORDINANCE BY ORDER OF
THE MARKET MISCONDUCT TRIBUNAL**

WHEREAS it appears to me that market misconduct, within the meaning of section 274 ("False Trading") of Part XIII of the Ordinance, has or may have taken place in relation to the securities of Mobicon Group Limited (Stock Code 1213) ("the Company"), 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; and
- (c) the amount of any profit gained or loss avoided as a result of the market misconduct.

Persons Specified

Mr Hung Kim Fung, Measure ("Hung") and Mr Yeung Kin Kwan, Alvan ("Yeung")

Statement for institution of proceedings

1. At all material times, Hung was the Company's Chairman, Yeung was the Company Secretary and Mr Chan Siu Wah, Simon ("Chan") was the Company's Assistant Export

Manager. Tam Kwok Wai, Laurence (“Laurence Tam”) was an employee of the Company, having the title of Manager of the Export Department. Fan Suk Han, Vicky (“Vicky Fan”) was employed by the Company as an accountant. Cheung Chiu Hing, Marcel (“Marcel Cheung”) was a senior executive of the company and a director of a subsidiary company of the Company. Yu Min Yin was and is the wife of Marcel Cheung.

2. Between 1 April 2003 and 25 May 2005 (“the specified period”), the Company shares were thinly traded in the Stock Exchange of Hong Kong within a narrow price range. During the specified period, which consisted of 510 trading days, there was trading on only 209 days and no trading at all on other days.
3. In Chan’s interviews with the Securities and Futures Commission (“SFC”), Chan initially said that he had asked Yeung to trade the Company shares for him, but he later admitted to the SFC that actually Hung had asked him to lie to the SFC, and the truth was that the Company shares in his 2 securities accounts with Wing Hang Shares Brokerage Co Ltd and another firm did not belong to him. He did not know the details of the trading conducted in those accounts. He had been asked by Ho Siu Wan (“Ho”), the Company’s Financial Controller, to open the 2 accounts for holding some of Hung’s Company shares. Ho had also told him to open a current account with Wing Hang Bank and asked him to pre-sign cheques for the purpose of settlement of the trading conducted in those securities accounts.
4. From the computer of Ho, there were e-mails showing that Yeung had instructed Ho to arrange transfers between the bank accounts and securities accounts of M-Bar Limited (a company controlled by Hung) and those of a number of Company employees (including Yeung and Chan). Chan’s pre-signed cheques relating to Wing Hang Bank current account were also found in the desk of Ho.
5. The account opening documentation and internet password of Chan’s securities account with Wing Hang Shares Brokerage Co Ltd were found in the office of Yeung.
6. From the computer of Hung, there were e-mails showing that since 2003 Yeung had been reporting to Hung the number of Company shares held by various employees, including

Yeung, Chan, Laurence Tam, Vicky Fan, Marcel Cheung and his wife and non-employee Yu Min Yin. Those e-mails were also concerned with the disposition of the dividend on the Company shares held in the accounts of those persons to Hung and his wife through accounts under the control of Hung.

- 6A. Laurence Tam opened a securities account with HanTec International Finance Group Ltd (also known as HT Securities Ltd) on 20 April 2001. From 3 May 2001 until 31 March 2003, only shares of the Company were bought and sold through this account. At the commencement of the specified period, the account in the name of Laurence Tam held 9.75 million Company shares. On 26 March 2003, a cheque in the sum of \$3,000,000 from an account under the control of Hung was deposited into the securities account in the name of Laurence Tam.
- 6B. During the specified period, through the securities account in his name, Laurence Tam bought a total of 50,000 Company shares and sold 1,760,000 Company shares, which represented 0.27% of market purchases and 9.53% of market disposals. There were 21 separate transactions. Of those transactions :
- (a) 12 were fully matched with purchases by Vicky Fan and 1 was partially matched with Vicky Fan;
 - (b) none were fully matched with purchases by Yeung and 1 was partially matched with Yeung; and
 - (c) none were fully matched with purchases by Chan and none were partially matched with Chan.
- 6C. During the specified period, on or shortly after the date upon which the dividend paid by the Company was paid into the securities account in the name of Laurence Tam, a demand was made by Hung and Yeung or persons acting on their behalf for Laurence Tam to pay an amount representing part of the dividend so received. The amount so demanded was calculated on the basis that only 3.5 million of the shares held in securities accounts in his name belonged to him and that the dividends paid on shares in excess of that amount were to be remitted to a bank account under the control of Hung. As required, Laurence Tam made such payments.

