

**IN THE MATTER OF THE LISTED SECURITIES
OF SINO KATALYTICS INVESTMENT CORPORATION
(Stock Code 2324)**

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

Whereas it appears to me that market misconduct within the meaning of section 274 ("**False Trading**"), section 275 ("**Price Rigging**") and section 278 ("**Stock Market Manipulation**") of Part XIII of the Ordinance has or may have taken place in relation to the securities of Sino Katalytics Investment Corporation (stock code 2324) (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 Chui Tak Keung, Duncan ("**Chui**") and
Mr Yau Chung Hong, Peter ("**Yau**").

Statement for Institution of Proceedings

1. At all material times Chui was the Company's chairman and executive director as well as its single largest shareholder and Yau was an executive director of the Company as well as a substantial shareholder as that term is defined in the Ordinance.

2. Between July 2007 and early December 2008 the Company raised additional capital of \$121 million after expenses through two rights issues and two placements. On 16 December 2008 the Company issued bonds in the principal amount of \$8.1 million convertible into new shares representing approximately 19.48% of the then issued share capital at \$0.045 per share.
3. On and between 2 January 2009 and 9 January 2009 (the **“Specified Period”**) Chui and Yau instructed their brokers to transact in the Company’s shares. Yau was responsible for 100% of sales in the Company’s shares on 2 January 2009, 86% of sales in the Company’s shares on 5 January 2009 and 90% of sales in the Company’s shares on 6 January 2009. Chui was responsible for 92% of purchases in the Company’s shares on 7 January 2009 and 85% of purchases in the Company’s shares on 8 January 2009. The closing price in the Company’s shares was \$0.042 on each of those days other than 5 January 2009 when it was \$0.041. Between 2 January 2009 and 8 January 2009 turnover in the Company’s shares averaged 2.6 million shares.
4. On 9 January 2009 turnover in the Company’s shares increased to 8.85 million shares and Yau was responsible for 89% of sales, whereas Chui was responsible for 62% of purchases. Over 97% of Chui’s purchases on that day came from Yau’s sales and such purchases took place within 20 minutes of the market close during which time the market price rose from \$0.049 to close at \$0.055, a rise of 31% over the previous day’s close.
5. Turnover in the Company’s shares on 12 January 2009 fell to just 650,000 shares and the closing price dropped from \$0.055 to \$0.054. Neither Yau nor Chui transacted in the Company’s shares on that day.
6. Chui and Yau did not work from the same office premises but communicated by office and mobile telephone frequently during the Specified Period.
7. In compliance with paragraph 8 of Appendix 10 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the

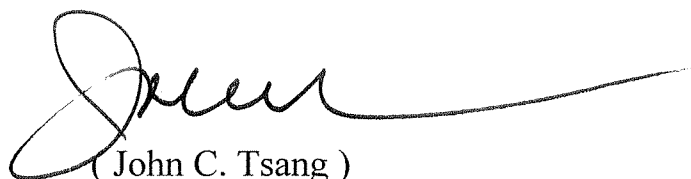
“Model Code”) Yau notified Chui as the Company’s chairman of his intention to deal in the Company’s shares and obtained prior written acknowledgment. In similar compliance Chui informed Yau of his intention to deal in the Company’s shares and obtained prior written acknowledgment. In compliance with the provisions of Part XV of the Ordinance both Chui and Yau notified the Company’s corporate communications officer once they had dealt in the Company’s shares. The corporate communications officer’s duties included furnishing appropriate disclosure notices to the Stock Exchange of Hong Kong Limited and maintaining the required register of directors’ interests.

8. Chui told the Securities and Futures Commission (the **“SFC”**) in interviews that as a result of the July 2008 rights issue Yau increased his interest in the Company beyond his own, also that in August 2008 Chui negotiated to purchase 55 million shares in the Company from Yau in an off-market transaction, also that he thereafter wished to monitor Yau’s shareholding as he was concerned to remain the single largest shareholder.
9. The corporate communications officer’s duties also included furnishing Chui with copies of directors’ disclosure notices and, commencing around August 2008, maintaining in spreadsheet form a record of Yau’s interests and sending a copy to Chui whenever Yau’s interest changed.
10. By reason of the means by which they complied with the Model Code, each of Chui and Yau had advance knowledge of the other’s intention to deal in the Company’s shares. By reason of instructions given to the corporate communications officer, Chui knew when Yau had dealt in the Company’s shares.
11. On 31 December 2008 Yau complied with the Model Code and informed Chui of his intention to acquire 6 million shares in the Company at \$0.042 from 2 January 2009 to 6 January 2009. On 8 January 2009 Yau again complied with the Model Code and informed Chui of his intention to dispose of 8 million shares in the Company at \$0.050 on 9 January 2009. Chui acknowledged both notifications.

12. On 2 January 2009 Chui complied with the Model Code and informed Yau of his intention to acquire 10.5 million shares in the Company at \$0.047 from 5 January 2009 to 9 January 2009. Yau acknowledged the notification.
13. Chui told the SFC in interviews that he was pleased to learn of Yau's notification to dispose. He was prepared to pay market price in order to maintain a higher level of interest. He guessed he was buying on 9 January 2009 those shares Yau was selling.
14. Yau told the SFC in interviews that although he had seen Chui's notification to acquire he did not know if Chui had in fact purchased. That his desired selling price was set by having to meet margin calls on his account, also to have funds in advance of Chinese New Year.
15. In interviews with the SFC both Chui and Yau denied working with each other on the afternoon of 9 January 2009 to push up the Company's share price, notwithstanding that each knew of the other's intention to buy and sell from Model Code notifications.
16. Chui and Yau were in frequent telephone contact on 9 January 2009 and their transactions during the 20 minutes prior to the market close had the appearance of being coordinated.
17. On 7 January 2009 Yau approached Guoyuan Securities Brokerage (Hong Kong) Limited and discussed the prospects for a placement of the Company's shares (the "**Placement**"). Discussions continued over the weekend of 10 and 11 January 2009 and on 12 January 2009 the Company's secretary was instructed to convene a board meeting for 5:00 p.m. the same day. The Company's board resolved to proceed with the Placement in order to raise a further \$8.31 million by allotting new shares equivalent to around 20% of the Company's then issued share capital, also at \$0.045 per share. Trading in the Company's shares was suspended on 13 January 2009 at 10:42 a.m. The Placement was undersubscribed by 19% and raised \$6.76 million.

18. The transactions in most of the shares disposed of by Yau and acquired by Chui on 9 January 2009 were undertaken in a manner designed to manipulate the market in the Company's shares ahead of the Placement.
19. Accordingly, Chui and Yau engaged or may have engaged in market misconduct contrary to sections 274, 275 and 278 of the Ordinance.

Dated this ^{2nd} day of April 2011



(John C. Tsang)

Financial Secretary