

SFC obtains court orders against former Chairman and directors of Minth Group Limited

7 Nov 2019

The Securities and Futures Commission (SFC) has obtained an order in the Court of First Instance against Mr Chin Jong Hwa, the former Chairman and Executive Director of Minth Group Limited (Minth), ordering him to pay a sum of RMB 20.3 million as compensation to Minth's wholly-owned subsidiary, Decade (HK) Limited (Decade), following findings of misconduct in connection with the loss suffered by Decade in the acquisition of two companies in 2008 (Notes 1 to 4).

Chin, together with three former Executive Directors, Mr Shi Jian Hui, Mr Mu Wei Zhong and Mr Zhao Feng, have also been disqualified from being directors or being involved in the management of any listed or unlisted corporation in Hong Kong for a period of three to six years, effective from 27 November 2019 (Notes 5 & 6).

The orders were made following admissions that they were in breach of their fiduciary duties and common law duties to exercise due and reasonable skill, care and diligence in the course of acting as directors of Minth.

Specifically, Chin accepted that he had failed to:

- procure Decade to negotiate for the lowest possible price for the plots of land acquired in the acquisition of the two companies;
- fully disclose his conflict of interests to the board and shareholders of Minth as required by Listing Rules of the Stock Exchange of Hong Kong Limited (SEHK), namely, his family relationship with the sellers in the acquisition, his significant control of the two companies in the acquisition, the full terms of the acquisition, and the manner in which the consideration for the acquisition was eventually dealt with; and
- take action to prevent Minth from making numerous false and/or misleading representations, as well as material non-disclosure to the SFC, the SEHK and the investing public.

It was notable that the acquisition was not a transaction with independent third parties, as disclosed, in that Chin had significant control at all times over the two companies in the acquisition and in turn the plots of land acquired through his nephew and niece, Mr Hsu Chun Wei and Ms Hsu Hsiao Ling, both of whom were the sellers at the time.

In addition, Chin had failed to fully disclose the full terms of the acquisition, including the fact that the actual total consideration for the acquisition was RMB 88,593,000 instead of RMB 25,917,000 as disclosed, that Minth's subsidiary would be responsible for the estimated construction fees of RMB 29,380,000 under a construction contract for the plots of land acquired, and that the bulk of the total consideration for the acquisition ended up in bank accounts controlled by Chin or related to him.

Shi, Mu and Zhao admitted that they had failed to make further inquiries which should have revealed Chin's conflict of interests in the acquisition and may have prevented Minth from making numerous misrepresentations to the SFC, the SEHK and the investing public.

End

Notes:

1. Minth was listed on the Stock Exchange of Hong Kong Limited on 1 December 2005. The principal activities of Minth's associates and subsidiaries were design, manufacturing, processing, developing and sales of exterior automobile body parts and moulds of passenger cars at the material time.
2. The SFC commenced the proceedings in April 2014 under section 214 of the Securities and Futures Ordinance. For details, please see the SFC's press release dated [15 April 2014](#).
3. The orders were made following the Court's approval that the proceedings could be disposed of by the way of the Carecraft procedure which require the submission of an agreed statement of facts upon which the Court will determine the appropriate orders to be made.
4. The compensation consists of: (i) the sum of RMB 12 million being the compensation ordered to be paid by Chin to Decade for the loss it suffered in the acquisition; and (ii) the sum of RMB 8,329,789 being pre-judgment interest from 29 April 2008 to the date of judgment (i.e. 6 November 2019) plus post-judgment

interest up to the date of payment. The total compensation amount is approximately RMB 20,329,789.

5. Chin is disqualified from being a director for six years, whilst Shi, Mu and Zhao are each disqualified from being a director for three years. The commencement of the period of the disqualification against Chin is stayed, pending the determination of his application to exempt certain private companies from the disqualification order made against him. Chin's application will be heard on 12 November 2019.
6. Under section 214 of the Securities and Futures Ordinance, the Court may make orders disqualifying a person from being a director or being involved, directly or indirectly, in the management of any corporation for up to 15 years, if the person is found to be wholly or partly responsible for the company's affairs having been conducted in a manner involving misfeasance or other misconduct towards the company.

HCMP 891/2014

[2019] HKCFI 2735

**IN THE HIGH COURT OF THE
HONG KONG SPECIAL ADMINISTRATIVE REGION
COURT OF FIRST INSTANCE**

MISCELLANEOUS PROCEEDINGS NO 891 OF 2014

IN THE MATTER OF Minth Group Limited

and

IN THE MATTER OF Section 214 of the
Securities and Futures Ordinance, Cap 571

BETWEEN

SECURITIES AND FUTURES
COMMISSION

Petitioner

and

CHIN JONG HWA (秦榮華)

1st Respondent

SHI JIAN HUI (石建輝)

2nd Respondent

MU WEI ZHONG (穆偉忠)

3rd Respondent

ZHAO FENG (趙鋒)

4th Respondent

MINTH GROUP LIMITED

5th Respondent

DECADE (HK) LIMITED

6th Respondent

Before: Hon Ng J in Court

Dates of Hearing: 23 October 2019

Date of Judgment: 6 November 2019

J U D G M E N T

I. Introduction

1. By an amended Petition filed herein on 31 August 2016, the Petitioner (“**SFC**”) applies for relief against the 1st to 4th Respondents under section 214 of the Securities and Futures Ordinance, Cap 571 (“**SFO**”). The relief sought consists of *inter alia* disqualification orders against the 1st Respondent (“**Mr Chin**”), the 2nd Respondent (“**Mr Shi**”), the 3rd Respondent (“**Mr Mu**”) and the 4th Respondent (“**Mr Zhao**”) as well as a compensation order against Mr Chin. The 5th Respondent (“**Company**”) and the 6th Respondent (“**Decade**”) are nominal parties to these proceedings.

2. SFC and the 1st to 4th Respondents have agreed to dispose of the amended Petition by way of what is commonly known as the *Carecraft* procedure. For this purpose, the SFC and each of the 1st to 4th Respondents have signed a “Statement of Agreed Facts” / “Statement of Facts Not in Dispute for the Purposes of a *Carecraft* Settlement” (collectively “**Statements**”) which shall form the basis of this court’s determination of the amended Petition. The parties have also agreed on the orders to be made by the court against the Respondents:

(1) as against Mr Chin:

(a) a disqualification order for a period of 6 years;

(b) a compensation order of RMB 12,000,000, together with interest thereon; and

(2) as against the 2nd to 4th Respondents, a disqualification order for a period of 3 years.

II. The facts

3. The material facts are set out in the relevant Statements which the parties agree shall be annexed to this judgment. It is not necessary to set them out here. Suffice it for this court to give a brief summary for ease of comprehension of this judgment.

4. The Company was at the relevant time and is listed on the Main Board of the Stock Exchange of Hong Kong Limited (“SEHK”). It acts as an investment holding company whilst its subsidiaries are engaged in the design, manufacturing, processing, developing and sales of exterior automobile body parts and moulds of passenger cars.

5. Decade, a company incorporated in Hong Kong on 18 September 2007, is one of the wholly-owned subsidiaries of the Company. At all material times, Mr Chin was and is the sole director of Decade.

6. Mr Chin was the chairman and executive director of the Company at the relevant time. As at 31 December 2018, he held approximately 39.26% of the Company’s shares through Minth Holdings Limited, a company wholly owned by him. Mr Shi, Mr Mu and Mr Zhao were executive directors of the Company at the relevant time. In addition,

- a. Mr Shi was the Chief Executive Officer,
- b. Mr Mu was the Chief Operating Officer, and
- c. Mr Zhao was the Vice President

of the Company.

7. Mr Chin and Mr Zhao still are executive directors of the Company.

8. The complaints in the amended Petition concern the acquisition in April 2008 (“Acquisition”) by the Company, through Decade, of the entire issued share capital of Magic Figure Investments Limited (“Magic Figure”) and Talentlink Development Limited (“Talentlink HK”) from Mr Hsu Chun Wei (“Mr Hsu”) and Talentlink Development Limited BVI (“Talentlink BVI”) respectively. At the relevant time, Ms Hsu Hsiao Ling (“Ms Hsu”) was on record the sole director and shareholder of Talentlink BVI. Mr Hsu and Ms Hsu (“Hsus”) are the nephew and niece of Mr Chin.

9. The Acquisition was a connected transaction as defined in the Listing Rules of the SEHK by reason of the relationship between Mr Chin and the Hsus, and required a public announcement and prior approval from the Company’s independent shareholders. The Company however did not make any public announcement at the time of the Acquisition. Nor had the Company obtained prior approval from the independent shareholders for the Acquisition.

10. It was only in 2009, after queries were raised by SEHK and the SFC, that the Company disclosed the relationship between Mr Chin and the Hsus to the public by an announcement issued on 12 June 2009 and ratified the Acquisition on 27 July 2009. However, the public

announcement still failed to disclose certain material information to the public.

11. Mr Chin accepted that given the family relationship and the Hsus' respect for him, he had at all material times, through the Hsus, significant control over Magic Figure and Talentlink HK, as well as two wholly-owned PRC subsidiaries of Magic Figure viz Jiaxing Guowei Automotive Parts Co Ltd (嘉興國威汽車零部件有限公司) (“**Jiaxing Guowei**”) and Jiaxing Situ Automotive Parts Co Ltd (嘉興思途汽車零部件有限公司) (“**Jiaxing Situ**”). Jiaxing Guowei and Jiaxing Situ each held land (“**Jiaxing Guowei Land**” and “**Jiaxing Situ Land**”; collectively “**Lands**”) which formed part of Plot L211 of Jiachuang Road Eastside, Canada Jiaxing Science and Industrial Park, Jiaxing City, PRC (“**Plot L211**”). The Lands were assigned to them in 2007 by 安統(嘉興)汽車電氣系統有限公司 (“**Antong**”) at a consideration of ~RMB 147 per m².

12. In 2006, Antong had also assigned parts of Plot L211 to three companies viz Jiaxing El Triumph Automotive Parts Co Ltd (嘉興敏勝汽車零部件有限公司) (“**EL Triumph**”), Jiaxing Shinyou Mould Tech Co Ltd (嘉興信元精密模具科技有限公司) (“**Shinyou**”), Jiaxing Minth Hashimoto Automotive Parts Co Ltd (嘉興敏橋汽車零部件有限公司) (“**Hashimoto**”). The price was agreed at ~RMB 105 per m².

13. At all material times prior to 31 December 2006, Antong was a wholly owned subsidiary of Manlead Holdings Limited (“**Manlead**”) which was in turn indirectly and wholly owned by Mr Chin. On 31 December 2006, the 1 issued share in Manlead (and hence Antong) was transferred to Ms Hsu at nil consideration. Mr Chin accepted that notwithstanding the transfer of the 1 issued share of Manlead to Ms Hsu, he retained significant control over Manlead and Antong, and in turn the Lands.

14. On 29 April 2008, Decade entered into agreements to acquire the shares in Magic Figure and Talentlink HK for the cash consideration of US\$3,186,639 and US\$525,400 respectively (“**Agreements**”). The Magic Figure Agreement took into account the price of the Lands, which was valued by a valuer, Joinhouse Property Valuation Co Ltd (“**Joinhouse**”) at RMB 375 per m² immediately before the Acquisition. Joinhouse performed the valuation pursuant to Jiaxing Guowei's and Jiaxing Situ's instructions.

15. Under the Agreements, Decade was required to discharge the liabilities of Magic Figure and Talentlink HK. As at 31 March 2008, the creditor of Magic Figure was State Star Holdings Limited (“**State Star**”), a company owned by Mr Chin.

16. Decade's payments in connection with the Acquisition consisted of the following:

- a. Cash consideration of US\$3,186,639 for the purchase of Magic Figure.

- b. Cash consideration of US\$525,000 for the purchase of Talentlink HK.
- c. Discharge of liabilities of Magic Figure totalling US\$8,957,000.
- d. Discharge of liabilities of Talentlink HK totalling HK\$19,300.

17. After Decade has paid the cash consideration and discharged the liabilities, the funds went through bank accounts of multiple companies owned and/or controlled by Mr Chin, until the same eventually ended up in the joint account of him and his wife, and the bank account of Rich Advance Holdings Limited, a company owned and/or controlled by Mr Chin. The use of these bank accounts and companies concealed Mr Chin's connection with the Acquisition.

18. The liabilities discharged by Decade also included the construction costs of a factory and ancillary facilities on the Lands, including the estimated construction costs of RMB29,380,000 as agreed under a construction contract between Jiaxing Guowei, Jiaxing Situ and Zhejiang Yi Da Construction Co Ltd ("**Yi Da Contract**"). Each of the 4 Respondents accepts that they did not consider or adequately consider the liabilities of Jiaxing Guowei and Jiaxing Situ including liabilities for the construction costs, the impact of such liabilities and costs on the Acquisition, and whether it was in the interest or best interests of Decade or the Company to acquire Magic Figure.

19. Although the Company had conducted a due diligence investigation and the executive directors Mr Shi, Mr Mu and Mr Zhao, but not Mr Chin, discussed in a meeting held on 20 April 2008 and resolved to proceed with the Acquisition, the Company had failed to ascertain Mr Chin's true connection or role in the Acquisition.

20. It is agreed that (i) the Company's Interim Report 2008, (ii) its response to the SEHK dated 12 December 2008, (iii) its letter to the SFC dated 23 January 2009, (iv) its letter to the SEHK dated 22 April 2009, (v) its announcement on 12 June 2009 ("**Announcement**"), and (vi) its circular to shareholders on 10 July 2009 ("**Circular**")^[1], contained false or misleading representations and/or material non-disclosure, and that the Company had committed breaches of the Listing Rules:

- a. the disclosed consideration for the Acquisition failed to take into account the settlement of other outstanding payables prior to the Acquisition in the sum of RMB 62,608,000, thereby resulting in a net cash outflow rather than a net cash inflow;
- b. the Group did not acquire Magic Future and Talentlink HK and their subsidiaries from third parties but from connected persons;

c. there was a failure to disclose:

- i. Mr Chin's relationship with the Hsus;
- ii. the Hsus were not independent third parties but were connected persons;
- iii. Mr Chin's interest in the Lands through his significant control of the Hsus;
- iv. the Acquisition was a connected transaction;
- v. various plots of land adjacent to the Lands were acquired by other indirect subsidiaries of the Company at a much lower unit price before the Acquisition;
- vi. the extent to which the consideration paid by Decade in relation to the Acquisition ultimately ended up in bank accounts belonging to or controlled by Mr Chin; and
- vii. the contractual obligations of Magic Figure's two wholly-owned PRC subsidiaries to pay certain construction costs estimated at RMB 29,380,000.

21. As a result of the Company's failure to disclose the matters summarized above in the Circular and the Announcement, independent shareholders of the Company were not given all the information they should have been given before considering and ratifying the Acquisition.

22. Mr Chin admits that he ought to have but failed to make full disclosure of the matters summarized above to the Board of Directors and shareholders of the Company which resulted in the Company making false or misleading representations and/or material non-disclosure and committing breaches of the Listing Rules.

23. Mr Chin also accepts that he had acted in breach of his fiduciary duties owed to the Company and Decade, and caused Decade to suffer loss, in that he failed to use his best endeavours to secure the lowest possible price for the Lands. He agrees to pay a global sum of RMB 12,000,000 (together with interest thereon) to Decade in full and final settlement of the monetary claim against him.

24. Each of the 2nd to 4th Respondents admits that they ought to have but failed to make further inquiries in respect of the matters summarised above which may have prevented the

Company from making false or misleading representations and/or material non-disclosure and committing breaches of the Listing Rules.

25. On the above basis, the parties agreed that the business or affairs of the Company have been conducted by each of the 1st to 4th Respondents in a manner involving misfeasance or other misconduct towards the Company or its members, resulting in its members not having been given all the information with respect to its business or affairs that they might reasonably expect, and/or unfairly prejudicial to its members within the meaning of section 214(1)(b) to (d) of the SFO. The jurisdiction of the Court to grant the remedies set out under section 214(2) of the SFO is engaged.

III. Relief

26. On the basis of the Statements, this court is satisfied that the conditions for granting relief under section 214(2) of the SFO are met and that the orders which the parties have agreed are, in principle, appropriate.

27. The court's approach to disqualification orders is well established and has been recently summarized by Chow J in *Securities and Futures Commission v Li Hejun*[2017] 4 HKLRD 785 at [15]-[17] as follows:

“15. The court's approach for determining the length of disqualification in Section 214 applications are well settled. The objectives of a disqualification order are two-fold: (i) to protect the public against the future conduct of the respondent, and (ii) as a general deterrence: see *SFC v Fung Chiu* [2009] 2 HKC 19, at [12] *per* Kwan J (as she then was).

16. Generally speaking, the court has divided the maximum period of disqualification of 15 years into three brackets:

(1) the top bracket, of disqualification for over 10 years, for particularly serious cases;

(2) the middle bracket, of disqualification for between 6 to 10 years, for cases which, although serious, are not so serious as to merit a period of disqualification in the top bracket; and

(3) the minimum bracket, of disqualification for up to 5 years, for relatively less serious cases.

17. The court takes into account all relevant circumstances, including the nature and seriousness of the conduct complained of, the structure and nature of the business of the company, the training, experience, skill and competence of the respondent, the conduct of the respondent (including any relevant admission), and other mitigating factors put forward on his or her behalf, when determining the appropriate period of disqualification. For this purpose, a reasonably broad-brush approach should be adopted (see *Re First China Financial Network Holdings Ltd* [2015] 5 HKLRD 530, at [9] *per* Anthony Chan J).”

28. As for Mr Chin, SFC's complaint against him consists of *inter alia* his:

(1) failure to disclose to the Company, his fellow directors, the SEHK and the Company's shareholders his relationship with the Hsus, his control over Manlead,

Antong, Magic Figure, Talentlink BVI, Talentlink HK, Jiaxing Guowei Land and Jiaxing Situ Land or to disclose the manner in which the consideration paid by Decade under the Acquisition was eventually dealt with;

(2) failure to raise any query as to why the valuation by Joinhouse (RMB 375 per m²) was much higher than the price paid by EL Triumph, Shinyou and Hashimoto in 2006, to cause further valuation to be obtained by the Company or Decade or to disclose the price paid by El Triumph, Shinyou, Hashimoto, Jiaxing Guowei and Jiaxing Situ in 2006 and 2007;

(3) failure to adequately consider the liabilities of Jiaxing Guowei and Jiaxing Situ and/or their impacts on the interests of the Company or Decade, including their obligations under the Yi Da Contract or to disclose Jiaxing Guowei's and Jiaxing Situ's obligations under the Yi Da Contract;

(4) failure to use his best endeavours to procure the lowest possible price for the Lands.

29. It is however important to note that there is no allegation of dishonesty against Mr Chin and there are a number of “mitigating” factors, including his agreement to pay RMB 12 million compensation and the bulk of SFC’s costs. The SFC accepts that his conduct would fall within the lower end of the middle bracket and a disqualification period of 6 years would be appropriate. This court agrees.

30. As for the 2nd to 4th Respondents, their conduct and degree of culpability are similar. The SFC accepts that they had no actual knowledge of Mr Chin’s relationship with the Hsus, his significant control over Manlead (and Antong), Magic Figure, Talentlink BVI, Talentlink HK, Jiaxing Situ, Jiaxing Guowei, and in turn over the Lands, the fact that the Acquisition was not a transaction with an independent third party, and the manner in which the consideration paid by Decade under the Acquisition was eventually dealt with. As such, their culpability primarily rests in their failure to make the necessary inquiries or take the necessary steps to ascertain the matters which Mr Chin failed to disclose which—if they had been made—would have prevented the Company from making false or misleading representations and/or material non-disclosure and committing breaches of the Listing Rules.

31. SFC accepts that their conduct would all fall within the lowest bracket and a disqualification period of 3 years would be appropriate. This court also agrees.

32. While the Court is not bound by the agreement between the SFC and the Respondents

in deciding what order to be made, in practice, it is likely to be guided by their agreement: *Re Warderly International Holdings Ltd* unrep, HCMP 1742/2009, 9 April 2010, Harris J. This is based on the Court's recognition that the SFC, as the responsible regulator, would have reached an agreement as to the appropriate sanction to be imposed: *SFC v Li Wo Hing & Ors* unrep, HCMP 1023/2011, 26 September 2012, Barma J (as he then was).

33. Lastly, the Court has jurisdiction to make a compensation order against Mr Chin under section 214(2)(e) of the SFO to compensate a company for losses that are readily ascertainable: *Re Styland Holdings Ltd (No 2)* [2012] 2 HKLRD 325 at [138] per Barma J (as he then was). In this regard, the SFC and Mr Chin have agreed that a compensation order should be made that he shall pay Decade a global sum of RMB 12,000,000, together with interest thereon.