- 6D. Vicky Fan opened a securities account with Phillip Securities (Hong Kong) Limited on 30 January 2004. From that date until the conclusion of the specified period, through the account in the name of Vicky Fan a total of 2,814,000 Company shares were purchased and 914,000 Company shares were sold, which represented 15.23% of market purchases and 4.95% of market sales. There were 37 separate transactions. Of those transactions :
- (a) 12 were fully matched with purchases by Lawrence Tam and 1 was partially matched with Lawrence Tam;
 - (b) 6 were fully matched with purchases by Yeung and 4 were partially matched with Yeung; and
 - (c) none were fully matched with purchases by Chan and 2 were partially matched with Chan.
- 6E. Between the time of the opening of the securities account in the name of Vicky Fan until the end of the specified period Vicky Fan, as required by Hung and Yeung or persons acting under their direction remitted to bank accounts under the control of Hung the whole of the dividend paid in respect of the Company shares in her securities account and did so.
- 6F. Chan opened a securities account with Wing Hang Shares Brokerage Co Ltd on 26 February 2003. During the specified period, through the account in the name of Chan a total of 4,116,000 Company shares were purchased and 1,316,000 Company shares were sold, which represented 20.2% of market purchases and 6.45% of market sales. There were 155 separate transactions. Of those transactions :
- (a) none were fully matched with purchases by Lawrence Tam and none were partially matched with Lawrence Tam;
 - (b) 40 were fully matched with purchases by Yeung and 7 were partially matched with Yeung; and
 - (c) none were fully matched with purchases by Vicky Fan and 2 were partially matched with Vicky Fan.

- 6G. Between 19 February 2004 and 18 June 2004 Laurence Tam, as required by Hung and Yeung or persons acting under their direction, remitted funds derived from the sale of shares in the securities account in his name to a bank account under the control of Hung, which funds were used to purchase Company shares through the securities account in the name of Vicky Fan.
- 6H. Marcel Cheung, through securities accounts with the Wing Lung Bank, Golden Fountain Securities Ltd. in his own name and Everlong Securities Co Ltd, HanTec International Finance Group Ltd and a securities account with the Bank of China in the name of Yu Min Yin, traded or permitted Hung and Yeung to trade in shares of the Company. Marcel Cheung opened current and saving accounts with the Wing Lung Bank. The securities and bank accounts were opened in or about April or May 2001. The bank accounts were operated by or on behalf of the Hung and Yeung to fund or substantially fund the purchase of shares in the Company in the accounts previously mentioned in this paragraph and accounts in the name of Chan, Yeung Vicky Fan and Laurence Tam. During the course of the trading activity described in this paragraph, there were, at various times, matched trades of shares in the Company between the accounts in the name of Marcel Cheung and Yu Min Yin and accounts in the name of Chan, Yeung, Laurence Tam and Vicky Fan. Most of these matched trades were fully matched. A few were partially matched.
- 6I. Throughout the specified period Marcel Cheung and Yu Min Yin, as required by Hung and Yeung or persons acting under their direction, remitted to bank accounts under the control of Hung the whole of the dividends paid in respect of their company shares in their respective accounts.
7. In Yeung's interviews with the SFC, Yeung said he was authorized by Chan to trade on Chan's behalf. On being asked why he sometimes bought the Company shares for Chan while selling his (Yeung's) own shares at the same time, Yeung claimed that the matched transactions were purely a matter of coincidence, and he was not aware that he and Chan were the opposite parties in those transactions.

7A. During the specified period, Yeung, Chan, Vicky Fan and Laurence Tam, in aggregate, bought 10,230,000 Company shares and sold 7,934,000 Company shares, representing 55.38% of market purchases and 42.95% of market sales. Out of 510 trading days during the specified period, transactions were found on only 209 trading days with turnover averaged at 88,383 Company shares. The number of matched trades amongst Yeung, Chan, Vicky Fan and Laurence Tam amounted to 4,732,000 Company shares, representing 25.62% of market turnover during the specified period or 46.26% of their total purchases and 59.64% of their total sales, which was very substantial. The trading days involving Yeung, Chan, Vicky Fan and Laurence Tam as a percentage of the daily turnover of trading in the Company shares are summarised as follows :

Buy/Sell as a % of Daily Turnover	Buying (No. of Days)	Selling (No. of Days)	Matched Trades (No. of Days)
100%	109	53	41
80% to 99%	11	11	3
60% to 79%	15	9	8
40% to 59%	6	15	11
20% to 39%	7	6	6
1% to 19%	3	4	5
0%	58	111	135
	209	209	209

7B. The matched trades in shares of the Company between securities accounts in the name of Yeung, Chan, Vicky Fan, Laurence Tam, Yu Min Yin and Marcel Cheung did not bring in any benefit per se from any normal pattern of trading to the traders. On the contrary, they incurred transaction costs. Based on the total value of the matched trades between Yeung, Chan, Vicky Fan and Laurence Tam at \$9,407,560 (\$4,703,780 x 2), the minimum transaction costs incurred were \$34,055.37.

8. Most, if not all, of the Company shares traded through the securities accounts in the name of Chan, Yeung, Vicky Fan, Laurence Tam, Marcel Cheung and Yu Min Yin belonged to Hung. Hung exercised control or influence over and contributed substantially to the financing of and generally caused trading, through Yeung and others under their control; thereby Hung and Yeung created a false or misleading appearance of active trading of the company shares to occur.

9. Accordingly, Hung and Yeung engaged in False Trading contrary to section 274(1)(a) of the Ordinance. The conduct of Yeung and Hung as described in this Statement is market misconduct as defined in section 245(1) of the Ordinance.

[Original Notice :

Dated this 8th day of April, 2008

(signed)

(John C Tsang)


Financial Secretary]

Dated this 7th day of November 2008



The Hon Mr Justice Lunn

(Chairman)



Mr Malcolm A Barnett

(Member)



Ms Susan Wong

(Member)