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SFC commences Market Misconduct Tribunal proceedings against former Asia TeleMedia Limited chairman and others

29 Jan 2014

The Securities and Futures Commission (SFC) has commenced proceedings in the Market Misconduct Tribunal (MMT) against former chairman of Asia TeleMedia Limited (ATML) (now known as Reorient Group Limited), Mr Lu Ruifeng, and three former executives Mr Yiu Hoi Ying, Ms Marian Wong Nam and Ms Cecilia Ho King Lin for alleged insider dealing in the securities of ATML between 1 February and 6 June 2007 (Note 1).

On 6 June 2007, Goodpine Ltd (Goodpine) served a winding up petition on ATML, alleging that ATML was indebted to and had failed to satisfy Goodpine of a debt of approximately \$70,270,000 including interest as at 26 April 2007. Goodpine was taking action to recover the debt after a previous ATML creditor had assigned the debt to Goodpine. At the time, ATML had more liabilities than assets and enforcement of the debt would make the company insolvent.

The SFC alleges that Lu, Yiu, Wong and Ho were aware of the assignment of the debt from the previous creditor to Goodpine and the action taken by Goodpine to recover the debt. The SFC further alleges that this information was not publicly known and was material to ATML's share price, and that Lu, Yiu, Wong and Ho each sold ATML shares before the information was disclosed to the public in ATML's announcement on 15 June 2007 and avoided a total combined loss of \$50,898,121.

The SFC's statement for the institution of proceedings, published on the MMT website, sets out the grounds on which the SFC has initiated these proceedings (Note 2).

The SFC first initiated proceedings in relation to this case in April 2008 under section 213 of the Securities and Futures Ordinance and obtained an injunction against Lu and a number of parties who allegedly acted as Lu's nominees to freeze assets up to \$43,661,568 which the SFC alleges represent the loss Lu avoided by his insider dealing.

One of those parties, Kayden Ltd (Kayden), appealed to the Court of Final Appeal, which set aside the order made against Kayden and discharged the injunction against it. The orders against the other parties remain on foot. The SFC's proceedings against Lu and these other parties are continuing (Note 3).

End

Notes:

1. ATML was listed on The Stock Exchange of Hong Kong Limited in July 1987. It is a securities broker, underwriter, asset manager, share margin financier and investment holding company. ATML went into liquidation and trading in its shares was suspended after the High Court granted a winding up order on 18 March 2008. Subsequently on 15 April 2011, a restructuring plan for ATML was agreed between the company, the liquidators, a new investor and a guarantor. The scheme was approved at the scheme creditors' meeting on 21 July 2011 and sanctioned by the High Court on 2 August 2011. Trading in ATML shares resumed on 10 August 2011. ATML remains listed under a new name, Reorient Group Limited.
2. The Notice to the MMT which contains the statement setting out the grounds for commencing the MMT proceedings is available on the MMT website (www.mmt.gov.hk).
3. Please see the SFC's press releases dated [2 May 2008](#), [5 November 2008](#) and [6 December 2010](#).

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證監會對亞洲電信媒體有限公司前主席及其他人士展開市場失當行為審裁處研訊程序

2014年1月29日

證券及期貨事務監察委員會（證監會）對亞洲電信媒體有限公司（亞洲電信媒體）（現稱瑞東集團有限公司）前主席呂瑞峰（男）及三名前行政人員姚海鷹（男）、王嵐（女）及何景蓮（女），在市場失當行為審裁處提起研訊程序，指四人在2007年2月1日至6月6日期間就亞洲電信媒體證券進行內幕交易（註1）。

2007年6月6日，Goodpine Ltd（Goodpine）向亞洲電信媒體送達清盤呈請，指稱亞洲電信媒體欠Goodpine債務及未能向其償還一筆截至2007年4月26日止為數約70,270,000元（包括利息）的債務。亞洲電信媒體的一名前債權人早前將有關債務轉讓予Goodpine，Goodpine採取行動以收回債務。當時，亞洲電信媒體已資不抵債，強制收回有關債務會令該公司無力償債。

證監會指呂、姚、王及何知悉前債權人將有關債務轉讓予Goodpine，亦知悉Goodpine採取行動以收回債務。證監會並指這項消息並未為公眾所知悉且對亞洲電信媒體的股價而言屬重大資料，以及呂、姚、王及何在亞洲電信媒體於2007年6月15日發表公告向公眾披露有關消息前各自出售了亞洲電信媒體股份，從而避免合共50,898,121元的合併虧損。

證監會為提起研訊程序的陳述書列明其提起該等研訊程序的理據。陳述書已載於市場失當行為審裁處的網站（註2）。

證監會於2008年4月首次就本案根據《證券及期貨條例》第213條提起法律程序，並取得一項強制令，以凍結呂及涉嫌以其代名人身分行事的數名人士及公司的資產達43,661,568元，這相等於證監會指呂因內幕交易而避免虧損的金額。

其中一家公司Kayden Ltd早前向終審法院提出上訴，獲終審法院推翻及撤銷對其所作出的命令和強制令，但針對其他人士的命令仍然生效。證監會針對呂及該等其他人士所提起的法律程序仍在繼續（註3）。

完

備註：

1. 亞洲電信媒體於1987年7月在香港聯合交易所有限公司上市，是一家證券經紀行、包銷商、資產管理公司、股票保證金融資人及投資控股公司。繼高等法院於2008年3月18日頒下清盤令後，亞洲電信媒體進入清盤程序，而其股份買賣亦告暫停。之後於2011年4月15日，該公司、清盤人、一名新的投資者及一名擔保人就亞洲電信媒體的一項重組計劃達成協議。該計劃在2011年7月21日的計劃債權人會議上獲得通過，並於2011年8月2日獲得高等法院批准。亞洲電信媒體的股份於2011年8月10日恢復買賣。亞洲電信媒體現時以新的公司名稱瑞東集團有限公司維持其上市地位。
2. 證監會向市場失當行為審裁處發出的通知載有一份陳述書，列明在市場失當行為審裁處展開研訊程序的理據。該通知載於市場失當行為審裁處的網站（www.mmt.gov.hk）。
3. 請參閱證監會2008年5月2日、2008年11月5日及2010年12月6日的新聞稿。

最後更新日期：2014年1月29日

**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")**

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 1st February 2007 and 6th 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 1st 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 5th 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 6th February 2007, Chiu & Partners advised ATML that it did not seem to have a real defence to the demand from Goodpine. On 2nd March 2007, WKLL provided Chiu & Partners with a copy of the Assignment.
8. On 20th April 2007, ATML published its final results for the year ended 31st 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 26th 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 25th 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 7th May 2007 and 22nd 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 6th June 2007, Goodpine served a winding-up petition on ATML. ATML's shares were suspended from trading before market opening on 7th June 2007. The closing price on 6th June 2007 was HK\$0.83. Thereafter on 15th June 2007, ATML announced that it had been served with a winding-up petition by Goodpine ("**the Announcement**"). Trading remained suspended until 18th October 2007 and on the resumption of trade the share price dropped 62% to HK\$0.315.

Trading in ATML shares

12. On 23rd 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 22nd March 2010.

13. On 7th 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 6th May 2009.

14. Lu, Charles, Marian, Cecilia and Yao sold ATML shares on various dates between 26th February 2007 and 5th 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 th and 23 rd 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 th and 31 st 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 1st and 5th February 2007 respectively, and the Statutory Demand from Goodpine on 26th 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 15th 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 16th day of January 2014.

Securities & Futures Commission
Securities and Futures Commission