34. At the request of this court, the parties have agreed a draft of the precise terms of the Disqualification Order, Compensation Order as well as the Costs Order to be made by this court. Subject to 1 minor amendment to paragraph 5(b), this court is prepared to make an Order as agreed. A copy of the Order is also annexed hereto.

35. Lastly, this court thanks the parties for their very helpful assistance.

(Peter Ng)

Judge of the Court of First Instance
High Court

Mr Horace Wong, SC and Mr Jonathan Chang, instructed by the Securities and Futures Commission, for the Petitioner

Mr Laurence Li, SC and Mr Harrison Miao, instructed by Kennedys, for the 1st Respondent

Mr Mike Lui, instructed by Mayer Brown, for the 2nd, 3rd and 4th Respondents

Mr James Man, instructed by Reed Smith Richards Butler, for the 5th and 6th Respondents

[Annex 1](#)

[Annex 2](#)

[Annex 3](#)

[Annex 4](#)

[Annex 5](#)

[1] Giving notice of a EGM to be held on 27 July 2009 to ratify the Acquisition. At that EGM, 98.75% of the independent shareholders voted to ratify the Acquisition.

Statement of Agreed Facts

A. Introduction

1. On 10 April 2014, the Securities and Futures Commission (the “**Petitioner**” or “**SFC**”) issued these proceedings under section 214 of the Securities and Futures Ordinance (Cap. 571) (“**SFO**”) seeking various orders against inter alia the 1st Respondent (“**Mr Chin**”) in respect of the conduct of business and affairs of Minth Group Limited (the “**Company**”).
2. Subject to the approval of this Court, the Petitioner and Mr Chin consent to the disposal of these proceedings against Mr Chin by way of the summary procedure (“**Summary Procedure**”) sanctioned by the High Court in England and Wales in the case of *Re Carecraft Construction Co Ltd* [1994] 1 WLR 172, as clarified by the English Court of Appeal in *Secretary of State for Trade and Industry v Rogers* [1996] 1 WLR 1569 and as adopted by this Court in a number of cases including but not limited to *Securities and Futures Commission v Yick Chong San* [2007] 4 HKLRD 46, *Securities and Futures Commission v Fung Chiu & Ors* [2009] 2 HKC 19 (2nd Respondent), *Securities and Futures Commission v Cheung Chi Shing & Ors* [2011] 1 HKLRD 96 (3rd Respondent) and *Securities and Futures Commission v Fan Di & Ors* [2018] HKCFI 346 (1st Respondent) in respect of proceedings under Section 214 of the SFO.
3. This Statement is produced for the purpose of disposing of these proceedings by way of Summary Procedure, with the core facts that are not disputed in relation to the allegations relied upon by the Petitioner against Mr Chin.
4. The facts stated in this Statement are agreed strictly between the Petitioner and Mr Chin only, on the basis that the case against Mr Chin will be dealt with by the Court by way of the Summary Procedure. If the Court for any reason is of the view that these proceedings shall not be dealt with by the Summary Procedure or that a full hearing is appropriate, no admission or concession by either the Petitioner or Mr Chin and none of the proposals for disqualification, the period of disqualification, or liability to pay costs shall be referred to or relied upon by either party at any subsequent hearing without the prior written consent of both parties.
5. Subject to paragraphs 2 to 4 above and solely for the purpose of resolving these proceedings by way of the Summary Procedure, and by reference to the facts not in dispute as set out in Part B of this Statement, Mr Chin accepts that during the relevant period, the business and affairs of the Company, for which Mr Chin, as the Chairman of the Board of Directors and an Executive Director of the Company, was responsible, have been conducted in a manner described in Section 214(1)(b) to (d) of the SFO, namely:
 - 5.1. involving misfeasance or other misconduct towards the Company, its members or part of its members;
 - 5.2. resulting in its members or part of its members not having been given all the information with respect to its business or affairs that they might reasonably expect; and/or
 - 5.3. unfairly prejudicial to its members or part of its members.

6. On the basis of the facts as set out in Part B of this Statement, the Petitioner and Mr Chin agree, and Mr Chin is prepared to accept, that it would be appropriate for the following orders to be made against him under:
 - 6.1. Section 214(2)(d) of the SFO that Mr Chin shall not, for a period of 6 years, without leave of the Court:-
 - 6.1.1. be, or continue to be, a director, liquidator, or receiver or manager of the property of business, of any listed or unlisted company in Hong Kong including the Company, its subsidiaries and affiliates; and
 - 6.1.2. in any way, directly or indirectly, be concerned, or take part, in the management of any listed or unlisted company in Hong Kong including the Company, its subsidiaries and affiliates.
 - 6.2. Section 214(2)(e) of the SFO that Mr Chin shall pay to Decade a global sum of RMB12,000,000, together with interest thereon.

The definitions of the Company, subsidiaries and affiliates are set out in **Appendix 1** to this Statement.

7. In the event that this Court makes any orders against Mr Chin by reference to this Statement, the Petitioner and Mr Chin agree that this Statement be annexed to this Court's judgment and will jointly seek a direction to that effect.

B. Undisputed facts

8. The structure of this Section is as follows:-
 - 8.1. Sections B1 and B2 set out the background information respectively relating to the Company and its management.
 - 8.2. Sections B3 to B7 set out the facts relied upon by the Petitioner in support of its case that the business and affairs of the Company have been conducted in the manner described in Section 214(1)(b) to (d) of the SFO.
 - 8.3. Sections B8 and B9 sets out the facts relied upon by the Petitioner in support of its case that Mr Chin was responsible in part for the aforesaid conduct of the business and affairs of the Company.

B1. The Company

9. The Company was incorporated in the Cayman Islands. Its shares (Stock Code: 425) were listed on the Main Board of the Stock Exchange of Hong Kong Limited (the "SEHK") on 1 December 2005 and remain so listed.
10. The registered office of the Company is situated at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands, British West Indies. Its head office and principal place of business in the PRC is at No. 8 Dagang No.6 Road, Ningbo Economic and Technology Development Zone, Postal Code 315800, the PRC and its principal place of business in Hong Kong with effect from 15 November 2018 is at Room 904, 9/F, Island Place Tower, No. 510 King's Road, North Point, Hong Kong.

11. As stated in the Monthly Return of Equity Issuer on Movement in Securities for the month ended 30 June 2019, the Company has an authorized share capital of HK\$500,000,000 divided into 5,000,000,000 shares of HK\$0.10 each, and 1,148,990,000 issued shares.
12. The Company acts as an investment holding company whilst its subsidiaries are engaged in the design, manufacturing, processing, developing and sales of exterior automobile body parts and moulds of passenger cars.
13. One of the wholly-owned subsidiaries of the Company is Decade (HK) Limited (“Decade”), a company incorporated in Hong Kong on 18 September 2007. At all material times, Mr Chin was and is the sole director of Decade.
14. The Company and its subsidiaries shall collectively be referred to as the “Group”.

B2. Management of the Company

15. Mr Chin was at all material times the Chairman and an Executive Director of the Company and a director of various subsidiaries of the Company. With effect from 26 May 2016, he was re-designated from Chairman and an Executive Director to a Non-Executive Director and Honorary Chairman of the Board of the Company. On 10 August 2017, he was re-designated as the Company’s Chairman, the Chief Executive Officer, and an Executive Director.
16. Mr Chin founded the Group in March 1997 and is the controlling shareholder of the Company. As stated in the Annual Report of the Company for the year ended 31 December 2018, as at 31 December 2018, Mr Chin was interested in approximately 39.26% shareholding interest in the Company through Minth Holdings Limited (formerly known as Linkfair Investments Limited), a company wholly owned by Mr Chin.
17. The Company’s management consisted of *inter alia* the following personnel:
 - 17.1. Shi Jian Hui (“Mr Shi”), *i.e.* the 2nd Respondent, was the Chief Executive Officer and an Executive Director;
 - 17.2. Mu Wei Zhong (“Mr Mu”), *i.e.* the 3rd Respondent, was the Chief Operating Officer and an Executive Director;
 - 17.3. Zhao Feng (“Mr Zhao”), *i.e.* the 4th Respondent, was and is the Vice President and an Executive Director;
 - 17.4. Bao Jianya (“Ms Bao”) was the Chief Financial Officer. She was an Executive Director from 29 May 2014 to 31 May 2017.

B3. Land in Jiaxing City

18. 安統（嘉興）汽車電氣系統有限公司 (“Antong”) was incorporated in the People’s Republic of China (“PRC”) on 7 July 2003. At all material times, the sole shareholder of Antong was Manlead Holdings Limited (“Manlead”). Prior to 31 December 2006, the 1 issued share in Manlead was held by Sino Case Development Limited (“Sino Case”), a company owned and controlled by Mr Chin at the material times.

19. In around 2003, Mr Chin acquired a plot of land of about 194,000 square metres at Plot L211 of Jiachuang Road Eastside, Canada Jiaxing Science and Industrial Park, Jiaxing City, PRC (“Plot L211”). The plot was assigned to Antong on 9 September 2003 pursuant to a State Land Rights Transfer Agreement (“Antong Assignment”) at a consideration of RMB 28,712,000.
20. In 2006 and 2007, Antong assigned parts of Plot L211 to five parties respectively, as follows (“Antong Sub-Assignments”):
 - 20.1. By an Agreement entitled 關於落實新辦入園企業土地使用權的協議書 (translated into English as “Agreement Concerning the Implementation of the Land Use Rights of New Park Enterprise”) made between the Zhejiang Jiangxing Xiu Zhou Industrial Park Management Committee (English translation of 浙江嘉興秀洲工業園區管理委員會) (the “Committee”), Antong and one Jiaxing EL Triumph Automotive Parts Co. Ltd (嘉興敏勝汽車零部件有限公司) (“EL Triumph”) dated 5 April 2006, and a Land Rights Transfer Agreement (土地使用權轉讓協議) made between Antong and EL Triumph sometime in 2007, Antong assigned 31,423 square metres of Plot L211 (“EL Triumph Land”) to EL Triumph at a consideration of RMB 3,299,399, or RMB 104.9995 per square metre. At all material times EL Triumph was an indirect subsidiary of the Company. Since around 9 August 2006, Mr Shi and Chin Jung-Huang, a cousin of Mr Chin, were the directors of EL Triumph. Mr Mu was the supervisor of EL Triumph.
 - 20.2. By an Agreement Concerning the Implementation of the Land Use Rights of New Park Enterprise (關於落實新辦入園企業土地使用權的協議書) made between the Committee, Antong and one Jiaxing Shinyou Mould Tech Co. Ltd (嘉興信元精密模具科技有限公司) (“Shinyou”) dated 24 April 2006, and a Land Rights Transfer Agreement (土地使用權轉讓協議) made between Antong and Shinyou sometime in 2007, Antong assigned 18,691 square metres of Plot L211 (“Shinyou Land”) to Shinyou at a consideration of RMB 1,962,546 or RMB 104.9995 per square metre. Shinyou was incorporated on 21 April 2006 and was a jointly controlled entity of the Company. Mr Chin was the legal representative of Shinyou. At all material times, Shinyou was controlled by, amongst others, Mr Chin and Hsieh Cheng-Hsien, the general manager of the Technical Centre of the Company in or around March 2006 and later the general manager of the Technical Centre and Quality Centre of the Company in or around March 2008.
 - 20.3. By an Agreement Concerning the Implementation of the Land Use Rights of New Park Enterprise (關於落實新辦入園企業土地使用權的協議書) made between the Committee, Antong and Jiaxing Minth Hashimoto Automotive Parts Co. Ltd (嘉興敏橋汽車零部件有限公司) (“Hashimoto”) dated 30 October 2006, and a Land Rights Transfer Agreement (土地使用權轉讓協議) made between Antong and Hashimoto sometime in 2007, Antong assigned 12,748 square metres of Plot L211 (“Hashimoto Land”) to Hashimoto at a consideration of RMB 1,338,534 or RMB 104.9995 per square metre. Hashimoto was incorporated on 13 October 2006 and was a jointly controlled entity of the Company. From 13 October 2006 to 31 December 2007, Mr Chin was a director of Hashimoto. Ms Bao was the supervisor of Hashimoto at all material times.
 - 20.4. By a Land Rights Transfer Agreement (土地使用權轉讓協議) made between Antong and Jiaxing Guowei Automotive Parts Co., Ltd (嘉興國威汽車零部件有

限公司) (“**Jiaxing Guowei**”) sometime in 2007, Antong assigned 63,197 square metres of Plot L211 (“**Jiaxing Guowei Land**”) to Jiaxing Guowei at a consideration of RMB 9,289,915 or RMB 146.9993 per square metre.

- 20.5. By a Land Rights Transfer Agreement (土地使用權轉讓協議) made between Antong and Jiaxing Situ Automotive Parts Co., Ltd (嘉興思途汽車零部件有限公司) (“**Jiaxing Situ**”) sometime in 2007, Antong assigned 67,941 square metres of Plot L211 (“**Jiaxing Situ Land**”) to Jiaxing Situ at a consideration of RMB 9,987,279 or RMB 146.9993 per square metre.
- 20.6. The Jiaxing Situ Land and Jiaxing Guowei Land shall collectively be referred to as the “**Lands**”.
21. EL Triumph, Shinyou and Hashimoto were indirect subsidiaries or entities of the Company. As an Executive Director of the Company, the legal representative of Shinyou, and a director of Hashimoto, Mr Chin knew from the assignment of the EL Triumph Land, the Shinyou Land and the Hashimoto Land to these indirect subsidiaries or entities that part of Plot L211 was sold in around 2006 and 2007 at RMB 104.9995 per square metre only.

B4. Mr Hsu Chun Wei (“Mr Hsu”) and Ms Hsu Hsiao Ling (“Ms Hsu”)

22. Mr Hsu and Ms Hsu (the “**Hsu Siblings**”) are respectively Mr Chin’s nephew and niece; their late mother was Mr Chin’s elder sister.
23. On 31 December 2006, Mr Chin, through Sino Case, transferred the 1 issued share in Manlead (which wholly held Antong) to Ms Hsu. Given the family relationship and the Hsu Siblings’ respect for Mr Chin, Mr Chin at all material times had through the Hsu siblings significant control over Manlead (and Antong), and in turn the remaining parts of Plot L211 held by Antong, *i.e.* Jiaxing Guowei Land and the Jiaxing Situ Land.
24. For the reasons stated above, Mr Chin had, at all material times, significant control of the following companies:
- 24.1. **Magic Figure Investments Limited (“Magic Figure”)**
- 24.1.1. Magic Figure is a limited company incorporated in the British Virgin Islands on 25 October 2006.
- 24.1.2. Between 17 November 2006 and 22 May 2008, Mr Hsu was on record the sole director of Magic Figure. On 22 May 2008 (subsequent to the Acquisition as defined below), Mr Hsu ceased on record to act as a director of Magic Figure, and Mr Chin was appointed and became the sole director of Magic Figure.
- 24.1.3. Between 17 November 2006 and 22 May 2008, Mr Hsu was also on record the sole shareholder of Magic Figure, holding 1 issued share in Magic Figure with a par value of US\$1.00.
- 24.1.4. Magic Figure was at all material times an investment holding company and its principal investments were two wholly owned subsidiaries both established in the PRC on 17 January 2007, namely, Jiaxing Guowei and Jiaxing Situ, which held land use rights in the Jiaxing Guowei Land

the Jiaxing Situ Land (which were transferred to them pursuant to the agreements referred to at paragraphs 20.4 and 20.5 above).

24.1.5. The director and legal representative of Jiaxing Guowei on record was Ms Hsu. The director and legal representative of Jiaxing Situ on record was Mr Hsu. They were both respectful of Mr Chin who thus at all material times had significant control over Jiaxing Guowei and Jiaxing Situ. Up to June 2009, neither Jiaxing Guowei nor Jiaxing Situ had, since their respective dates of establishment, commenced any trading and production operations.

24.2. Talentlink Development Limited (HK) (“Talentlink HK”)

24.2.1. Talentlink HK is a limited company incorporated in Hong Kong on 27 September 2007.

24.2.2. Between 27 September 2007 and 22 May 2008, Ms Hsu was on record the sole director of Talentlink HK but, for reasons stated above, acted on Mr Chin’s instructions. On 22 May 2008 (subsequent to the Acquisition as defined below), Ms Hsu ceased on record to act as director of Talentlink HK, and Mr Chin was appointed and became the sole director of Talentlink HK.

24.2.3. Between 28 September 2007 and 27 June 2008, Talentlink Development Limited (BVI) (“Talentlink BVI”) was the sole shareholder of Talentlink HK, holding 10,000 issued shares in Talentlink HK with a par value of HK\$1.00 each.

24.2.4. Talentlink HK was at all material times an investment holding company and its principal investment was a wholly owned subsidiary established in the PRC on 21 December 2006, namely, Huzhou Minhai Automotive Parts Co Ltd (湖州敏海汽车零部件有限公司) (“Huzhou Minhai”). Since around 1 November 2007, the directors of Huzhou Minhai were Mr Hsu, Wang Xiao Ai (“Mr Wang”), and Yu Yue Ping, the head of the Research & Development Department of the Company. Up to June 2009, Huzhou Minhai had not, since its establishment, commenced any trading and production operations.

24.3. Talentlink BVI

24.3.1. Talentlink BVI is a limited company incorporated in the British Virgin Islands on 18 April 2005.

24.3.2. Mr Chin was the sole director of Talentlink BVI from 23 May 2005 to 4 January 2007. On 4 January 2007, Mr Chin ceased to act as director of Talentlink BVI and Ms Hsu was appointed and became on record the sole director of Talentlink BVI.

24.3.3. Mr Chin was also the sole shareholder of Talentlink BVI from 23 May 2005 to 22 July 2005, holding 1 issued share in Talentlink BVI with a par value of US\$1.00. On 22 July 2005, Mr Chin transferred the 1 issued share in Talentlink BVI to Sino Case (owned and controlled by Mr Chin).

On 4 January 2007, Ms Hsu became on record the sole shareholder when Sino Case transferred the 1 issued share in Talentlink BVI to her.

25. By a 建築工程施工合同 dated 12 March 2008 (the “**Construction Contract**”) entered into by Jiaxing Situ, Jiaxing Guowei and a company known as 浙江億達建設有限公司 (translated as “Zhejiang Yi Da Construction Co Ltd”) (“**Yi Da**”), Jiaxing Situ and Jiaxing Guowei agreed to pay Yi Da an estimated amount of RMB 29,380,000 as construction fees for the construction of a dormitory, a canteen, and factory premises on the Jiaxing Guowei Land and the Jiaxing Situ Land (“**the Estimated Construction Cost**”).

B5. The Acquisition

26. In March 2008, the Company’s auditors opined that the functional currency should remain as RMB. As a result of the fluctuation of exchange rates in 2007, this would result in a foreign exchange loss of approximately RMB 57,376,000 for 2007.
27. After a due diligence investigation, Mr Shi, Ms Bao and a team of staff recommended the Executive Directors to acquire the companies. At a meeting on 20 April 2008, the Executive Directors (excluding Mr Chin) resolved to acquire the companies. As stated in the minutes of the meeting, the Executive Directors (excluding Mr Chin) considered that the acquisition would have the following advantages:
- 27.1. The Lands were proximate to the Group’s factory in Jiaxing and its clients, with a convenient transport network.
- 27.2. Jiaxing Situ, Jiaxing Guowei and Huzhou Minhai were wholly foreign-invested companies established prior to 16 March 2007, and entitled to the preferential tax treatment of “two-year exemption and three-year reduction by half” (兩免三減半) in the PRC.
- 27.3. These three companies held cash and assets in RMB. This would be favourable to the overall exchange planning of the Group. In particular, the acquisition would alleviate and reduce the exposed exchange risk and loss of the Group.
28. On 29 April 2008, pursuant to the resolution of the Executive Directors (excluding Mr Chin) Decade entered into a written agreement (the “**Magic Figure Agreement**”) with Mr Hsu to acquire the only issued share in Magic Figure for a cash consideration of US\$3,186,639. The Magic Figure Agreement was signed by Mr Wang, the authorised representative of Mr Hsu, as vendor, and Mr Chin on behalf of Decade as purchaser. On 22 May 2008, Mr Hsu transferred the 1 issued share in Magic Figure to Decade.
29. Also on 29 April 2008, Decade entered into a written agreement (the “**Talentlink HK Agreement**”) with Talentlink BVI to acquire all the issued shares in Talentlink HK for a cash consideration of US\$525,400. The Talentlink HK Agreement was signed by Mr Wang, the authorised representative of Ms Hsu, as vendor, and Mr Chin on behalf of Decade as purchaser. On 27 June 2008, Talentlink BVI transferred the 10,000 issued shares in Talentlink HK to Decade.
30. The above acquisition of Magic Figure and Talentlink HK by Decade shall be referred to as the “**Acquisition**”.
31. After the Acquisition, Decade discharged the liabilities of Magic Figure and Talentlink HK in the respective sums of approximately US\$8,957,000 and HK\$19,300. It also

discharged the liabilities of Magic Figure's wholly-owned subsidiaries, Jiaxing Guowei and Jiaxing Situ, including the construction fees under the Construction Contract.

32. In approving the Magic Figure Agreement for Magic Figure, Mr Chin:
- 32.1. Agreed and adopted the independent valuation made by one Joinhouse Property Valuation Co Ltd ("Joinhouse") in two valuation reports dated 28 April 2008, which valued the Jiaxing Situ Land and the Jiaxing Guowei Land at RMB 375 per square metre. The said valuation reports were provided by Joinhouse upon the instructions of Jiaxing Situ and Jiaxing Guowei as vendors, one day before the Acquisition;
 - 32.2. Did not cause or require further valuation to be obtained by Decade or the Company of the Jiaxing Situ Land and the Jiaxing Guowei Land;
 - 32.3. Did not raise any query as to the reason why valuation of the Jiaxing Situ Land and the Jiaxing Guowei Land by Joinhouse (at RMB 375 per square metre) was higher than that paid by EL Triumph, Shinyou, and Hashimoto (at RMB 104.9995 per square metre) for the other parts of Plot L211 (namely, the EL Triumph Land, the Shinyou Land and the Hashimoto) under the Antong Sub-Assignments;
 - 32.4. Did not consider, or adequately consider, the liabilities of Jiaxing Guowei and Jiaxing Situ including liabilities for the construction fees under the Construction Contract including the Estimated Construction Costs, the impact of such liabilities and cost on the Acquisition, and whether it was in the interests or best interests of Decade or the Company to acquire the share of Magic Figure.
- B6. Interim Report, Annual Report, SEHK's Enquiries, the Company's Responses, Circular and Announcement**
33. In the Interim Report of the Company for the half year ended 30 June 2008 published on 22 September 2008 (the "Interim Report 2008"), it was stated, in relation to the Acquisition, *inter alia*, as follows:
- 33.1. On 30 April 2008, the Group acquired 100% of Talentlink HK and Magic Figure and their subsidiaries for a total consideration of RMB 25,917,000 from third parties.
 - 33.2. The Acquisition was regarded as acquisition of assets and assuming liabilities since no business was acquired.
 - 33.3. The Acquisition resulted in a "net cash inflow" of RMB 30,215,000, being the difference between (i) the bank balances and cash acquired of RMB56,132,000 and (ii) the cash consideration paid of RMB 25,917,000.
34. The Acquisition was not treated or disclosed as a connected transaction as defined in Chapter 14A of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules") in the Interim Report 2008.
35. By a fax dated 1 December 2008, the SEHK asked the Company to provide further details in respect of the Acquisition and to demonstrate with supporting evidence that

the Acquisition was not a connected transaction which required reporting and/or shareholders' approval under Chapter 14A of the Listing Rules.

36. By a letter dated 12 December 2008, the Company responded *inter alia* as follows:
 - 36.1. The intention of the Company was to acquire land use rights to enlarge the production capacity reserve of the Company. Further, the Acquisition would help in alleviating foreign exchange risks of the Company by allowing it to inject funds into the PRC to fully fund Jiaxing Situ, Jiaxing Guowei and Huzhou Minhai in terms of registered capital.
 - 36.2. The total consideration paid for the acquisition of Magic Figure and Talentlink HK was RMB 25,917,000.
 - 36.3. The beneficial owner of Talentlink BVI (the vendor of Talentlink HK) was Ms Hsu, described as an "independent third party".
 - 36.4. The vendor under the Magic Figure Agreement was Mr Hsu, also described as an "independent third party".
 - 36.5. Based on enquiries by the Company, Talentlink BVI, Ms Hsu and Mr Hsu were not related to any members of senior management, employees, contractors, sub-contractors and business associates of the Group.
 - 36.6. Based on a confirmation by the Company with its directors and the vendors, the vendors were not connected persons (as defined in the Listing Rules) of the Company, and the Acquisition was not a connected transaction subject to Chapter 14A of the Listing Rules.
37. By a letter dated 6 January 2009 to the Company, the Petitioner raised various queries regarding the details of the Acquisition.
38. By a letter dated 23 January 2009 from the Company's solicitors (Richards Butler) to the Petitioner, the Company responded *inter alia* as follows:
 - 38.1. There was no board meeting or shareholders' meeting convened for the Company as the Acquisition was considered as a minor acquisition.
 - 38.2. No announcement was made by the Company because none was required in respect of the Acquisition under the Listing Rules nor did it merit disclosure under Rule 13.09 of the Listing Rules.
39. By a letter dated 22 April 2009, the Company through its solicitors (Richards Butler) stated to the SEHK that:
 - 39.1. Mr Hsu and Ms Hsu were respectively the son and daughter of Mr Chin's sister who had passed away over 20 years ago.
 - 39.2. Mr Chin had financed the Hsu Siblings in investments in the PRC which they had made through Magic Figure. Such financing had been in place since 2007 and was ultimately repaid to Mr Chin only after the Acquisition had been completed by way of proceeds from the Company's completion of the Acquisition.

- 39.3. Prior to the Acquisition and the Company's response to SEHK's enquiry, Mr Chin was of the view that the Hsu Siblings were distant relatives and therefore not connected persons of the Company. He had asked his personal assistant to check the Listing Rules, who then reported to him that based on her reading of the definition of connected person in Chapter 1 of the Listing Rules which does not include reference to "nephew", she confirmed to Mr Chin that nephews were not "connected persons". Mr Chin then informed Mr Shi that the sellers were not connected persons to him.
- 39.4. The other directors of the Company were not aware of the relationship between Mr Chin and the Hsu Siblings until the Company was notified by Mr Chin through his Hong Kong legal advisor on 21 April 2009.
40. On 23 April 2009, the Company published its Annual Report for the year ended 31 December 2008 in which it was disclosed, inter alia, that:
- 40.1. On 29 April 2008, the Group acquired 100% of the issued share capital of Talentlink HK and its subsidiary, namely, Huzhou Minhui, and Magic Figure and its subsidiaries, namely, Jiaying Guowei and Jiaying Situ, from the relatives of Mr Chin for a total consideration of RMB 88,593,000, representing cash payment of RMB 25,985,000 and settlement of outstanding other payables prior to the Acquisition of RMB 62,608,000, with a net cash outflow of RMB 32,462,000.
- 40.2. The Company was seeking confirmation from the SEHK as to whether the Acquisition would, in the opinion of the SEHK, constitute a connected transaction as the ultimate vendors were the relatives of Mr Chin.
41. In a further letter dated 29 April 2009 to the SEHK, Richards Butler on behalf of the Company informed the SEHK that the Executive Directors (other than Mr Chin) were of the view that the Acquisition could constitute a connected transaction in view of the family relationship between Mr Chin and the Hsu Siblings, and the aforesaid financial assistance given by Mr Chin to them, taken together.
42. On 12 May 2009, the SEHK determined, based on the following facts as represented by the Company, that the Hsu Siblings were connected persons of the Company under Rule 14A.11(4)(c) of the Listing Rules and accordingly, the Acquisition was a connected transaction under Chapter 14A. The facts as represented by the Company and relied upon by the SEHK to come to the said determination were:
- 42.1. The Company acquired 100% of the issued share capital of Talentlink HK and Magic Figure together with the sales loan at a total consideration of RMB 88,500,000.
- 42.2. The ultimate beneficial owners of the vendors were Mr Hsu and Ms Hsu, who were the nephew and niece of Mr Chin, the Company's chairman and executive director.
- 42.3. Mr Chin financed Mr Hsu and Ms Hsu, up to US\$10,000,000 (the "Loan") in investments in the PRC which they had made through Magic Figure. The Loan had been in place since 2007.
- 42.4. The Loan was ultimately repaid to Mr Chin after the Acquisition had been completed and by way of proceeds arising from the Acquisition.

- 42.5. The executive directors (other than Mr Chin) considered that the Acquisition constituted a connected transaction in view of the family relationship and the financial assistance.
43. On 12 June 2009, the Company issued a public announcement (the "Announcement") informing its shareholders and the investing public, *inter alia*, that:
- 43.1. The executive directors of the Company (other than Mr Chin) considered that the Acquisition could constitute a connected transaction in view of the family relationship between Mr Chin and the Hsu Siblings and the financial assistance given by Mr Chin to the Hsu Siblings;
- 43.2. The SEHK had on 12 May 2009 determined that the Hsu Siblings were connected persons of the Company;
- 43.3. As the applicable percentage ratios under Chapter 14 of the Listing Rules for the Acquisition were more than 2.5% but less than 25%, and the consideration was in excess of HK\$10,000,000, the Acquisition should have been subject to the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules;
- 43.4. The financing of Mr Hsu and Ms Hsu by Mr Chin, which had been in place since 2007, was only ultimately repaid to Mr Chin after the Acquisition had been completed by way of proceeds from the completion of the Acquisition; and
- 43.5. The Jiaxing Guowei Land and Jiaxing Situ Land were valued at approximately RMB 49,177,000 as of 25 April 2008.
44. The Announcement did not disclose, *inter alia*, the following:
- 44.1. The price of the Jiaxing Guowei Land and the Jiaxing Situ Land were valued at RMB 375 per square metre;
- 44.2. Earlier, in around 2006 and 2007, the EL Triumph Land, the Hashimoto Land, the Shinyou Land, which were adjacent to the Jiaxing Situ Land and the Jiaxing Guowei Land were acquired by subsidiaries of the Company at RMB 104.9995 per square metre;
- 44.3. The relationship between Mr Chin and Antong, as set out in Sections B3 and B4;
- 44.4. Jiaxing Guowei and Jiaxing Situ were contractually bound to pay the construction fees under the Construction Contract, including the Estimated Construction Costs at RMB 29,380,000; and
- 44.5. The reason why, when viewed in the light of the additional but undisclosed matters above, it was considered commercially justifiable for Decade to proceed with the Acquisition.
45. On 10 July 2009, the Company issued a circular (the "Circular") to its shareholders giving notice of an extraordinary general meeting ("EGM") to be held on 27 July 2009 to approve, confirm and ratify the Acquisition. No disclosure was made in the Circular of, *inter alia*, the following matters:

- 45.1. The price of the Jiaxing Guowei Land and the Jiaxing Situ Land were valued at RMB 375 per square metre;
 - 45.2. Earlier, in around 2006 and 2007, the EL Triumph Land, the Hashimoto Land, and the Shinyou Land, which were adjacent to the Jiaxing Situ Land and the Jiaxing Guowei Land, were acquired by subsidiaries of the Company at RMB 104.9995 per square metre;
 - 45.3. The relationship between Mr Chin and Antong as set out in Sections B3 and B4 above;
 - 45.4. Jiaxing Guowei and Jiaxing Situ were contractually bound to pay the construction fees under the Construction Contract, including the Estimated Construction Costs at RMB 29,380,000; and
 - 45.5. The reason why, when viewed in the light of the additional but undisclosed matters above, it was considered commercially justifiable for Decade to proceed with the Acquisition.
46. The EGM was held on 27 July 2009. 98.75% of the independent shareholders (with Mr Chin, Linkfair Investments Limited (a company wholly owned by him) and their respective associates abstaining from voting) voted to approve, confirm and ratify the Acquisition.

B7. Fund flows

47. Under the Acquisition, Decade had to make the following payments:
- 47.1. The cash consideration of US\$3,186,639 payable to Mr Hsu under the Magic Figure Agreement;
 - 47.2. The cash consideration of US\$525,400 payable to Talentlink BVI under the Talentlink HK Agreement;
 - 47.3. The total amount of approximately US\$8,957,000 to discharge Magic Figure's liabilities to its creditor(s);
 - 47.4. The total amount of approximately HK\$19,300 to discharge Talentlink HK's liabilities to its creditor(s).
48. Decade discharged its obligations referred to in paragraphs 47.1 to 47.3 above by making the following three payments (totalling US\$12,712,039) on 29 and 30 April 2008:
- 48.1. US\$3,186,639 to Manlead;
 - 48.2. US\$525,400 to Talentlink BVI; and
 - 48.3. US\$9,000,000 to Magic Figure.

B7.1 Payment of US\$3,186,639 to Manlead

49. On 30 April 2008, Decade transferred the amount of US\$3,186,639 from its account at Goldman Sachs to Manlead's account at UBS AG.
- 49.1. Manlead received the amount of US\$3,186,639 on 2 May 2008 and placed it on time deposit.
- 49.2. On 7 May 2008, the time deposit matured with principal plus interest of US\$3,187,599.42.
- 49.3. On 7 May 2008, Manlead paid the amount of US\$3,189,751.71, made up of the said amount of US\$3,187,599.42 together with an amount of US\$2,152.30 in the said account of Manlead, to Mageneti Marelli SPA Limited ("Mageneti")'s account at UBS AG, and Mageneti placed the received fund of US\$3,189,751.71 on time deposit. The instruction to Manlead's banker, namely, UBS AG, to transfer this amount to Mageneti was signed by Mr Chin on behalf of Manlead. Mageneti was at all material times owned and/or controlled by Mr Chin.
- 49.4. Mageneti renewed this time deposit a few times until 19 June 2008 when it paid the amount of US\$3,190,000 to a joint account of Mr Chin and Mrs Chin at UBS AG on 19 June 2008.

B7.2 Payment of US\$525,400 to Talentlink BVI

50. On 30 April 2008, Decade transferred the amount of US\$525,400 equivalent to the cash consideration payable by Decade under the Talentlink HK Agreement, from its account at Goldman Sachs to Talentlink BVI's account at Credit Suisse.
- 50.1. Mr Chin remained the sole bank signatory of Talentlink BVI's account at Credit Suisse at all material times, including the period from January 2007 to June 2008.
- 50.2. On 2 May 2008, Talentlink BVI combined the received fund of US\$525,400 with the existing credit balance in its said account in the amount of US\$2,010.70 to form a new time deposit of US\$527,410.70.
- 50.3. On 6 May 2008, this time deposit matured with principal plus interest of US\$527,522.04. The fund was subsequently further dealt with, the details of which are set out in paragraph 55.2 below.

B7.3 Payment of US\$9,000,000 to Magic Figure

51. Magic Figure's balance sheets show that:
- 51.1. As at 31 March 2008, Magic Figure was indebted to creditors in the total amount of US\$9,157,000. The creditors were State Star Holdings Limited ("State Star"), a company owned by Mr Chin at the material times.
- 51.2. As at 29 April 2008, Magic Figure's indebtedness to State Star had been discharged and replaced by debts of (i) US\$7,450,000 owing to Talentlink BVI and (ii) US\$1,507,000 owing to Fastwit Industrial Limited ("Fastwit").
- 51.3. As at 30 April 2008, Magic Figure's indebtedness to Talentlink BVI and Fastwit had been discharged and replaced by a debt of US\$9,000,000 owing to Decade.

52. On 29 April 2008, Decade transferred the amount of US\$9,000,000 from its account at Goldman Sachs to Magic Figure's account at Credit Suisse, and Magic Figure received the fund on 30 April 2008.
53. On 5 May 2008, Magic Figure transferred (a) US\$1,507,050 to Fastwit's account at Credit Suisse and (b) US\$7,450,000 to Talentlink BVI's account at Credit Suisse.
54. In respect of the fund of US\$1,507,050 received by Fastwit:
 - 54.1. On 5 May 2008, Fastwit placed the received fund of US\$1,507,050 on time deposit, which matured on 6 May 2008 with interest of US\$79.54.
 - 54.2. The fund was then combined with other funds of Fastwit in the amounts of US\$258,100 and US\$200,000 respectively on different dates and new time deposits were created and renewed from time to time.
 - 54.3. On 30 June 2008, the time deposit in the principal amount of US\$1,970,542.12 matured.
 - 54.4. On 2 July 2008, out of the said amount of US\$1,970,542.12, Fastwit transferred the sum of US\$1,500,000 to Rich Advance Holdings Limited ("**Rich Advance**")'s account at UBS AG.
55. In respect of the fund of US\$7,450,000 received by Talentlink BVI:
 - 55.1. Talentlink BVI placed the received fund of US\$7,450,000 on time deposit.
 - 55.2. On 6 May 2008, the amount of US\$7,450,000 (together with interest thereon) was combined with the amount of US\$525,400 (together with interest thereon) which Talentlink BVI received from Decade (see paragraphs 50.2 and 53 above) and a new time deposit of US\$7,977,915.23 was created.
 - 55.3. Talentlink BVI renewed this deposit a few times, and on 17 June 2008 the deposit matured with a principal plus interest of US\$7,995,272.15. Out of this amount:
 - 55.3.1. On 17 June 2008, Talentlink BVI created a new time deposit US\$541,000 which was renewed a few times, and on 21 July 2008 Talentlink BVI transferred the amount of US\$201,000 to State Star and the remaining balance was kept in a new time deposit.
 - 55.3.2. On 18 June 2008, Talentlink BVI transferred the remaining US\$7,451,000 to Rich Advance's account at UBS AG. The instruction to Talentlink BVI's banker, namely, Credit Suisse, to transfer this amount to Rich Advance was signed by Mr Chin on behalf of Talentlink BVI.
56. Rich Advance was at all material times owned and/or controlled by Mr Chin.

B7.4 Conclusion on fund flows

57. The total amount of US\$12,712,039 paid by Decade on 29 and 30 April 2008 together with other relatively small amounts in various bank accounts ended up in bank

accounts of Mr Chin, Mrs Chin and or companies owned and/or controlled by Mr Chin as follows:

- 57.1. US\$3,190,000 was paid into a joint account of Mr Chin and Mrs Chin.
- 57.2. US\$8,951,000 was paid into an account of Rich Advance, a company owned and/or controlled by Mr Chin.
- 57.3. US\$201,000 was paid into an account of State Star, a company owned and/or controlled by Mr Chin.

B8. Relevant Listing Rules Provisions

58. The Listing Rules applicable at the material times provided as follows:

Rule 2.13

" Without prejudice to any specific requirements of the Exchange Listing Rules as to content or responsibility for the document in question, any announcement or corporate communication required pursuant to the Exchange Listing Rules must be prepared having regard to the following general principles:

(1) the information contained in the document must be clearly presented and in the plain language format specified or recommended by the Exchange and/or the Commission from time to time; and

(2) the information contained in the document must be accurate and complete in all material respects and not be misleading or deceptive. In complying with this requirement, the issuer must not, among other things:—

(a) omit material facts of an unfavourable nature or fail to accord them with appropriate significance;

(b) present favourable possibilities as certain or as more probable than is likely to be the case ..."

Rule 3.08

" The board of directors of a listed issuer is collectively responsible for the management and operations of the listed issuer. The Exchange expects the directors, both collectively and individually, to fulfill fiduciary duties and duties of skill, care and diligence to a standard at least commensurate with the standard established by Hong Kong law. This means that every director must, in the performance of his duties as a director.-

...

(e) disclose fully and fairly his interests in contracts with the listed issuer; and

(f) apply such degree of skill, care and diligence as may reasonably be expected of a person of his knowledge and experience and holding his office within the listed issuer."

Rule 13.04

"The directors of an issuer are collectively and individually responsible for ensuring the issuer's full compliance with the Exchange Listing Rules."

Rule 13.09(1)

"Generally and apart from compliance with all the specific requirements in this Chapter, an issuer shall keep the Exchange, members of the issuer and other holders of its listed securities informed as soon as reasonably practicable of any information relating to the group (including information on any major new developments in the group's sphere of activity which is not public knowledge) which:-

(a) is necessary to enable them and the public to appraise the position of the group; or"

Rule 14A.01

"The connected transactions rules are intended to ensure that the interests of shareholders as a whole are taken into account by a listed issuer when the listed issuer enters into connected transactions. The rules set out in this Chapter also provide certain safeguards against listed issuers' directors, chief executives or substantial shareholders (or their associates) taking advantage of their positions."

Rule 14A.02

"This is achieved through the general requirement for connected transactions to be disclosed and subject to independent shareholders' approval. Accordingly, where any connected transaction is proposed, the transaction must be announced publicly by means of an announcement published in accordance with rule 2.07C and a circular must be sent to shareholders giving information about the transaction. Prior approval of the shareholders in general meeting will be required before the transaction can proceed. A connected person with a material interest in the transaction will not be permitted to vote at the meeting on the resolution approving the transaction."

Rule 14A.05

"If a listed issuer proposes to enter into a transaction which could be a connected transaction, it is essential that the listed issuer consult the Exchange at an early stage so that, in cases of doubt, the listed issuer can ascertain whether and to what extent the provisions of this Chapter apply. The relevant contract(s) or, if applicable, draft contract(s) must be supplied to the Exchange, if requested."

Rule 14A.11

"Rule 1.01 contains a general definition of "connected person". In this Chapter, the definition of "connected person" includes:

(1) a director, chief executive or substantial shareholder of the listed issuer;

...

(4) any associate of a person referred to in rules 14A.11(1), (2) or (3). The definitions of "associate" (in the context of non-PRC issuers and PRC issuers) are contained in rules 1.01 and 19A.04, respectively. In this Chapter, an "associate" of a person referred to in rules 14A.11(1), (2) or (3) includes the following additional persons:

...

(c) a father-in-law, mother-in-law, son-in-law, daughter-in-law, grandparent, grandchild, uncle, aunt, cousin, brother-in-law, sister-in-law, nephew and niece of a person referred to in rules 14A.11(1), (2) or (3) whose association with the person referred to in rules 14A.11(1), (2) or (3) is such that, in the opinion of the Exchange, the proposed transaction should be subject to the requirements of this Chapter. Listed issuers must notify the Exchange of any proposed transaction with these parties unless the transaction is exempt under rules 14A.31 or 14A.33. Listed issuers must also provide information to the Exchange to demonstrate whether or not these parties should be regarded as associates of the person referred to in rules 14A.11(1), (2) or (3);"

Rule 14A.13

"A connected transaction is:

(1) (a) any transaction between a listed issuer and a connected person; or"

Rule 14A.45

"The following details of the connected transaction must be included in the listed issuer's next published annual report and accounts:

(1) the transaction date;

(2) the parties to the transaction and a description of their connected relationship;

(3) a brief description of the transaction and its purpose;

(4) the total consideration and terms (including, where relevant, interest rates, length of repayment and security); and

(5) the nature and extent of the connected person's interest in the transaction."

Rule 14A.47

"Issuers proposing to enter into a connected transaction or a continuing connected transaction which is subject to announcement requirements must:-

(1) notify the Exchange as soon as possible after the terms of the transaction have been agreed;

Note: Under rule 13.09, a listed issuer's notification obligations in respect of information expected to be price-sensitive arise as soon as that information is the subject of a decision.

(2) send to the Exchange a draft announcement. Once the announcement has been amended to take account of the Exchange's comments, the listed issuer must cause such announcement to be published in accordance with rule 2.07C as soon as possible; and

Notes:

1 Pursuant to rule 13.54(2), the listed issuer must forward to the Exchange 7 copies of such announcement as cleared by the Exchange at the same time as it is issued.

2 Where the connected transaction is also a share transaction, major transaction, very substantial disposal, very substantial acquisition or reverse takeover, rule 14.37 (requirement for short suspension of dealings) also applies.

(3) comply with rules 14A.45 or 14A.46 (the reporting requirements)."

Rule 14A.48

"Listed issuers proposing to enter into a connected transaction or a continuing connected transaction which is subject to independent shareholders' approval must:

(1) comply with rules 14A.45 or 14A.46 (the reporting requirements) and 14A.47 (the announcement requirements); and

(2) comply with the requirements set out in rules 14A.49 to 14A.54 (the circular and independent shareholders' approval requirements)."

Rule 14A.56

"The announcement for connected transactions and continuing connected transactions must contain at least the following:

(1) the information set out in rules 14.58 to 14.60 (contents of announcements ...;

(2) a description of the connected relationship between the parties to the transaction and the nature and extent of the connected person's interest in the transaction;

(3) a statement that the transaction is subject to independent shareholders' approval, if applicable."

Rule 14A.58

" All circulars sent by a listed issuer to holders of its listed securities must:

(1) provide a clear and adequate explanation of its subject matter and demonstrate the advantages and disadvantages of the transaction for the listed issuer;

(2) where practicable, include an arithmetical evaluation in the circular; and

(3) where independent shareholders' approval is required, contain:

(a) all information necessary to allow the holders of securities to make a properly informed decision;

(b) a heading drawing attention to the importance of the document and advising holders of securities, who are in any doubt as to what action to take to consult appropriate independent advisers;

(c) a separate letter from the independent board committee, if applicable (see rule 14A.21); and

(d) a separate letter from the independent financial adviser (see rule 14A.22).

Note: If all the independent non-executive directors have a material interest in the relevant transactions or arrangements, no independent board committee can be formed. In that event, the independent financial adviser shall make its recommendation to the independent shareholders only in its letter set out in the circular to shareholders."

Rule 14A.59

" The circular must contain at least:

(2) full details of the transaction including:

(a) the date of the transaction and the identity and activities of the parties to the transaction including the identity and activities of the ultimate beneficial owner of the disposing or acquiring party;

(b) a general description of the nature and the value (being the book value and valuation, if any) of any assets concerned. If any of the assets are securities, the circular must include the name of the company in which the shares are or were held and a general description of its activities;

(c) a description of the terms and conditions of the consideration and a statement of the total consideration, explaining how this is being or is to be satisfied;

(d) the name of the connected person concerned;

(e) a statement of the nature of the connected person's relationship with any controller and the name and office held by that controller; and

(f) the nature and extent of the interest of the connected person in the transaction;"

B9. Mr Chin's liability

59. At all material times, Mr Chin was a director of Decade, and under a fiduciary duty to act in the best interest of Decade, to avoid any actual or potential conflicts of duty and interest, and not to deal with Decade without the full and informed consent of Decade.
60. Mr Chin had never disclosed to the board of directors, the shareholders of the Company and Decade prior to the making of the Magic Figure Agreement and the Talentlink HK Agreement:
- 60.1. His relationship with the Hsu Siblings;
- 60.2. His significant control through the Hsu siblings over Manlead (and Antong), Magic Figure, Talentlink BVI, Talentlink HK, Jiaxing Situ, Jiaxing Guowei, and in turn over the Jiaxing Situ Land and the Jiaxing Guowei Land, as set out in Section B4 above; and
- 60.3. The Acquisition was not a transaction with an independent third party by reason of paragraph 60.2.
61. By reasons of the matters referred to above, Mr Chin acted in breach of his fiduciary duties owed to the Company and Decade and caused Decade to suffer loss, in that he failed to use his best endeavours to procure Decade to negotiate for the lowest possible price for the Lands. The Petitioner and Mr Chin put forward different values for the lowest possible price for the Lands (which forms the basis of the monetary claim against Mr Chin), taking into account the price offered for lots in the vicinity at around the time of the Acquisition. In the interests of saving time and costs, and for the purpose of these proceedings, the Petitioner and Mr Chin have agreed upon a global sum of RMB 12,000,000 together with interest thereon in full and final settlement of the monetary claim against Mr Chin.
62. The Interim Report 2008 contained the following false or misleading representations and/or material non-disclosure, namely:
- 62.1. The representation that the Group acquired 100% of Talentlink HK and Magic Figure and their subsidiaries for a total consideration of RMB 25,917,000 from third parties is false or misleading, in that: (a) the total consideration was RMB 88,593,000; (b) the Group acquired Talentlink HK and Magic Figure and their subsidiaries from connected persons (namely Mr Hsu and Ms Hsu were nephew

- and niece of Mr Chin), not third parties; and (c) Decade would be responsible for the construction fees under the Construction Contract;
- 62.2. The representation that the Acquisition resulted in a “net cash inflow” of RMB 30,215,000 is false in that it in fact resulted in a “net cash outflow” of RMB 32,462,000;
- 62.3. There was a failure to disclose that the Acquisition was a connected transaction as defined in Chapter 14A of the Listing Rules; and
- 62.4. There was a failure to disclose: (a) Mr Chin’s relationship with Manlead and Antong; (b) Mr Chin’s relationship with the Hsu Siblings; (c) Mr Chin’s interest in Magic Figure, Talentlink BVI and Talentlink HK; and (d) Mr Chin’s interest in the Jiaxing Situ Land and Jiaxing Guowei Land.
63. The Company’s letter to SEHK dated 12 December 2008 contained the following false or misleading representations and/or material non-disclosure:
- 63.1. The representation that the total consideration paid for the acquisition of Magic Figure and Talentlink HK and their subsidiaries was RMB 25,917,000 is false, in that the total consideration was RMB 88,593,000, and that in addition Decade would be responsible for the construction fees under the Construction Contract;
- 63.2. The description of Ms Hsu as an “independent third party” is false, in that she was Mr Chin’s niece and a connected person;
- 63.3. The description of Mr Hsu as an “independent third party” is false, in that he was Mr Chin’s nephew and a connected person;
- 63.4. The representation that Talentlink BVI, Ms Hsu and Mr Hsu were not related to any members of the senior management, employees, contractors, sub-contractors and business associates of the Group is false, in that they were all connected with Mr Chin; and
- 63.5. The representation that the Acquisition was not a connected transaction subject to Chapter 14A of the Listing Rules is false, in that the contrary was the true position.
64. The Company’s letter to the Petitioner dated 23 January 2009 contained the following false or misleading representations and/or material non-disclosure:
- 64.1. The representation that the Acquisition was considered a minor acquisition is false, in that it was a substantial transaction by reference to the applicable percentage ratios under Chapter 14 of the Listing Rules, and that in addition, Decade would be responsible for the construction fees under the Construction Contract, including the Estimated Construction Costs; and
- 64.2. The representation that no announcement was required in respect of the Acquisition under the Listing Rules nor did it merit disclosure under Rule 13.09 of the Listing Rules is false or misleading, in that the contrary was the true position given the consideration was RMB 88,593,000.

65. The Company's letter to the SEHK dated 22 April 2009 contained the following false or misleading representations, namely that the financing of Mr Hsu and Ms Hsu, which had been in place since 2007, was only ultimately repaid to Mr Chin after the Acquisition had been completed by way of proceeds from the Company's completion of the Acquisition, in that any alleged outstanding indebtedness of Mr Hsu and Ms Hsu (through Magic Figure) to Mr Chin (through State Star) had been discharged on or before 29 April 2008 not from the sale proceeds upon the Company's completion of the Acquisition. The proceeds received from Decade on 30 April 2008 was used to discharge Magic Figure's indebtedness to Talentlink BVI and Fastwit.
66. The Announcement contained the following false or misleading representations and/or material non-disclosure:
- 66.1. The Company's letter to the SEHK dated 22 April 2009 contained the following false or misleading representations, namely that the financing of Mr Hsu and Ms Hsu, which had been in place since 2007, was only ultimately repaid to Mr Chin after the Acquisition had been completed by way of proceeds from the Company's completion of the Acquisition, in that any alleged outstanding indebtedness of Mr Hsu and Ms Hsu (through Magic Figure) to Mr Chin (through State Star) had been discharged on or before 29 April 2008 not from the sale proceeds arising from the Company's completion of the Acquisition. The proceeds received from Decade on 30 April 2008 was used to discharge Magic Figure's indebtedness to Talentlink BVI and Fastwit.
- 66.2. There was a failure to disclose the extent to which the consideration paid by Decade in relation to the Acquisition ultimately went to bank accounts belonging to or controlled by Mr Chin;
- 66.3. There was a failure to disclose the contractual obligations of Jiaxing Situ and Jiaxing Guowei to pay construction fees under the Construction Contract, including the Estimated Construction Costs at RMB 29,380,000;
- 66.4. There was a failure to disclose the fact that before the Acquisition, various plots of land adjacent to the Jiaxing Situ Land and Jiaxing Guowei Land (which formed part of Plot L211) had been acquired by other indirect subsidiaries of the Company (namely, EL Triumph, Shinyou and Hashimoto) at a lower unit price of RMB 104.9995 per square metre;
- 66.5. There was a failure to disclose: (a) Mr Chin's relationship with Manlead and Antong; and (b) Mr Chin's relationship with Mr and Ms Hsu; (c) Mr Chin's significant control of Magic Figure, Talentlink BVI and Talentlink HK; and (d) in turn, Mr Chin's significant control over the Jiaxing Situ Land and Jiaxing Guowei Land.
67. The Circular failed to disclose:
- 67.1. the extent to which the consideration paid by Decade in relation to the Acquisition ultimately went to bank accounts belonging to or controlled by Mr Chin;
- 67.2. the contractual obligations of Jiaxing Situ and Jiaxing Guowei to pay construction fees under the Construction Contract, including the Estimated Construction Costs at RMB 29,380,000;

- 67.3. the fact that before the Acquisition, various plots of land adjacent to the Jiaxing Situ Land and Jiaxing Guowei Land (which formed part of Plot L211) had been acquired by other indirect subsidiaries of the Company (namely, EL Triumph, Shinyou and Hashimoto) at a lower unit price of RMB 104.9995 per square metre; and
- 67.4. Mr Chin's relationship with Manlead and Antong; and his relationship with Mr and Ms Hsu; his significant control of Magic Figure, Talentlink BVI and Talentlink HK; and, in turn, his significant control over the Jiaxing Situ Land and Jiaxing Guowei Land.
68. In connection with the Acquisition, the Company has committed the following breaches of the Listing Rules:
- 68.1. Failing to notify the SEHK of the proposed Acquisition and demonstrate to the SEHK as to whether or not Mr Hsu and Ms Hsu should be regarded as connected persons, in breach of Rule 14A.11 of the Listing Rules;
- 68.2. Failing to observe the reporting, announcement and independent shareholders' approval requirements under Rules 14A.45, 14A.47 and 14A.48 of the Listing Rules;
- 68.3. Publishing the Interim Report 2008 which contained information which was not accurate or complete in all material respects and/or was misleading or deceptive, in breach of Rule 2.13(2) of the Listing Rules.
- 68.4. Publishing the Annual Report 2008 which did not fully describe the connected relationship between the parties to the Acquisition, did not disclose the purpose of the transaction, and did not disclose the nature and extent of the connected person's interest in the transaction, in breach of Rules 14A.45(2), 14A.45(3) and 14A.45(5) of the Listing Rules.
- 68.5. Failing to disclose in the Announcement and the Circular the various matters referred to in paragraphs 66 and 67 above, in breach of Rules 14A.56(2), 14A.58(3)(a) and 14A.59(2) of the Listing Rules.
69. Mr Chin, being the Chairman and an Executive Director of the Company at all material times:
- 69.1. was fully aware of the relationship between himself and Mr Hsu and Ms Hsu, his significant control of/over Manlead, Antong, Magic Figure, Talentlink BVI, Talentlink HK, the Jiaxing Situ Land, the Jiaxing Guowei Land, the unit price per square metre of the other parts of Plot L211 which were sold before the Acquisition, the contractual obligations of Jiaxing Situ and Jiaxing Guowei under the Construction Contract, the full terms of the Acquisition, and the manner in which the consideration paid by Decade under the Acquisition was eventually disbursed or dealt with;
- 69.2. ought to have made but failed to make full disclosure of the matters mentioned in paragraph 69.1 above to the Company, his fellow directors, the SEHK and the Company's shareholders;

- 69.3. knew or ought to have known that the Company made numerous false or misleading representations and/or material non-disclosure to the SEHK, the Petitioner, the shareholders of the Company and the public, and/or failed to make disclosure of all the facts or matters, and/or failed to comply with the Listing Rules as stated above; and
- 69.4. caused, permitted or allowed these to happen.
70. Further, Mr Chin was responsible for ensuring the Company's full compliance with the Listing Rules, but failed to do so.
71. In the premises, the business and affairs of the Company, for which Mr Chin, as the Chairman and an Executive Director of the Company, was responsible, have been conducted in a manner (i) involving misfeasance or other misconduct towards the Company, its members or part of its members; (ii) resulting in its members or part of its members not having been given all the information with respect to its business or affairs that they might reasonably expect, and/or (iii) unfairly prejudicial to its members or part of its members, within the meaning of section 214(1)(b) to (d) of the SFO.
- C. Costs**
72. If pursuant to this Statement, this Court disposes of these proceedings summarily, Mr Chin agrees to pay the SFC's costs in respect of these proceedings against him, to be taxed if not agreed, with certificate for two counsel.

Dated this the day of October 2019.

Signed by Mr Chin Jong Hwa
1st Respondent

Signed by the Securities and Futures Commission
Petitioner

HCMP 891/2014

**IN THE HIGH COURT OF THE
HONG KONG SPECIAL ADMINISTRATIVE REGION
COURT OF FIRST INSTANCE
MISCELLANEOUS PROCEEDINGS NO. 891 OF 2014**

IN THE MATTER OF Minth Group
Limited

AND

IN THE MATTER OF Section 214 of
The Securities and Futures Ordinance,
Cap. 571

BETWEEN

SECURITIES AND FUTURES COMMISSION

Petitioner

and

CHIN JONG HWA (秦榮華)

1st Respondent

SHI JIAN HUI (石建輝)

2nd Respondent

MU WEI ZHONG (穆偉忠)

3rd Respondent

ZHAO FENG (趙鋒)

4th Respondent

MINTH GROUP LIMITED

5th Respondent

DECADE (HK) LIMITED

6th Respondent

**STATEMENT OF FACTS NOT IN DISPUTE FOR THE PURPOSES OF A
CARECRAFT SETTLEMENT BETWEEN THE PETITIONER AND THE 2ND
RESPONDENT**

A. INTRODUCTION

1. On 10 April 2014, the Securities and Futures Commission (“**Petitioner**”) issued these proceedings under section 214 of the Securities and Futures Ordinance (Cap 571) (“**Ordinance**”) seeking, inter alia, a disqualification orders against Mr. Shi Jian Hui (“**2nd Respondent**”) and others in respect of their conduct of the business and affairs of the 5th Respondent, Minth Group Limited (“**Company**”).
2. Subject to the approval of this Court, the Petitioner and the 2nd Respondent consent to the disposal of these proceedings against the 2nd Respondent by way of the summary procedure (“**Carecraft Procedure**”) sanctioned in *Re Carecraft Construction Co Limited* [1994] 1 WLR 172, as clarified by the English Court of Appeal in *Secretary of State for Trade and Industry v Rogers* [1996] 1 WLR 1569 and as adopted by this Court in a number of cases including but not limited to *Securities and Futures Commission v Yick Chong San* [2007] 4 HKLRD 46, *Securities and Futures Commission v Fung Chiu and Others* [2009] 2 HKC 19, *Securities and Futures Commission v Shum Ka Sang Charlie and Shen Yi* (HCMP1014/2008, unrep, 22.05.2009), *Securities and Futures Commission v Cheung Chi Shing and Others* [2011] 1 HKLRD 96, *Securities and Futures Commission v Cheung Keng Ching and Others* (HCMP 1869/2008, unrep, 18.03.2010), and *Securities and Futures Commission v Kwok Wing & Others* (HCMP 3392/2013, unrep, 27.03.2015) in respect of proceedings under section 214 of the Ordinance.
3. This Statement is produced in order to identify the material facts relied upon by the Petitioner in these proceedings that are not disputed by the 2nd Respondent, for the disposal of these proceedings on the basis that the case against the 2nd Respondent will be dealt with by this Court by way of the *Carecraft* Procedure.
4. Solely for the purposes of resolving these proceedings by way of the *Carecraft* Procedure, and by reference to the facts set out in Section B below (which the 2nd Respondent admits and accepts), the 2nd Respondent accepts that during the relevant period, the business and affairs of the Company, for which the 2nd Respondent as its Chief Executive Officer (“**CEO**”) and one of the Executive Directors was partly responsible, have been conducted in a manner described in section 214(1)(b), (c) and (d) of the Ordinance, namely:

- 4.1. involving misfeasance or other misconduct towards the Company, its members or part of its members;
 - 4.2. resulting in its members or part of its members not having been given all the information with respect to its business or affairs that they might reasonably expect; and
 - 4.3. unfairly prejudicial to its members or part of its members.
5. On the basis of the facts set out in Section B below and the agreed mitigating factors set out in Section C below, the Petitioner and the 2nd Respondent agree, and the 2nd Respondent is prepared to accept, that it would be appropriate for a disqualification order to be made against the 2nd Respondent under section 214(2)(d) of the Ordinance under which he shall not for a period of **3 years**, without the leave of the Court:-
- 5.1. be, or continue to be, a director, liquidator, or receiver or manager of the property or business of any listed or unlisted company in Hong Kong (including the Company or any of its subsidiaries and affiliates),; and
 - 5.2. in any way, whether directly or indirectly, be concerned, or take part, in the management of any listed or unlisted company in Hong Kong (including the Company or any of its subsidiaries and affiliates).
6. The definitions of “subsidiaries” and “affiliates” are set out in Appendix 1 to this Schedule. No agreement on the Petitioner’s costs of these proceedings has been reached between the Petitioner and the 2nd Respondent, and the 2nd Respondent agrees to pay such portion of the Petitioner’s costs in these proceedings as the Court thinks fit, to be taxed if not agreed.
7. In the event of a disqualification order made against the 2nd Respondent by reference to this Statement: (1) the Petitioner and the 2nd Respondent agree that they will jointly apply to this Court for a direction that this Statement be annexed to a judgment of this Court; and (2) the Petitioner reserves the right to refer to this Statement for all purposes connected with or ancillary to these proceedings including, but not limited to, the continuation of these proceedings against other Respondents.

8. The Petitioner and the 2nd Respondent agree that in the event this Court for whatever reason is of the view that these proceedings shall not be dealt with by the Court by way of the *Carecraft* Procedure or that a full hearing is appropriate, no admission or concession by either the Petitioner or the 2nd Respondent nor any proposal for disqualification or the period of disqualification herein referred to or liability to pay costs shall be referred to or relied upon by either party at any subsequent hearing in these proceedings without the prior written consent of both parties.

B. FACTS NOT IN DISPUTE

9. The structure of Section B of this Schedule is as follows:-
- 9.1. Section B1 sets out the background information relating to the Company and its management.
- 9.2. Sections B2 to B17 set out the facts relied on by the Petitioner in support of its case that the business and affairs of the Company have been conducted in such manner described in section 214(1)(b), (c) and (d) of the Ordinance.
- 9.3. Section B18 sets out the facts relied upon by the Petitioner in support of its case that the 2nd Respondent was partly responsible for the aforesaid business and affairs of the Company.

B1 Background and Management of the Company

10. The Company was incorporated in the Cayman Islands. Its shares (Stock Code: 425) were listed on the Main Board of the Stock Exchange of Hong Kong Limited (the “SEHK”) on 1 December 2005 and remain so listed as at the date of this Schedule.
11. The registered office of the Company is situate at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands, British West Indies. Its head office and principal place of business in China is at No.8 Dagang No.6 Road, Ningbo Economic and Technology Development Zone, Postal Code 315800, China, and its principal place of business in Hong Kong is at Room 904, 9/F, Island Place Tower, No. 510 King’s Road, North Point, Hong Kong.

12. As stated in the Monthly Return of Equity Issuer on Movement in Securities for the month ended 28 February 2019, the Company has an authorized share capital of HK\$500,000,000 divided into 5,000,000,000 shares of HK\$0.10 each, and 1,146,777,500 issued shares.
13. One of the wholly owned subsidiaries of the Company is the 6th Respondent, Decade (HK) Limited (“**Decade**”), a company incorporated in Hong Kong on 18 September 2007. At all material times, the 1st Respondent was and is the sole director of Decade. The Company and its subsidiaries will hereinafter collectively be referred to as the “**Group**”.
14. The 1st to 4th Respondents at all material times were Executive Directors of the Company. The 1st and 4th Respondents still are Executive Directors of the Company.
15. The 1st Respondent is the Chairman and an Executive Director of the Company and a director of various subsidiaries of the Company, including Jiaxing El Triumph Automative Parts Co. Ltd (嘉興敏勝零部件有限公司) (“**EL Triumph**”), Jiaxing Minth Hashimoto Automotive Parts co. Ltd (嘉興敏橋汽車零部件有限公司) (“**Hashimoto**”). The 1st Respondent was also the legal representative of Jiaxing Shinyou Mould Tech Co. Ltd (嘉興信元模具科技有限公司) (“**Shinyou**”). He founded the Group in March 1997 and is the controlling shareholder of the Company. It is stated in the 2012 Annual Report of the Company that the 1st Respondent has experience of over 25 years in management in the auto-parts industry and has been leading the management team since the founding of the Group, and he had approximately 40.53% shareholding interest in the Company through Linkfair Investments Limited, a company wholly owned by the 1st Respondent, which held 436,664,000 shares as at 31 December 2012. He was re-designated from Chairman and an Executive Director to a non-Executive Director and Honorary Chairman of the Board with effect from 26 May 2016. On 10 August 2017, he was re-designated as the Company’s Chairman, CEO, and an Executive Director.
16. The 2nd Respondent was the CEO and an Executive Director of the Company and a director of various subsidiaries of the Company, including EL Triumph (from around 9 August 2006 to 6 March 2007). It is stated in the 2012 Annual Report

of the Company that the 2nd Respondent has experience of almost 20 years in the Chinese auto-parts industry since he joined one of the 1st Respondent's companies in 1993. Prior to his current position as CEO, he assumed responsibility as general manager of operations (including leading both overseas and domestic business departments), head of the R&D Centre and was in charge of Human Resources Departments for the Group as a whole. The 2nd Respondent joined the Group in March 1997 and was appointed as a Director on 14 July 2005. He was appointed as Chairman with effect from 26 May 2016. He resigned as Chairman, the CEO, and Executive Director with effect from 10 August 2017.

17. The 3rd Respondent was the Chief Operating Officer and an Executive Director of the Company. He was the supervisor of EL Triumph from around 9 August 2006 to 6 March 2007. It is stated in the 2008 Annual Report of the Company that the 3rd Respondent has experience of over 20 years in engineering. Before joining one of the 1st Respondent's companies in 1993, the 3rd Respondent worked at Zhejiang Shipyard as an assistant engineer, and was later in charge of the Group's overseas business and operations and before that served in various members of the Group as a member of the production management team, sales manager, deputy manager, financial controller and general manager successively. The 3rd Respondent joined the Group in March 1997 and was appointed as a Director on 14 July 2005. He was re-designated from an Executive Director to a Non-Executive Director on 21 March 2012, and resigned as non-executive Director with effect from 19 December 2012.
18. The 4th Respondent is the Vice President and an Executive Director of the Company and a director of various subsidiaries of the Company with overall responsibilities for the Group's sales. It is stated in the 2012 Annual Report of the Company that the 4th Respondent has over 14 years of experience in management. Since joining the Group, the 4th Respondent has worked successively as a purchase officer, manager of the business department and deputy general manager of business operations. The 4th Respondent joined the Group in March 1999 and was appointed as a Director on 22 December 2006.
19. Ms. Bao Jian Ya (包建亞) was the Chief Financial Officer (“CFO”) of the Group and the supervisor of Hashimoto. It is stated in the 2012 Annual Report of the Company that she graduated from Shanghai University of Finance Economics in

1993 where she majored in international accounting. She has over 19 years of experience in accounting and financial management. Prior to joining the Group in March 2005 and assuming the responsibility of financial controller of the Company, she was the financial controller of another Chinese manufacturer. She was nominated as CFO of the Group on 22 December 2006, and appointed as an Executive Director of the Company on 29 May 2014. Ms. Bao Jian Ya resigned as an Executive Director and CFO with effect from 31 May 2017.

20. In order to act as directors of the Company, each of the 1st, 2nd, 3rd and 4th Respondents were required to and did sign a formal declaration, undertaking and acknowledgement *as per* Form B of Appendix 5 to the Rules Governing the Listing of Securities on the SEHK (the “**Listing Rules**”), whereby each of them undertook to the SEHK that he would, in the exercise of his powers and duties as director of the Company, ensure the Company’s full compliance with the Listing Rules from time to time in force.

B2. Mr. Hsu Chun Wei (“Mr. Hsu”) and Ms. Hsu Hsiao Ling (“Ms. Hsu”)

21. Mr. Hsu and Ms. Hsu are the nephew and niece respectively of the 1st Respondent, their mother (deceased) being an elder sister of the 1st Respondent.
22. According to information provided by the Company, in about 2007 the 1st Respondent lent about US\$10,000,000 to Mr. Hsu and Ms. Hsu to finance their investments in China, including investments in Magic Figure Investments Limited (“**Magic Figure**”) and Talentlink Development Limited (“**Talentlink HK**”).

B3. 安統(嘉興)汽車電氣系統有限公司 (“Antong”)

23. Antong was incorporated in the PRC on 7 July 2003. At all material times, the sole shareholder of Antong was Manlead Holdings Limited (君導控股有限公司) (“**Manlead**”). Prior to 31 December 2006, the 1 issued share in Manlead was held by Sino Case Development Limited (“**Sino Case**”), a company owned and controlled by the 1st Respondent.

24. On 31 December 2006, Sino Case transferred the 1 issued share in Manlead to Ms. Hsu, at nil consideration.
25. On 9 September 2003, by a State Land Rights Transfer Agreement (國有土地使用權出讓合同) (“**Antong Assignment**”), Antong was assigned a plot of land of about 194,000 square metres at Plot L211 of Jiachuang Road Eastside, Canada Jiaxing Science and Industrial Park, Jiaxing City, PRC (“**Plot L211**”) at a consideration of RMB28,712,000.
26. In 2006 and 2007, Antong assigned parts of Plot L211 to five parties in five assignments (“**the Antong Sub-Assignments**”) respectively, as follows:-
- 26.1. By an agreement entitled 關於落實新辦入園企業土地使用權的協議書 (translated into English as “Agreement Concerning the Implementation of the Land Use Rights of New Park Enterprise”) made between the Zhejiang Jiaxing Xiu Zhou Industrial Park Management Committee (English translation of 浙江嘉興秀洲工業區管理委員會) (“**the Committee**”), Antong and EL Triumph dated 5 April 2006, and a Land Rights Transfer Agreement (土地使用權轉讓協議) made between Antong and EL Triumph sometime in 2007, Antong assigned 31,423 square metres of Plot L211 (“**EL Triumph Land**”) to EL Triumph at a consideration of RMB 3,299,399, or RMB 104.9995 per square metre (“**the EL Triumph Assignment**”);
- 26.2. By an Agreement Concerning the Implementation of the Land Use Rights of New Park Enterprise (關於落實新辦入園企業土地使用權的協議書) made between the Committee, Antong and Shinyou dated 24 April 2006, and a Land Rights Transfer Agreement (土地使用權轉讓協議) made between Antong and Shinyou sometime in 2007, Antong assigned 18,694 square metres of Plot L211 (“**Shinyou Land**”) to Shinyou at a consideration of RMB 1,962,546, or RMB 104.9995 per square metre (“**the Shinyou Assignment**”);
- 26.3. By an Agreement Concerning the Implementation of the Land Use Rights of New Park Enterprise (關於落實新辦入園企業土地使用權的協議書) made

between the Committee, Antong and Hashimoto dated 30 October 2006, and a Land Rights Transfer Agreement (土地使用權轉讓協議) made between Antong and Hashimoto sometime in 2007, Antong assigned 12,748 square metres of Plot L211 (“**Hashimoto Land**”) to Hashimoto at a consideration of RMB 1,338,534, or RMB 104.9995 per square metre (“**the Hashimoto Assignment**”);

26.4. By a Land Rights Transfer Agreement (土地使用權轉讓協議) made between Antong and Jiaxing Guowei Automotive Parts Co., Ltd (嘉興國威汽車零部件有限公司) (“**Jiaxing Guowei**”) sometime in 2007, Antong assigned 63,197 square metres of Plot L211 (“**Jiaxing Guowei Land**”) to Jiaxing Guowei at a purported consideration of RMB 9,289,915, or RMB 146.9993 per square metre (“**the Jiaxing Guowei Assignment**”); and

26.5. By a Land Rights Transfer Agreement (土地使用權轉讓協議) made between Antong and Jiaxing Situ Automotive Parts Co., Ltd (嘉興思途汽車零部件有限公司) (“**Jiaxing Situ**”) sometime in 2007, Antong assigned 67,941 square metres of Plot L211 (“**Jiaxing Situ Land**”) to Jiaxing Situ at a purported consideration of RMB 9,9887,279, or RMB 146.9993 per square metre (“**the Jiaxing Situ Assignment**”).

27. The 2nd Respondent acknowledges it is the Petitioner’s case that the 1st Respondent was at all material times the true beneficial owner of Manlead (and Antong) which Ms. Hsu held as nominee for the 1st Respondent, and the 1st Respondent was at all material times in control of Manlead (and Antong). The purported transfer of Manlead (and Antong) to Ms. Hsu, and the purported assignment by Antong of the Jiaxing Situ Land and Jiaxing Guowei Land to Jiaxing Situ and Jiaxing Guowei (both wholly-owned subsidiaries of Magic Figure) were all steps taken by the 1st Respondent to conceal the fact that he was, and remained as, the beneficial owner of the Jiaxing Situ Land and the Jiaxing Guowei Land. In truth and in fact, the Jiaxing Guowei Assignment and the Jiaxing Situ Assignments were sham transactions. The 2nd Respondent did not have knowledge of these matters. These matters may be subject of negotiation

between the Petitioner and the 1st Respondent and the 2nd Respondent is agreeable to considering any agreed facts as between the Petitioner and the 1st Respondent at the material time.

B4. Magic Figure

28. Magic Figure is a limited company incorporated in the British Virgin Islands on 25 October 2006.

29. The 2nd Respondent acknowledges that it is the Petitioner's case that between 17 November 2006 and 22 May 2008, Mr. Hsu was the sole director and shareholder of Magic Figure. Mr. Hsu at all material times was the nominee of the 1st Respondent who owned and controlled Magic Figure, but the 1st Respondent withheld this fact from the board of the Company including the 2nd Respondent. The 2nd Respondent did not have knowledge of these matters. These matters may be subject of negotiation between the Petitioner and the 1st Respondent and the 2nd Respondent is agreeable to considering any agreed facts as between the Petitioner and the 1st Respondent at the material time

30. According to information provided by the Company, Magic Figure was at all material times an investment holding company and its principal investments were two wholly owned subsidiaries both established in the PRC, namely, Jiaxing Guowei and Jiaxing Situ, which held land use rights in the Jiaxing Guowei Land and the Jiaxing Situ Land. The director and legal representative of Jiaxing Guowei was Ms. Hsu. The director and legal representative of Jiaxing Situ was Mr. Hsu. The 2nd Respondent acknowledges it is the Petitioner's case Ms. Hsu and Mr. Hsu were both nominees of the 1st Respondent who at all material times was the true beneficial owner of the Jiaxing Guowei Land and the Jiaxing Situ Land, but the 1st Respondent withheld this fact from the board of the Company including the 2nd Respondent. The 2nd Respondent did not have knowledge of these matters. These matters may be subject of negotiation between the Petitioner and the 1st Respondent and the 2nd Respondent is agreeable to considering any agreed facts as between the Petitioner and the 1st Respondent at the material time. As at June 2009, neither

Jiaxing Guowei nor Jiaxing Situ had, since their respective dates of establishment, commenced any trading and production operations.

31. Further, by a 建設工程施工合同 dated 12 March 2008 (“**the Construction Contract**”) entered into by Jiaxing Situ, Jiaxing Guowei, and a company known as 浙江億達建設有限公司 (translated as “Zhejiang Yi Da Construction Co Ltd”) (“**Yi Da**”), Jiaxing Situ and Jiaxing Guowei agreed to pay Yi Da an estimated amount of RMB 29,380,000, as construction costs for the construction of a dormitory, a canteen, and factory premises on the Jiaxing Guowei Land and the Jiaxing Situ Land (“**the Estimated Construction Cost**”).

B5. Talentlink HK and Talentlink Development Limited (BVI) (“Talentlink BVI”)

32. Talentlink HK is a limited company incorporated in Hong Kong on 27 September 2007.
33. Between 27 September 2007 and 22 May 2008, Ms. Hsu was the sole director of Talentlink HK.
34. Talentlink BVI is a limited company incorporated in the British Virgin Islands on 18 April 2005.
35. The 1st Respondent was the sole director of Talentlink BVI from 23 May 2005 to 4 January 2007. On 4 January 2007, the 1st Respondent ceased to act as director of Talentlink BVI and Ms. Hsu was appointed and became the sole director of Talentlink BVI.
36. The 1st Respondent was also the sole shareholder of Talentlink BVI from 23 May 2005 to 22 July 2005, holding 1 issued share in Talentlink BVI with a par value of US\$1.00. On 22 July 2005, the 1st Respondent transferred the 1 issued share in Talentlink BVI to Sino Case, a company owned and controlled by the 1st

Respondent. On 4 January 2007, Sino Case transferred the 1 issued share in Talentlink BVI to Ms. Hsu.

37. Between 28 September 2007 and 27 June 2008, Talentlink BVI was the sole shareholder of Talentlink HK, holding 10,000 issued shares in Talentlink HK with a par value of HK\$1.00 each. On 27 June 2008, Talentlink BVI transferred the 10,000 issued shares in Talentlink HK to Decade.
38. The 2nd Respondent acknowledges it is the Petitioner's case that Ms. Hsu at all material times was the nominee of the 1st Respondent who owned and controlled Talentlink HK and Talentlink BVI, but the 1st Respondent withheld this fact from the board of the Company including the 2nd Respondent. The 2nd Respondent did not have knowledge of these matters. These matters may be subject of negotiation between the Petitioner and the 1st Respondent and the 2nd Respondent is agreeable to considering any agreed facts as between the Petitioner and the 1st Respondent at the material time.
39. According to information provided by the Company, Talentlink HK was at all material times an investment holding company and its principal investment was a wholly owned subsidiary established in the PRC on 21 December 2006, namely Huzhou Minhai Automotives Parts Co Ltd (湖州敏海汽車零部件有限公司) ("**Huzhou Minhai**"). Since around 1 November 2007, the directors of Huzhou Minhai were Mr. Hsu, Wang Xiao Ai and Yu Yue Ping, the head of the Research & Development Department of the Company. Up to June 2009, Huzhou Minhai had not, since its date of establishment, commenced any trading and production operations.

B6. The Acquisition

40. On 29 April 2008, Decade entered into a written agreement (the "**Magic Figure Agreement**") with Mr. Hsu to acquire the only issued share in Magic Figure for a cash consideration of US\$3,186,639. The Magic Figure Agreement was signed by Mr. Wang Xiao Ai, the authorised representative of Mr. Hsu, as vendor and the 1st Respondent on behalf of Decade as purchaser.

41. In approving the Magic Figure Agreement, the 2nd Respondent:
- 41.1. Agreed and adopted the independent valuation made by one Joinhouse Property Valuation Co Ltd (“**Joinhouse**”) in two valuation reports dated 28 April 2008, which purported to value the Jiaxing Situ Land and the Jiaxing Guowei Land at RMB 375 per square metre. The said valuation reports were provided by Joinhouse upon the instructions of Jiaxing Situ and Jiaxing Guowei, as the vendors one day before the Acquisition; and
 - 41.2. Did not cause or require a further valuation to be obtained by Decade or the Company of the Jiaxing Situ Land and the Jiaxing Guowei Land;
 - 41.3. Did not raise any query or make any inquiry as to valuation of the Jiaxing Situ Land and the Jiaxing Guowei Land by Joinhouse (at RMB 375 per square metre) was higher than that paid by EL Triumph, Shinyou, and Hashimoto (at RMB 104.9995 per square metre) for the other parts of Plot L211 (namely, the EL Triumph Land, the Shinyou Land and the Hashimoto) under the Antong Sub-Assignments;
 - 41.4. Did not adequately consider the liabilities of Jiaxing Guowei and Jiaxing Situ, and including, their liabilities for the construction fees under the Construction Contract including the Estimated Construction Costs, the impact of such liabilities and cost on the Acquisition, and whether it was in the interests or best interests of Decade or the Company to acquire the share of Magic Figure;
42. Also on 29 April 2008, Decade entered into a written agreement (the “**Talentlink HK Agreement**”) with Talentlink BVI to acquire all the issued shares in Talentlink HK for a cash consideration of US\$525,400. The Talentlink HK Agreement was signed by Mr. Wang Xiao Ai, the authorised representative of Ms. Hsu, as vendor and the 1st Respondent on behalf of Decade as purchaser.

43. The acquisitions of Magic Figure and Talentlink HK under the above agreements will hereinafter collectively be referred to as the “**Acquisition**”.
44. The total amount of the liabilities of Magic Figure which Decade had to discharge was approximately US\$8,957,000 (HK\$69,417,000), and the total amount of the liabilities of Talentlink HK which Decade had to discharge was approximately HK\$19,300. This amount does not include the Estimated Construction Costs.
45. Accordingly, Decade had to make payments in the total sum of approximately HK\$100,642,000 (equivalent to approximately RMB88,593,000), made up of:-
- 45.1. cash consideration of US\$3,186,689 under the Magic Figure Agreement;
 - 45.2. cash consideration of US\$525,400 under the Talentlink HK Agreement;
 - 45.3. the total amount of liabilities of Magic Figure to be discharged by Decade in the sum of approximately US\$8,957,000; and
 - 45.4. the total amount of liabilities of Talentlink HK to be discharged by Decade in the sum of approximately HK\$19,300.
46. Further, in acquiring Magic Figure and agreeing to take over all its liabilities, Decade became responsible for the liabilities of Magic Figure’s wholly-owned subsidiaries, Jiaxing Guowei and Jiaxing Situ, including the construction fees under the Construction Contract, and the Estimated Construction Costs.
47. The 2nd Respondent acknowledges it is the Petitioner’s case that the bulk of consideration paid by Decade under the Acquisition, in total amount of US\$12,342,000, was received by the 1st Respondent, his wife and/or companies owned and/or controlled by him. The 1st Respondent withheld this fact from the board of the Company, including the 2nd Respondent. The 2nd Respondent did not have knowledge of these matters. These matters may be subject of negotiation between the Petitioner and the 1st Respondent and the 2nd Respondent is agreeable to considering any agreed facts as between the Petitioner and the 1st Respondent at the material time.

B7. The Interim Report 2008 of the Company published on 22 September 2008

48. In the Interim Report 2008 (for half year ended 30 June 2008) published by the Company on 22 September 2008, it was stated (at page 50 thereof), in relation to the Acquisition, inter alia, as follows:-

48.1. On 30 April 2008, the Group acquired 100% of Talentlink HK and Magic Figure and their subsidiaries for a total consideration of RMB25,917,000 from third parties.

48.2. The Acquisition was regarded as acquisition of assets and assuming of liabilities since no business was acquired.

48.3. The Acquisition resulted in a “net cash inflow” of RMB30,215,000, being the difference between (i) the bank balances and cash acquired of RMB56,132,000 and (ii) the cash consideration paid of RMB25,917,000.

49. At pages 54 and 55 of the Interim Report 2008, details of various “Related Party Transactions and Connection Transactions” were set out. It was further stated that the transactions mentioned on those pages included connected transactions or continuing connected transactions as defined in Chapter 14A of Listing Rules. The Acquisition was not treated or disclosed as a connected transaction.

B8. The Company’s responses to queries raised by the SEHK in respect of the Acquisition

50. By a fax dated 1 December 2008, the SEHK asked the Company to provide further details in respect of the Acquisition and to demonstrate with supporting evidence that the Acquisition was not a connected transaction which required reporting and/or shareholders approval under Chapter 14A of the Listing Rules.

51. In response to those queries, the Company stated, in a letter dated 12 December 2008 to the SEHK, inter alia, as follows:-

51.1. The total consideration paid for the acquisition of Magic Figure and Talentlink HK was RMB25,917,000.

51.2. The beneficial owner of Talentlink BVI (the vendor of Talentlink HK) was Ms Hsu who was described as an “independent third party”.

51.3. The vendor under the Magic Figure Agreement was Mr. Hsu who was also described as an “independent third party”.

51.4. Based on inquiries by the Company, Talentlink BVI, Ms. Hsu and Mr. Hsu were not related to any members of the senior management, employees, contractors, sub-contractors and business associates of the Group.

51.5. Based on confirmation by the Company with its directors and the vendors, the vendors were not connected persons (as defined in the Listing Rules) of the Company, and the Acquisition was not a connected transaction subject to Chapter 14A of the Listing Rules.

B9. The Company’s responses to queries raised by the Petitioner in respect of the Acquisition

52. By a letter dated 6 January 2009 to the Company, the Petitioner raised various queries regarding the details of the Acquisition.

53. In response to those queries, the Company through its solicitors (Richards Butler) stated, in a letter dated 23 January 2009 to the Petitioner, inter alia, as follows:-

53.1. There was no board meeting or shareholders' meeting convened for the Company as the Acquisition was considered a minor acquisition.

53.2. No announcement was made by the Company because none was required in respect of the Acquisition under the Listing Rules nor did it merit disclosure under Rule 13.09 of the Listing Rules.

B10. The Company sought the SEHK's determination on whether the Acquisition constituted a connected transaction

54. By a letter dated 22 April 2009, the Company through its solicitors (Richards Butler) disclosed to the SEHK for the first time that:-

54.1. Mr. Hsu and Ms. Hsu were the son and daughter respectively of the 1st Respondent's sister who had passed away over 20 years ago.

54.2. The 1st Respondent had financed Mr. Hsu and Ms. Hsu in investments in China which they had made through Magic Figure. Such financing had been in place since 2007 and was only ultimately repaid to the 1st Respondent after the Acquisition had been completed by way of proceeds from the Company's completion of the Acquisition.

54.3. The other directors of the Company were not aware of the aforesaid relationship between the 1st Respondent and Mr. Hsu and Ms. Hsu until the Company was notified by the 1st Respondent through his Hong Kong legal advisor on 21 April 2009.

55. In the same letter, the Company accepted that the question of whether the Acquisition was a connected transaction within the meaning of Chapter 14A of the Listing Rules in the circumstances should have been determined by the SEHK under Rule 14A.11(4)(c) of the Listing Rules, and requested the SEHK to confirm whether the Acquisition should be treated as a connected transaction.

B11. The Annual Report 2008 of the Company published on 23 April 2009

56. In the meantime, the Company published its Annual Report 2008 (for the year end 31 December 2008) on 23 April 2009 in which it was disclosed, inter alia, that:-

56.1. On 29 April 2008, the Group acquired 100% of the issued share capital of Talentlink HK and its subsidiary, namely, Huzhou Minhai, and Magic Figure and its subsidiaries, namely, Jiaxing Guowei and Jiaxing Situ, from the relatives of the 1st Respondent for a total consideration of RMB88,593,000, representing cash payment of RMB25,985,000 and settlement of outstanding other payables prior to the Acquisition of RMB62,608,000, with a net cash outflow of RMB32,462,000.

56.2. The Company was seeking confirmation from the SEHK as to whether the Acquisition would, in the opinion of the SEHK, constitute a connected transaction as the ultimate vendors were the relatives of the 1st Respondent.

B12. The SEHK's determination that the Acquisition constituted a connected transaction

57. In a further letter dated 29 April 2009 to the SEHK, Richards Butler on behalf of the Company informed the SEHK that the executive directors of the Company (other than the 1st Respondent) were of the view that the Acquisition could constitute a connected transaction in view of the family relationship between the 1st Respondent and Mr. Hsu and Ms. Hsu and the aforesaid financial assistance given by the 1st Respondent to Mr. Hsu and Ms. Hsu, taken together.

58. On 12 May 2009, the SEHK determined, based on the following facts as represented by the Company, that Mr. Hsu and Ms. Hsu were connected persons of the Company under Rule 14A.11(4)(c) of the Listing Rules and accordingly, the Acquisition was a connected transaction under Chapter 14A. The facts as represented by the Company and relied upon by the SEHK to come to the said determination were:-

- 58.1. The Company acquired 100% of the issued share capital of Talentlink HK and Magic Figure together with the sales loan at a total consideration of RMB88.5 million. The ultimate beneficial owners of the vendors were Mr. Hsu and Ms. Hsu.
- 58.2. Mr. Hsu and Ms. Hsu were the nephew and niece of the 1st Respondent, the Company's chairman and executive director.
- 58.3. The 1st Respondent financed Mr. Hsu and Ms. Hsu, up to US\$10 million (the "**Loan**"), in investments in China which they had made through Magic Figure. The Loan had been in place since 2007.
- 58.4. The Loan was ultimately repaid to the 1st Respondent after the Acquisition had been completed and by way of proceeds arising from the Acquisition.
- 58.5. The executive directors (other than the 1st Respondent) considered that the Acquisition constituted a connected transaction in view of the family relationship and the financial assistance.

B13. The Company's announcement of connected transaction

59. On 12 June 2009, the Company issued a public announcement (the "**Announcement**") informing its shareholders and the investing public, inter alia, that:-
 - 59.1. the executive directors of the Company (other than the 1st Respondent) considered that the Acquisition could constitute a connected transaction in view of the family relationship between the 1st Respondent and Mr Hsu and Ms Hsu and the financial assistance given by the 1st Respondent to Mr Hsu and Ms Hsu;

- 59.2. the SEHK had on 12 May 2009 determined that Mr Hsu and Ms Hsu were connected persons of the Company;
- 59.3. as the applicable percentage ratios under Chapter 14 of the Listing Rules for the Acquisition were more than 2.5% but less than 25%, and the consideration was in excess of HK\$10,000,000, the Acquisition should have been subject to the reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules;
- 59.4. the financing of Mr Hsu and Ms Hsu by the 1st Respondent, which had been in place since 2007, was only ultimately repaid to the 1st Respondent after the Acquisition had been completed by way of proceeds from completion of the Acquisition;
- 59.5. the Jiaxing Guowei Land and the Jiaxing Situ Land were valued at approximately RMB 49,177,000 as of 25 April 2008.
60. The Announcement did not disclose, *inter alia*, the following:
- 60.1. The price of the Jiaxing Guowei Land and the Jiaxing Situ Land were independently valued at RMB 375 per square metre;
- 60.2. In 2007, the EL Triumph Land, the Hashimoto Land, the Shinyou Land, which were adjacent to the Jiaxing Situ Land and the Jiaxing Guowei Land were acquired by subsidiaries of the Company at RMB 104.9995 per square metre;
- 60.3. The true relationship between the 1st Respondent and Antong, as set out in Section B3;

- 60.4. Jiaxing Guowei and Jiaxing Situ were contractually bound to pay the construction fees under the Construction Contract, including the Estimated Construction Costs at RMB 29,380,000; and
- 60.5. In light of the above, the reason why it was considered commercially justifiable for Decade to proceed with the Acquisition.

B14. The Company's EGM to approve, confirm and ratify the Acquisition

61. On 10 July 2009, the Company issued a circular (the “**Circular**”) to its shareholders giving notice of an extraordinary general meeting (“**EGM**”) to be held on 27 July 2009 to approve, confirm and ratify the Acquisition.
62. The EGM was held on 27 July 2009 and a shareholders’ resolution (with the 1st Respondent, Linkfair Investments Limited and their respective associates abstaining from voting) was passed to approve, confirm and ratify the Acquisition. No disclosure was made in the Circular of, *inter alia*, the following matters:
- 62.1. The price of the Jiaxing Guowei Land and the Jiaxing Situ Land were independently valued at RMB 375 per square metre;
- 62.2. In 2007, the EL Triumph Land, the Hashimoto Land, and the Shinyou Land, which were adjacent to the Jiaxing Situ Land and the Jiaxing Guowei Land, were acquired by subsidiaries of the Company at RMB 104.9995 per square metre;
- 62.3. the true relationship between the 1st Respondent and Antong as set out in Section B3 above;

- 62.4. Jiaxing Guowei and Jiaxing Situ were contractually bound to pay the construction fees under the Construction Contract, including the Estimated Construction Costs at RMB 29,380,000; and
- 62.5. In light of the above, the reason why it was considered commercially justifiable for Decade to proceed with the Acquisition.
63. On or about 27 July 2009, the Company held an EGM and the Acquisition was approved by 98.75% of the votes casted by Independent Shareholders. The 1st Respondent, Linkfair Investments Ltd and their associates refrained from voting.

B15. Relevant Listing Rules

64. The following Listing Rules (applicable at the material time) are relevant:-

Rule 2.13

Without prejudice to any specific requirements of the Exchange Listing Rules as to content or responsibility for the document in question, any announcement or corporate communication required pursuant to the Exchange Listing Rules must be prepared having regard to the following general principles:

- (1) the information contained in the document must be clearly presented and in the plain language format specified or recommended by the Exchange and/or the Commission from time to time; and
- (2) the information contained in the document must be accurate and complete in all material respects and not be misleading or deceptive. In complying with this requirement, the issuer must not, among other things:—
 - (a) omit material facts of an unfavourable nature or fail to accord them with appropriate significance;

- (b) present favourable possibilities as certain or as more probable than is likely to be the case ...

Rule 3.08

The board of directors of a listed issuer is collectively responsible for the management and operations of the listed issuer. The Exchange expects the directors, both collectively and individually, to fulfill fiduciary duties and duties of skill, care and diligence to a standard at least commensurate with the standard established by Hong Kong law. This means that every director must, in the performance of his duties as a director:-

- (e) disclose fully and fairly his interests in contracts with the listed issuer; and
- (f) apply such degree of skill, care and diligence as may reasonably be expected of a person of his knowledge and experience and holding his office within the listed issuer.

Rule 13.04

The directors of an issuer are collectively and individually responsible for ensuring the issuer's full compliance with the Exchange Listing Rules.

Rule 13.09(1)

Generally and apart from compliance with all the specific requirements in this Chapter, an issuer shall keep the Exchange, members of the issuer and other holders of its listed securities informed as soon as reasonably practicable of any information relating to the group (including information on any major new developments in the group's sphere of activity which is not public knowledge) which:-

- (a) is necessary to enable them and the public to appraise the position of the group; or

Rule 14A.01

The connected transactions rules are intended to ensure that the interests of shareholders as a whole are taken into account by a listed issuer when the listed issuer enters into connected transactions. The rules set out in this Chapter also provide certain safeguards against listed issuers' directors, chief executives or substantial shareholders (or their associates) taking advantage of their positions.

Rule 14A.02

This is achieved through the general requirement for connected transactions to be disclosed and subject to independent shareholders' approval. Accordingly, where any connected transaction is proposed, the transaction must be announced publicly by means of an announcement published in accordance with rule 2.07C and a circular must be sent to shareholders giving information about the transaction. Prior approval of the shareholders in general meeting will be required before the transaction can proceed. A connected person with a material interest in the transaction will not be permitted to vote at the meeting on the resolution approving the transaction.

Rule 14A.05

If a listed issuer proposes to enter into a transaction which could be a connected transaction, it is essential that the listed issuer consult the Exchange at an early stage so that, in cases of doubt, the listed issuer can ascertain whether and to what extent the provisions of this Chapter apply. The relevant contract(s) or, if applicable, draft contract(s) must be supplied to the Exchange, if requested.

Rule 14A.11

Rule 1.01 contains a general definition of "connected person". In this Chapter, the definition of "connected person" includes:

- (1) a director, chief executive or substantial shareholder of the listed issuer;

- (4) any associate of a person referred to in rules 14A.11(1), (2) or (3). The definitions of “associate” (in the context of non-PRC issuers and PRC issuers) are contained in rules 1.01 and 19A.04, respectively. In this Chapter, an “associate” of a person referred to in rules 14A.11(1), (2) or (3) includes the following additional persons:
 - (c) a father-in-law, mother-in-law, son-in-law, daughter-in-law, grandparent, grandchild, uncle, aunt, cousin, brother-in-law, sister-in-law, nephew and niece of a person referred to in rules 14A.11(1), (2) or (3) whose association with the person referred to in rules 14A.11(1), (2) or (3) is such that, in the opinion of the Exchange, the proposed transaction should be subject to the requirements of this Chapter. Listed issuers must notify the Exchange of any proposed transaction with these parties unless the transaction is exempt under rules 14A.31 or 14A.33. Listed issuers must also provide information to the Exchange to demonstrate whether or not these parties should be regarded as associates of the person referred to in rules 14A.11(1), (2) or (3);

Rule 14A.13

A connected transaction is:

- (1) (a) any transaction between a listed issuer and a connected person; or

Rule 14A.45

The following details of the connected transaction must be included in the listed issuer’s next published annual report and accounts:

- (1) the transaction date;

- (2) the parties to the transaction and a description of their connected relationship;
- (3) a brief description of the transaction and its purpose;
- (4) the total consideration and terms (including, where relevant, interest rates, length of repayment and security); and
- (5) the nature and extent of the connected person's interest in the transaction.

Rule 14A.47

Issuers proposing to enter into a connected transaction or a continuing connected transaction which is subject to announcement requirements must:—

- (1) notify the Exchange as soon as possible after the terms of the transaction have been agreed;

Note: Under rule 13.09, a listed issuer's notification obligations in respect of information expected to be price-sensitive arise as soon as that information is the subject of a decision.

- (2) send to the Exchange a draft announcement. Once the announcement has been amended to take account of the Exchange's comments, the listed issuer must cause such announcement to be published in accordance with rule 2.07C as soon as possible; and

Notes: 1 Pursuant to rule 13.54(2), the listed issuer must forward to the Exchange 7 copies of such announcement as cleared by the Exchange at the same time as it is issued.

2 Where the connected transaction is also a share transaction, major transaction, very substantial disposal, very substantial acquisition or reverse takeover, rule 14.37 (requirement for short suspension of dealings) also applies.

- (3) comply with rules 14A.45 or 14A.46 (the reporting requirements).

Rule 14A.48

Listed issuers proposing to enter into a connected transaction or a continuing connected transaction which is subject to independent shareholders' approval must:

- (1) comply with rules 14A.45 or 14A.46 (the reporting requirements) and 14A.47 (the announcement requirements); and
- (2) comply with the requirements set out in rules 14A.49 to 14A.54 (the circular and independent shareholders' approval requirements).

Rule 14A.56

The announcement for connected transactions and continuing connected transactions must contain at least the following:

- (1) the information set out in rules 14.58 to 14.60 (contents of announcements ...;
- (2) a description of the connected relationship between the parties to the transaction and the nature and extent of the connected person's interest in the transaction;
- (3) a statement that the transaction is subject to independent shareholders' approval, if applicable.

Rule 14A.58

All circulars sent by a listed issuer to holders of its listed securities must:

- (1) provide a clear and adequate explanation of its subject matter and demonstrate the advantages and disadvantages of the transaction for the listed issuer;
- (2) where practicable, include an arithmetical evaluation in the circular; and

- (3) where independent shareholders' approval is required, contain:
 - (a) all information necessary to allow the holders of securities to make a properly informed decision;
 - (b) a heading drawing attention to the importance of the document and advising holders of securities, who are in any doubt as to what action to take to consult appropriate independent advisers;
 - (c) a separate letter from the independent board committee, if applicable (see rule 14A.21); and
 - (d) a separate letter from the independent financial adviser (see rule 14A.22).

Note: If all the independent non-executive directors have a material interest in the relevant transactions or arrangements, no independent board committee can be formed. In that event, the independent financial adviser shall make its recommendation to the independent shareholders only in its letter set out in the circular to shareholders.

Rule 14A.59

The circular must contain at least:

- (2) full details of the transaction including:
 - (a) the date of the transaction and the identity and activities of the parties to the transaction including the identity and activities of the ultimate beneficial owner of the disposing or acquiring party;
 - (b) a general description of the nature and the value (being the book value and valuation, if any) of any assets concerned. If any of the assets are securities, the circular must include the name of the company in which the shares are or were held and a general description of its activities;

- (c) a description of the terms and conditions of the consideration and a statement of the total consideration, explaining how this is being or is to be satisfied;
- (d) the name of the connected person concerned;
- (e) a statement of the nature of the connected person's relationship with any controller and the name and office held by that controller; and
- (f) the nature and extent of the interest of the connected person in the transaction;

B16. Misrepresentations made to the SEHK, Petitioner, shareholders of the Company and public and/or material non-disclosure

65. By reason of the matters aforesaid, the Company has made misrepresentations to the SEHK, the Petitioner, the shareholders of the Company and the public, and/or failed to make full and proper disclosure of material facts or matters to them.
66. The Interim Report 2008 of the Company published on 22 September 2008 contained the following misrepresentations and/or material non-disclosure, namely:-
- 66.1. The representation that the Group acquired 100% of Talentlink HK and Magic Figure and their subsidiaries for a total consideration of RMB25,917,000 from third parties is false or misleading, in that (a) the total consideration for the Acquisition was RMB88,593,000, (b) the Group in fact acquired Talentlink HK and Magic Figure and their subsidiaries from connected persons, not third parties; and (c) Decade would be responsible for the construction fees under the Construction Contract, including the Estimated Construction Costs.
- 66.2. The representation that the Acquisition resulted in a "net cash inflow" of RMB30,215,000 is false or misleading in that, rather than a "net cash inflow", the Acquisition would ultimately result in a "net cash outflow" of RMB32,462,000.

- 66.3. There was a failure to disclose that the Acquisition was a connected transaction as defined in Chapter 14A of the Listing Rules; and
- 66.4. There was also a failure to disclose (a) the true relationship between the 1st Respondent, Manlead and Antong, (b) the 1st Respondent's relationship with Mr. Hsu and Ms. Hsu, (c) the 1st Respondent's true interest in Magic Figure, Talentlink BVI and Talentlink HK, and (d) the 1st Respondent's true interest in the Jiaxing Situ Land and the Jiaxing Guowei Land. The 2nd Respondent did not have knowledge of these matters. These matters may be subject of negotiation between the Petitioner and the 1st Respondent and the 2nd Respondent is agreeable to considering any agreed facts as between the Petitioner and the 1st Respondent at the material time.
67. The Company's letter to the SEHK dated 12 December 2008 contained the following misrepresentations:-
- 67.1. The representation that the Group acquired 100% of Talentlink HK and Magic Figure and their subsidiaries for a total consideration of RMB25,917,000 from third parties is false or misleading, in that (a) the total consideration for the Acquisition was RMB88,593,000, (b) the Group in fact acquired Talentlink HK and Magic Figure and their subsidiaries from connected persons, not third parties; and (c) Decade would be responsible for the construction fees under the Construction Contract, including the Estimated Construction Costs.
- 67.2. The description of Ms. Hsu as an "independent third party" is false, in that she was the 1st Respondent's niece and a connected person.
- 67.3. The description of Mr. Hsu as an "independent third party" is false, in that he was the 1st Respondent's nephew and a connected person.
- 67.4. The representation that Talentlink BVI, Ms. Hsu and Mr. Hsu were not related to any members of the senior management, employees, contractors, sub-contractors and business associates of the Group is false, in that they were all connected with the 1st Respondent.

- 67.5. The representation that the Acquisition was not a connected transaction subject to Chapter 14A of the Listing Rules is false, in that the contrary was the correct position.
68. The Company's letter to the Petitioner dated 23 January 2009 contained the following misrepresentations, namely:-
- 68.1. The representation that the Acquisition was considered a minor acquisition is false or misleading, in that it was a substantial transaction by reference to the applicable percentage ratios under Chapter 14 of the Listing Rules, which ultimately involved the payment of a total consideration of RMB88,593,000, and that in addition, Decade would be responsible for the construction fees under the Construction Contract, including the Estimated Construction Costs.
- 68.2. The representation that no announcement was required in respect of the Acquisition under the Listing Rules, nor did it merit disclosure under Rule 13.09 of the Listing Rules is false or misleading, in that the contrary was the accurate position.
69. The Company's letter to the SEHK dated 22 April 2009 contained the following misrepresentations, namely, that the financing of Mr. Hsu and Ms. Hsu, which had been in place since 2007, was only ultimately repaid to the 1st Respondent after the Acquisition had been completed by way of proceeds from the Company's completion of the Acquisition, in that (a) there was no genuine financing of Mr. Hsu and Ms. Hsu, or in any event (b) the alleged outstanding indebtedness of Mr Hsu and Ms Hsu (through Magic Figure) to the 1st Respondent had apparently been discharged on or before 29 April 2008 not from the sale proceeds arising from the Company's completion of the Acquisition. The 2nd Respondent did not have knowledge of these matters. These matters may be subject of negotiation between the Petitioner and the 1st Respondent and the 2nd Respondent is agreeable to considering any agreed facts as between the Petitioner and the 1st Respondent at the material time.
70. The Announcement contained the following misrepresentations, namely:
- 70.1. The representation that the financing of Mr. Hsu and Ms. Hsu, which had been in place since 2007, was only ultimately repaid to the 1st Respondent

after the Acquisition had been completed by way of proceeds from the Company's completion of the Acquisition, in that (a) there was no genuine financing of Mr. Hsu and Ms. Hsu, or in any event (b) the alleged outstanding indebtedness of Mr Hsu and Ms Hsu (through Magic Figure) to the 1st Respondent had apparently been discharged on or before 29 April 2008 not from the sale proceeds arising from the Company's completion of the Acquisition. The 2nd Respondent did not have knowledge of these matters. These matters may be subject of negotiation between the Petitioner and the 1st Respondent and the 2nd Respondent is agreeable to considering any agreed facts as between the Petitioner and the 1st Respondent at the material time;

- 70.2. There was a failure to disclose the extent of the consideration paid by Decade in relation to the Acquisition ultimately going to bank accounts belonging to or controlled by the 1st Respondent. The 2nd Respondent did not have knowledge of these matters. These matters may be subject of negotiation between the Petitioner and the 1st Respondent and the 2nd Respondent is agreeable to considering any agreed facts as between the Petitioner and the 1st Respondent at the material time;
- 70.3. There was a failure to disclose the contractual obligations of Jiaxing Situ and Jiaxing Guowei to pay construction fees under the Construction Contract, including the Estimated Construction Costs at RMB29,380,000;
- 70.4. There was a failure to disclose the fact that before the Acquisition, in 2006/2007 various plots of land adjacent to the Jiaxing Situ Land and the Jiaxing Guowei Land (which formed part of Plot L211), had been acquired by EL Triumph, Shinyou and Hashimoto at RMB 104.9995 per square metre; and
- 70.5. There was a failure to disclose (a) the true relationship between the 1st Respondent, Manlead and Antong, (b) the 1st Respondent's relationship with Mr. Hsu and Ms. Hsu, (c) the 1st Respondent's true interest in Magic Figure, Talentlink BVI and Talentlink HK, and (d) the 1st Respondent's true interest in the Jiaxing Situ Land and the Jiaxing Guowei Land. The 2nd Respondent did not have knowledge of these matters. These matters may be subject of negotiation between the Petitioner and the 1st

Respondent and the 2nd Respondent is agreeable to considering any agreed facts as between the Petitioner and the 1st Respondent at the material time.

71. Likewise, the Circular failed to disclose:-

71.1. the extent of the consideration paid by Decade in relation to the Acquisition going to bank accounts belonging to or controlled by the 1st Respondent. The 2nd Respondent did not have knowledge of these matters. These matters may be subject of negotiation between the Petitioner and the 1st Respondent and the 2nd Respondent is agreeable to considering any agreed facts as between the Petitioner and the 1st Respondent at the material time;

71.2. the contractual obligations of Jiaxing Situ and Jiaxing Guowei to pay construction fees under the Construction Contract, including the Estimated Construction Costs at RMB29,380,000;

71.3. that before the Acquisition in 2006/2007 various plots of land adjacent to the Jiaxing Situ Land and the Jiaxing Guowei Land (which formed part of Plot L211), had been acquired by EL Triumph, Shinyou and Hashimoto at RMB 104.9995 per square metre; and

71.4. the true relationship between the 1st Respondent, Manlead and Antong, the 1st Respondent's relationship with Mr. Hsu and Ms. Hsu, the 1st Respondent's true interest in Magic Figure, Talentlink BVI and Talentlink HK, and the 1st Respondent's true interest in the Jiaxing Situ Land and the Jiaxing Guowei Land. The 2nd Respondent did not have knowledge of these matters. These matters may be subject of negotiation between the Petitioner and the 1st Respondent and the 2nd Respondent is agreeable to considering any agreed facts as between the Petitioner and the 1st Respondent at the material time.

B17. Breaches of the Listing Rules

72. In connection with the Acquisition, the Company has committed breaches of the Listing Rules, in particular:-

- 72.1. failure to notify the SEHK of the proposed Acquisition and demonstrate to the SEHK as to whether or not Mr. Hsu and Ms. Hsu should be regarded as connected persons, in breach of Rule 14A.11 of the Listing Rules;
- 72.2. failure to observe the reporting, announcement and independent shareholders' approval requirements under Rules 14A.45, 14A.47 and 14A.48 of the Listing Rules;
- 72.3. publishing the Interim Report 2008 which contained information which was not accurate or complete in all material respect and/or was misleading or deceptive, in breach of Rule 2.13(2) of the Listing Rules;
- 72.4. publishing the Annual Report 2008 which did not fully describe the connected relationship between the parties to the Acquisition, did not disclose the purpose of the transaction, and did not disclose the nature and extent of the connected person's interest in the transaction, in breach of Rules 14A.45(2), 14A.45(3) and 14A.45(5) of the Listing Rules; and
- 72.5. failure to disclose in the Announcement and the Circular the true extent to which the consideration paid by Decade in relation to the Acquisition went to bank accounts belonging to or controlled by the 1st Respondent, in breach of Rules 14A.56(2), 14A.58(3)(a) and 14A.59(2) of the Listing Rules.

B18. Liability of the 2nd Respondent

73. By reason of the matters aforesaid, the business or affairs of the Company have been conducted in a manner:-
 - 73.1. involving misfeasance or other misconduct towards the Company, its members or part of its members;
 - 73.2. resulting in its members or part of its members not having been given all the information with respect to its business or affairs that they might reasonably expect; and/or
 - 73.3. unfairly prejudicial to its members or part of its members.

74. The 2nd Respondent, being the CEO and an Executive Director of the Company at all material times:

74.1. Ought to have made but failed to make further inquiries in respect of the Company's business or affairs which should have revealed that Mr. Hsu and Ms. Hsu are the nephew and niece of the 1st Respondent and as such, the 1st Respondent's interest in Magic Figure, Talentlink BVI and Talentlink HK; the unit price per square metre of the other parts of Plot L211 which were sold sometime in 2007 before the Acquisition; the contractual obligations of Jiaxing Situ and Jiaxing Guowei under the Construction Contract and the total amount of the consideration payable under the Acquisition; and the fact that the valuation reports of Joinhouse did not appear to or did not appear to have adequately evaluated how these factors would impact upon the value of the Jiaxing Situ Land and the Jiaxing Guowei Land; and

74.2. ought to have made but failed to make further enquiries which may have prevented the Company from: (1) making the misrepresentations set out in Section B16 above to the SEHK, the Petitioner, the shareholders of the Company and the public, and/or (2) failing to make full and proper disclosure of material facts or matters, and/or breached the Listing Rules as set out in Section B17 above.

C. AGREED MITIGATING FACTORS

75. The 2nd Respondent had no actual knowledge of the following matters which the 1st Respondent did not inform the board of the Company, namely:-

75.1. His relationship with Mr. Hsu and Ms. Hsu (the "**Hsu Siblings**");

75.2. His significant control through the Hsu Siblings over Manlead (and Antong), Magic Figure, Talentlink BVI, Talentlink HK, Jiaxing Situ, Jiaxing Guowei, and in turn over the Jiaxing Situ Land and the Jiaxing Guowei Land;

75.3. The Acquisition was not a transaction with an independent third party; and

75.4. The manner in which the consideration paid by Decade under the Acquisition was eventually disbursed or dealt with.

76. The 2nd Respondent has adopted a reasonable course of action in agreeing to conclude these proceedings by way of the *Carecraft* Procedure which would save the time and costs of the Petitioner and the Court.

D. PROPOSAL FOR DISQUALIFICATION

77. On the basis of the facts not in dispute as set out in Section B above and the agreed mitigating factor set out in Section C above, the parties agree that it would be appropriate for a disqualification order to be made against the 2nd Respondent under section 214(2)(d) of the Ordinance that, for a period of 3 years, he shall not, without the leave of the Court:-

77.1. be, or continue to be, a director, liquidator, or receiver or manager of the property or business of any listed or unlisted company in Hong Kong (including the Company or any of its subsidiaries and affiliates),; and

77.2. in any way, whether directly or indirectly, be concerned, or take part, in the management of any listed or unlisted company in Hong Kong (including the Company or any of its subsidiaries and affiliates).

78. The 2nd Respondent further agrees to pay such portion of the Petitioner's costs in these proceedings as the Court thinks fit, to be taxed if not agreed.

Dated the 3rd day of October 2019.

The Petitioner
Securities and Futures Commission

Shi Jian Hui (石建輝)
The 2nd Respondent

Appendix 1

“Subsidiary” means, with respect to its holding company, a company:

(1) the composition of the board of directors of which is directly or indirectly controlled by the holding company; or

(2) more than half of the issued share capital of which is directly or indirectly controlled by the holding company; or

(3) which is a subsidiary of a company which is a subsidiary of the holding company; or which is accounted for and consolidated in the holding company's consolidated financial statements.

“Affiliate” in respect of a company, means any subsidiaries or holding companies of such company or any subsidiaries of any of the holding companies of such company or any subsidiaries of any of the holding companies of such company.

**IN THE HIGH COURT OF THE
HONG KONG SPECIAL ADMINISTRATIVE REGION
COURT OF FIRST INSTANCE
MISCELLANEOUS PROCEEDINGS
NO. 891 OF 2014**

IN THE MATTER OF Minth Group Limited

AND

IN THE MATTER OF Section 214 of the Securities and Futures
Ordinance Cap. 571

BETWEEN

SECURITIES AND FUTURES COMMISSION

Petitioner

and

CHIN JONG HWA (秦榮華)

1st Respondent

SHI JIAN HUI (石建輝)

2nd Respondent

MU WEI ZHONG (穆偉忠)

3rd Respondent

ZHAO FENG (趙鋒)

4th Respondent

MINTH GROUP LIMITED

5th Respondent

DECADE (HK) LIMITED

6th Respondent

**STATEMENT OF FACTS NOT IN DISPUTE FOR THE
PURPOSES OF A CARECRAFT SETTLEMENT BETWEEN THE
PETITIONER AND THE 2ND RESPONDENT**

Filed on:

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HCMP 891/2014

**IN THE HIGH COURT OF THE
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MINTH GROUP LIMITED

5th Respondent

DECADE (HK) LIMITED

6th Respondent

**STATEMENT OF FACTS NOT IN DISPUTE FOR THE PURPOSES OF A
CARECRAFT SETTLEMENT BETWEEN THE PETITIONER AND THE 3RD
RESPONDENT**

A. INTRODUCTION

1. On 10 April 2014, the Securities and Futures Commission (“**Petitioner**”) issued these proceedings under section 214 of the Securities and Futures Ordinance (Cap 571) (“**Ordinance**”) seeking, inter alia, a disqualification orders against Mr. Mu Wei Zhong (“**3rd Respondent**”) and others in respect of their conduct of the business and affairs of the 5th Respondent, Minth Group Limited (“**Company**”).
2. Subject to the approval of this Court, the Petitioner and the 3rd Respondent consent to the disposal of these proceedings against the 3rd Respondent by way of the summary procedure (“**Carecraft Procedure**”) sanctioned in *Re Carecraft Construction Co Limited* [1994] 1 WLR 172, as clarified by the English Court of Appeal in *Secretary of State for Trade and Industry v Rogers* [1996] 1 WLR 1569 and as adopted by this Court in a number of cases including but not limited to *Securities and Futures Commission v Yick Chong San* [2007] 4 HKLRD 46, *Securities and Futures Commission v Fung Chiu and Others* [2009] 2 HKC 19, *Securities and Futures Commission v Shum Ka Sang Charlie and Shen Yi* (HCMP1014/2008, unrep, 22.05.2009), *Securities and Futures Commission v Cheung Chi Shing and Others* [2011] 1 HKLRD 96, *Securities and Futures Commission v Cheung Keng Ching and Others* (HCMP 1869/2008, unrep, 18.03.2010), and *Securities and Futures Commission v Kwok Wing & Others* (HCMP 3392/2013, unrep, 27.03.2015) in respect of proceedings under section 214 of the Ordinance.
3. This Statement is produced in order to identify the material facts relied upon by the Petitioner in these proceedings that are not disputed by the 3rd Respondent, for the disposal of these proceedings on the basis that the case against the 3rd Respondent will be dealt with by this Court by way of the *Carecraft* Procedure.
4. Solely for the purposes of resolving these proceedings by way of the *Carecraft* Procedure, and by reference to the facts set out in Section B below (which the 3rd Respondent admits and accepts), the 3rd Respondent accepts that during the relevant period, the business and affairs of the Company, for which the 3rd Respondent as its Chief Operating Officer (“**COO**”) and one of the Executive Directors was partly responsible, have been conducted in a manner described in section 214(1)(b), (c) and (d) of the Ordinance, namely:

- 4.1. involving misfeasance or other misconduct towards the Company, its members or part of its members;
 - 4.2. resulting in its members or part of its members not having been given all the information with respect to its business or affairs that they might reasonably expect; and
 - 4.3. unfairly prejudicial to its members or part of its members.
5. On the basis of the facts set out in Section B below and the agreed mitigating factors set out in Section C below, the Petitioner and the 3rd Respondent agree, and the 3rd Respondent is prepared to accept, that it would be appropriate for a disqualification order to be made against the 3rd Respondent under section 214(2)(d) of the Ordinance under which he shall not for a period of **3 years**, without the leave of the Court:-
- 5.1. be, or continue to be, a director, liquidator, or receiver or manager of the property or business of any listed or unlisted company in Hong Kong (including the Company or any of its subsidiaries and affiliates),; and
 - 5.2. in any way, whether directly or indirectly, be concerned, or take part, in the management of any listed or unlisted company in Hong Kong (including the Company or any of its subsidiaries and affiliates).
6. The definitions of “subsidiaries” and “affiliates” are set out in Appendix 1 to this Schedule. No agreement on the Petitioner’s costs of these proceedings has been reached between the Petitioner and the 3rd Respondent, and the 3rd Respondent agrees to pay such portion of the Petitioner’s costs in these proceedings as the Court thinks fit, to be taxed if not agreed.
7. In the event of a disqualification order made against the 3rd Respondent by reference to this Statement: (1) the Petitioner and the 3rd Respondent agree that they will jointly apply to this Court for a direction that this Statement be annexed to a judgment of this Court; and (2) the Petitioner reserves the right to refer to this Statement for all purposes connected with or ancillary to these proceedings including, but not limited to, the continuation of these proceedings against other Respondents.

8. The Petitioner and the 3rd Respondent agree that in the event this Court for whatever reason is of the view that these proceedings shall not be dealt with by the Court by way of the *Carecraft* Procedure or that a full hearing is appropriate, no admission or concession by either the Petitioner or the 3rd Respondent nor any proposal for disqualification or the period of disqualification herein referred to or liability to pay costs shall be referred to or relied upon by either party at any subsequent hearing in these proceedings without the prior written consent of both parties.

B. FACTS NOT IN DISPUTE

9. The structure of Section B of this Schedule is as follows:-
 - 9.1. Section B1 sets out the background information relating to the Company and its management.
 - 9.2. Sections B2 to B17 set out the facts relied on by the Petitioner in support of its case that the business and affairs of the Company have been conducted in such manner described in section 214(1)(b), (c) and (d) of the Ordinance.
 - 9.3. Section B18 sets out the facts relied upon by the Petitioner in support of its case that the 3rd Respondent was partly responsible for the aforesaid business and affairs of the Company.

B1 Background and Management of the Company

10. The Company was incorporated in the Cayman Islands. Its shares (Stock Code: 425) were listed on the Main Board of the Stock Exchange of Hong Kong Limited (the “SEHK”) on 1 December 2005 and remain so listed as at the date of this Schedule.
11. The registered office of the Company is situate at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands, British West Indies. Its head office and principal place of business in China is at No.8 Dagang No.6 Road, Ningbo Economic and Technology Development Zone, Postal Code 315800, China, and its principal place of business in Hong Kong is at Room 904, 9/F, Island Place Tower, No. 510 King’s Road, North Point, Hong Kong.

12. As stated in the Monthly Return of Equity Issuer on Movement in Securities for the month ended 28 February 2019, the Company has an authorized share capital of HK\$500,000,000 divided into 5,000,000,000 shares of HK\$0.10 each, and 1,146,777,500 issued shares.
13. One of the wholly owned subsidiaries of the Company is the 6th Respondent, Decade (HK) Limited (“**Decade**”), a company incorporated in Hong Kong on 18 September 2007. At all material times, the 1st Respondent was and is the sole director of Decade. The Company and its subsidiaries will hereinafter collectively be referred to as the “**Group**”.
14. The 1st to 4th Respondents at all material times were Executive Directors of the Company. The 1st and 4th Respondents still are Executive Directors of the Company.
15. The 1st Respondent is the Chairman and an Executive Director of the Company and a director of various subsidiaries of the Company, including Jiaxing El Triumph Automative Parts Co. Ltd (嘉興敏勝零部件有限公司) (“**EL Triumph**”), Jiaxing Minth Hashimoto Automotive Parts co. Ltd (嘉興敏橋汽車零部件有限公司) (“**Hashimoto**”). The 1st Respondent was also the legal representative of Jiaxing Shinyou Mould Tech Co. Ltd (嘉興信元模具科技有限公司) (“**Shinyou**”). He founded the Group in March 1997 and is the controlling shareholder of the Company. It is stated in the 2012 Annual Report of the Company that the 1st Respondent has experience of over 25 years in management in the auto-parts industry and has been leading the management team since the founding of the Group, and he had approximately 40.53% shareholding interest in the Company through Linkfair Investments Limited, a company wholly owned by the 1st Respondent, which held 436,664,000 shares as at 31 December 2012. He was re-designated from Chairman and an Executive Director to a non-Executive Director and Honorary Chairman of the Board with effect from 26 May 2016. On 10 August 2017, he was re-designated as the Company’s Chairman, Chief Executive Officer (“**CEO**”), and an Executive Director.
16. The 2nd Respondent was the CEO and an Executive Director of the Company and a director of various subsidiaries of the Company, including EL Triumph (from around 9 August 2006 to 6 March 2007). It is stated in the 2012 Annual Report

of the Company that the 2nd Respondent has experience of almost 20 years in the Chinese auto-parts industry since he joined one of the 1st Respondent's companies in 1993. Prior to his current position as CEO, he assumed responsibility as general manager of operations (including leading both overseas and domestic business departments), head of the R&D Centre and was in charge of Human Resources Departments for the Group as a whole. The 2nd Respondent joined the Group in March 1997 and was appointed as a Director on 14 July 2005. He was appointed as Chairman with effect from 26 May 2016. He resigned as Chairman, the CEO, and Executive Director with effect from 10 August 2017.

17. The 3rd Respondent was the COO and an Executive Director of the Company. He was the supervisor of EL Triumph from around 9 August 2006 to 6 March 2007. It is stated in the 2008 Annual Report of the Company that the 3rd Respondent has experience of over 20 years in engineering. Before joining one of the 1st Respondent's companies in 1993, the 3rd Respondent worked at Zhejiang Shipyard as an assistant engineer, and was later in charge of the Group's overseas business and operations and before that served in various members of the Group as a member of the production management team, sales manager, deputy manager, financial controller and general manager successively. The 3rd Respondent joined the Group in March 1997 and was appointed as a Director on 14 July 2005. He was re-designated from an Executive Director to a Non-Executive Director on 21 March 2012, and resigned as non-executive Director with effect from 19 December 2012.
18. The 4th Respondent is the Vice President and an Executive Director of the Company and a director of various subsidiaries of the Company with overall responsibilities for the Group's sales. It is stated in the 2012 Annual Report of the Company that the 4th Respondent has over 14 years of experience in management. Since joining the Group, the 4th Respondent has worked successively as a purchase officer, manager of the business department and deputy general manager of business operations. The 4th Respondent joined the Group in March 1999 and was appointed as a Director on 22 December 2006.
19. Ms. Bao Jian Ya (包建亞) was the Chief Financial Officer (“CFO”) of the Group and the supervisor of Hashimoto. It is stated in the 2012 Annual Report of the Company that she graduated from Shanghai University of Finance Economics in

1993 where she majored in international accounting. She has over 19 years of experience in accounting and financial management. Prior to joining the Group in March 2005 and assuming the responsibility of financial controller of the Company, she was the financial controller of another Chinese manufacturer. She was nominated as CFO of the Group on 22 December 2006, and appointed as an Executive Director of the Company on 29 May 2014. Ms. Bao Jian Ya resigned as an Executive Director and CFO with effect from 31 May 2017.

20. In order to act as directors of the Company, each of the 1st, 2nd, 3rd and 4th Respondents were required to and did sign a formal declaration, undertaking and acknowledgement *as per* Form B of Appendix 5 to the Rules Governing the Listing of Securities on the SEHK (the “**Listing Rules**”), whereby each of them undertook to the SEHK that he would, in the exercise of his powers and duties as director of the Company, ensure the Company’s full compliance with the Listing Rules from time to time in force.

B2. Mr. Hsu Chun Wei (“Mr. Hsu”) and Ms. Hsu Hsiao Ling (“Ms. Hsu”)

21. Mr. Hsu and Ms. Hsu are the nephew and niece respectively of the 1st Respondent, their mother (deceased) being an elder sister of the 1st Respondent.
22. According to information provided by the Company, in about 2007 the 1st Respondent lent about US\$10,000,000 to Mr. Hsu and Ms. Hsu to finance their investments in China, including investments in Magic Figure Investments Limited (“**Magic Figure**”) and Talentlink Development Limited (“**Talentlink HK**”).

B3. 安統(嘉興)汽車電氣系統有限公司 (“Antong”)

23. Antong was incorporated in the PRC on 7 July 2003. At all material times, the sole shareholder of Antong was Manlead Holdings Limited (君導控股有限公司) (“**Manlead**”). Prior to 31 December 2006, the 1 issued share in Manlead was held by Sino Case Development Limited (“**Sino Case**”), a company owned and controlled by the 1st Respondent.

24. On 31 December 2006, Sino Case transferred the 1 issued share in Manlead to Ms. Hsu, at nil consideration.
25. On 9 September 2003, by a State Land Rights Transfer Agreement (國有土地使用權出讓合同) (“**Antong Assignment**”), Antong was assigned a plot of land of about 194,000 square metres at Plot L211 of Jiachuang Road Eastside, Canada Jiaxing Science and Industrial Park, Jiaxing City, PRC (“**Plot L211**”) at a consideration of RMB28,712,000.
26. In 2006 and 2007, Antong assigned parts of Plot L211 to five parties in five assignments (“**the Antong Sub-Assignments**”) respectively, as follows:-
- 26.1. By an agreement entitled 關於落實新辦入園企業土地使用權的協議書 (translated into English as “Agreement Concerning the Implementation of the Land Use Rights of New Park Enterprise”) made between the Zhejiang Jiaxing Xiu Zhou Industrial Park Management Committee (English translation of 浙江嘉興秀洲工業區管理委員會) (“**the Committee**”), Antong and EL Triumph dated 5 April 2006, and a Land Rights Transfer Agreement (土地使用權轉讓協議) made between Antong and EL Triumph sometime in 2007, Antong assigned 31,423 square metres of Plot L211 (“**EL Triumph Land**”) to EL Triumph at a consideration of RMB 3,299,399, or RMB 104.9995 per square metre (“**the EL Triumph Assignment**”);
- 26.2. By an Agreement Concerning the Implementation of the Land Use Rights of New Park Enterprise (關於落實新辦入園企業土地使用權的協議書) made between the Committee, Antong and Shinyou dated 24 April 2006, and a Land Rights Transfer Agreement (土地使用權轉讓協議) made between Antong and Shinyou sometime in 2007, Antong assigned 18,694 square metres of Plot L211 (“**Shinyou Land**”) to Shinyou at a consideration of RMB 1,962,546, or RMB 104.9995 per square metre (“**the Shinyou Assignment**”);
- 26.3. By an Agreement Concerning the Implementation of the Land Use Rights of New Park Enterprise (關於落實新辦入園企業土地使用權的協議書) made

between the Committee, Antong and Hashimoto dated 30 October 2006, and a Land Rights Transfer Agreement (土地使用權轉讓協議) made between Antong and Hashimoto sometime in 2007, Antong assigned 12,748 square metres of Plot L211 (“**Hashimoto Land**”) to Hashimoto at a consideration of RMB 1,338,534, or RMB 104.9995 per square metre (“**the Hashimoto Assignment**”);

26.4. By a Land Rights Transfer Agreement (土地使用權轉讓協議) made between Antong and Jiaxing Guowei Automotive Parts Co., Ltd (嘉興國威汽車零部件有限公司) (“**Jiaxing Guowei**”) sometime in 2007, Antong assigned 63,197 square metres of Plot L211 (“**Jiaxing Guowei Land**”) to Jiaxing Guowei at a purported consideration of RMB 9,289,915, or RMB 146.9993 per square metre (“**the Jiaxing Guowei Assignment**”); and

26.5. By a Land Rights Transfer Agreement (土地使用權轉讓協議) made between Antong and Jiaxing Situ Automotive Parts Co., Ltd (嘉興思途汽車零部件有限公司) (“**Jiaxing Situ**”) sometime in 2007, Antong assigned 67,941 square metres of Plot L211 (“**Jiaxing Situ Land**”) to Jiaxing Situ at a purported consideration of RMB 9,9887,279, or RMB 146.9993 per square metre (“**the Jiaxing Situ Assignment**”).

27. The 3rd Respondent acknowledges it is the Petitioner’s case that the 1st Respondent was at all material times the true beneficial owner of Manlead (and Antong) which Ms. Hsu held as nominee for the 1st Respondent, and the 1st Respondent was at all material times in control of Manlead (and Antong). The purported transfer of Manlead (and Antong) to Ms. Hsu, and the purported assignment by Antong of the Jiaxing Situ Land and Jiaxing Guowei Land to Jiaxing Situ and Jiaxing Guowei (both wholly-owned subsidiaries of Magic Figure) were all steps taken by the 1st Respondent to conceal the fact that he was, and remained as, the beneficial owner of the Jiaxing Situ Land and the Jiaxing Guowei Land. In truth and in fact, the Jiaxing Guowei Assignment and the Jiaxing Situ Assignments were sham transactions. The 3rd Respondent did not have knowledge of these matters. These matters may be subject of negotiation

between the Petitioner and the 1st Respondent and the 3rd Respondent is agreeable to considering any agreed facts as between the Petitioner and the 1st Respondent at the material time.

B4. Magic Figure

28. Magic Figure is a limited company incorporated in the British Virgin Islands on 25 October 2006.

29. The 3rd Respondent acknowledges that it is the Petitioner's case that between 17 November 2006 and 22 May 2008, Mr. Hsu was the sole director and shareholder of Magic Figure. Mr. Hsu at all material times was the nominee of the 1st Respondent who owned and controlled Magic Figure, but the 1st Respondent withheld this fact from the board of the Company including the 3rd Respondent. The 3rd Respondent did not have knowledge of these matters. These matters may be subject of negotiation between the Petitioner and the 1st Respondent and the 3rd Respondent is agreeable to considering any agreed facts as between the Petitioner and the 1st Respondent at the material time

30. According to information provided by the Company, Magic Figure was at all material times an investment holding company and its principal investments were two wholly owned subsidiaries both established in the PRC, namely, Jiaxing Guowei and Jiaxing Situ, which held land use rights in the Jiaxing Guowei Land and the Jiaxing Situ Land. The director and legal representative of Jiaxing Guowei was Ms. Hsu. The director and legal representative of Jiaxing Situ was Mr. Hsu. The 3rd Respondent acknowledges it is the Petitioner's case Ms. Hsu and Mr. Hsu were both nominees of the 1st Respondent who at all material times was the true beneficial owner of the Jiaxing Guowei Land and the Jiaxing Situ Land, but the 1st Respondent withheld this fact from the board of the Company including the 3rd Respondent. The 3rd Respondent did not have knowledge of these matters. These matters may be subject of negotiation between the Petitioner and the 1st Respondent and the 3rd Respondent is agreeable to considering any agreed facts as between the Petitioner and the 1st Respondent at the material time. As at June 2009, neither

Jiaxing Guowei nor Jiaxing Situ had, since their respective dates of establishment, commenced any trading and production operations.

31. Further, by a 建設工程施工合同 dated 12 March 2008 (“**the Construction Contract**”) entered into by Jiaxing Situ, Jiaxing Guowei, and a company known as 浙江億達建設有限公司 (translated as “Zhejiang Yi Da Construction Co Ltd”) (“**Yi Da**”), Jiaxing Situ and Jiaxing Guowei agreed to pay Yi Da an estimated amount of RMB 29,380,000, as construction costs for the construction of a dormitory, a canteen, and factory premises on the Jiaxing Guowei Land and the Jiaxing Situ Land (“**the Estimated Construction Cost**”).

B5. Talentlink HK and Talentlink Development Limited (BVI) (“Talentlink BVI”)

32. Talentlink HK is a limited company incorporated in Hong Kong on 27 September 2007.
33. Between 27 September 2007 and 22 May 2008, Ms. Hsu was the sole director of Talentlink HK.
34. Talentlink BVI is a limited company incorporated in the British Virgin Islands on 18 April 2005.
35. The 1st Respondent was the sole director of Talentlink BVI from 23 May 2005 to 4 January 2007. On 4 January 2007, the 1st Respondent ceased to act as director of Talentlink BVI and Ms. Hsu was appointed and became the sole director of Talentlink BVI.
36. The 1st Respondent was also the sole shareholder of Talentlink BVI from 23 May 2005 to 22 July 2005, holding 1 issued share in Talentlink BVI with a par value of US\$1.00. On 22 July 2005, the 1st Respondent transferred the 1 issued share in Talentlink BVI to Sino Case, a company owned and controlled by the 1st

Respondent. On 4 January 2007, Sino Case transferred the 1 issued share in Talentlink BVI to Ms. Hsu.

37. Between 28 September 2007 and 27 June 2008, Talentlink BVI was the sole shareholder of Talentlink HK, holding 10,000 issued shares in Talentlink HK with a par value of HK\$1.00 each. On 27 June 2008, Talentlink BVI transferred the 10,000 issued shares in Talentlink HK to Decade.
38. The 3rd Respondent acknowledges it is the Petitioner's case that Ms. Hsu at all material times was the nominee of the 1st Respondent who owned and controlled Talentlink HK and Talentlink BVI, but the 1st Respondent withheld this fact from the board of the Company including the 3rd Respondent. The 3rd Respondent did not have knowledge of these matters. These matters may be subject of negotiation between the Petitioner and the 1st Respondent and the 3rd Respondent is agreeable to considering any agreed facts as between the Petitioner and the 1st Respondent at the material time.
39. According to information provided by the Company, Talentlink HK was at all material times an investment holding company and its principal investment was a wholly owned subsidiary established in the PRC on 21 December 2006, namely Huzhou Minhai Automotives Parts Co Ltd (湖州敏海汽車零部件有限公司) ("**Huzhou Minhai**"). Since around 1 November 2007, the directors of Huzhou Minhai were Mr. Hsu, Wang Xiao Ai and Yu Yue Ping, the head of the Research & Development Department of the Company. Up to June 2009, Huzhou Minhai had not, since its date of establishment, commenced any trading and production operations.

B6. The Acquisition

40. On 29 April 2008, Decade entered into a written agreement (the "**Magic Figure Agreement**") with Mr. Hsu to acquire the only issued share in Magic Figure for a cash consideration of US\$3,186,639. The Magic Figure Agreement was signed by Mr. Wang Xiao Ai, the authorised representative of Mr. Hsu, as vendor and the 1st Respondent on behalf of Decade as purchaser.

41. In approving the Magic Figure Agreement, the 3rd Respondent:
- 41.1. Agreed and adopted the independent valuation made by one Joinhouse Property Valuation Co Ltd (“**Joinhouse**”) in two valuation reports dated 28 April 2008, which purported to value the Jiaxing Situ Land and the Jiaxing Guowei Land at RMB 375 per square metre. The said valuation reports were provided by Joinhouse upon the instructions of Jiaxing Situ and Jiaxing Guowei, as the vendors one day before the Acquisition; and
 - 41.2. Did not cause or require a further valuation to be obtained by Decade or the Company of the Jiaxing Situ Land and the Jiaxing Guowei Land;
 - 41.3. Did not raise any query or make any inquiry as to valuation of the Jiaxing Situ Land and the Jiaxing Guowei Land by Joinhouse (at RMB 375 per square metre) was higher than that paid by EL Triumph, Shinyou, and Hashimoto (at RMB 104.9995 per square metre) for the other parts of Plot L211 (namely, the EL Triumph Land, the Shinyou Land and the Hashimoto) under the Antong Sub-Assignments;
 - 41.4. Did not adequately consider the liabilities of Jiaxing Guowei and Jiaxing Situ, and including, their liabilities for the construction fees under the Construction Contract including the Estimated Construction Costs, the impact of such liabilities and cost on the Acquisition, and whether it was in the interests or best interests of Decade or the Company to acquire the share of Magic Figure;
42. Also on 29 April 2008, Decade entered into a written agreement (the “**Talentlink HK Agreement**”) with Talentlink BVI to acquire all the issued shares in Talentlink HK for a cash consideration of US\$525,400. The Talentlink HK Agreement was signed by Mr. Wang Xiao Ai, the authorised representative of Ms. Hsu, as vendor and the 1st Respondent on behalf of Decade as purchaser.

43. The acquisitions of Magic Figure and Talentlink HK under the above agreements will hereinafter collectively be referred to as the “**Acquisition**”.
44. The total amount of the liabilities of Magic Figure which Decade had to discharge was approximately US\$8,957,000 (HK\$69,417,000), and the total amount of the liabilities of Talentlink HK which Decade had to discharge was approximately HK\$19,300. This amount does not include the Estimated Construction Costs.
45. Accordingly, Decade had to make payments in the total sum of approximately HK\$100,642,000 (equivalent to approximately RMB88,593,000), made up of:-
- 45.1. cash consideration of US\$3,186,689 under the Magic Figure Agreement;
 - 45.2. cash consideration of US\$525,400 under the Talentlink HK Agreement;
 - 45.3. the total amount of liabilities of Magic Figure to be discharged by Decade in the sum of approximately US\$8,957,000; and
 - 45.4. the total amount of liabilities of Talentlink HK to be discharged by Decade in the sum of approximately HK\$19,300.
46. Further, in acquiring Magic Figure and agreeing to take over all its liabilities, Decade became responsible for the liabilities of Magic Figure’s wholly-owned subsidiaries, Jiaxing Guowei and Jiaxing Situ, including the construction fees under the Construction Contract, and the Estimated Construction Costs.
47. The 3rd Respondent acknowledges it is the Petitioner’s case that the bulk of consideration paid by Decade under the Acquisition, in total amount of US\$12,342,000, was received by the 1st Respondent, his wife and/or companies owned and/or controlled by him. The 1st Respondent withheld this fact from the board of the Company, including the 3rd Respondent. The 3rd Respondent did not have knowledge of these matters. These matters may be subject of negotiation between the Petitioner and the 1st Respondent and the 3rd Respondent is agreeable to considering any agreed facts as between the Petitioner and the 1st Respondent at the material time.

B7. The Interim Report 2008 of the Company published on 22 September 2008

48. In the Interim Report 2008 (for half year ended 30 June 2008) published by the Company on 22 September 2008, it was stated (at page 50 thereof), in relation to the Acquisition, inter alia, as follows:-

48.1. On 30 April 2008, the Group acquired 100% of Talentlink HK and Magic Figure and their subsidiaries for a total consideration of RMB25,917,000 from third parties.

48.2. The Acquisition was regarded as acquisition of assets and assuming of liabilities since no business was acquired.

48.3. The Acquisition resulted in a “net cash inflow” of RMB30,215,000, being the difference between (i) the bank balances and cash acquired of RMB56,132,000 and (ii) the cash consideration paid of RMB25,917,000.

49. At pages 54 and 55 of the Interim Report 2008, details of various “Related Party Transactions and Connection Transactions” were set out. It was further stated that the transactions mentioned on those pages included connected transactions or continuing connected transactions as defined in Chapter 14A of Listing Rules. The Acquisition was not treated or disclosed as a connected transaction.

B8. The Company’s responses to queries raised by the SEHK in respect of the Acquisition

50. By a fax dated 1 December 2008, the SEHK asked the Company to provide further details in respect of the Acquisition and to demonstrate with supporting evidence that the Acquisition was not a connected transaction which required reporting and/or shareholders’ approval under Chapter 14A of the Listing Rules.

51. In response to those queries, the Company stated, in a letter dated 12 December 2008 to the SEHK, inter alia, as follows:-

51.1. The total consideration paid for the acquisition of Magic Figure and Talentlink HK was RMB25,917,000.

51.2. The beneficial owner of Talentlink BVI (the vendor of Talentlink HK) was Ms Hsu who was described as an “independent third party”.

51.3. The vendor under the Magic Figure Agreement was Mr. Hsu who was also described as an “independent third party”.

51.4. Based on inquiries by the Company, Talentlink BVI, Ms. Hsu and Mr. Hsu were not related to any members of the senior management, employees, contractors, sub-contractors and business associates of the Group.

51.5. Based on confirmation by the Company with its directors and the vendors, the vendors were not connected persons (as defined in the Listing Rules) of the Company, and the Acquisition was not a connected transaction subject to Chapter 14A of the Listing Rules.

B9. The Company’s responses to queries raised by the Petitioner in respect of the Acquisition

52. By a letter dated 6 January 2009 to the Company, the Petitioner raised various queries regarding the details of the Acquisition.

53. In response to those queries, the Company through its solicitors (Richards Butler) stated, in a letter dated 23 January 2009 to the Petitioner, inter alia, as follows:-

53.1. There was no board meeting or shareholders' meeting convened for the Company as the Acquisition was considered a minor acquisition.

53.2. No announcement was made by the Company because none was required in respect of the Acquisition under the Listing Rules nor did it merit disclosure under Rule 13.09 of the Listing Rules.

B10. The Company sought the SEHK's determination on whether the Acquisition constituted a connected transaction

54. By a letter dated 22 April 2009, the Company through its solicitors (Richards Butler) disclosed to the SEHK for the first time that:-

54.1. Mr. Hsu and Ms. Hsu were the son and daughter respectively of the 1st Respondent's sister who had passed away over 20 years ago.

54.2. The 1st Respondent had financed Mr. Hsu and Ms. Hsu in investments in China which they had made through Magic Figure. Such financing had been in place since 2007 and was only ultimately repaid to the 1st Respondent after the Acquisition had been completed by way of proceeds from the Company's completion of the Acquisition.

54.3. The other directors of the Company were not aware of the aforesaid relationship between the 1st Respondent and Mr. Hsu and Ms. Hsu until the Company was notified by the 1st Respondent through his Hong Kong legal advisor on 21 April 2009.

55. In the same letter, the Company accepted that the question of whether the Acquisition was a connected transaction within the meaning of Chapter 14A of the Listing Rules in the circumstances should have been determined by the SEHK under Rule 14A.11(4)(c) of the Listing Rules, and requested the SEHK to confirm whether the Acquisition should be treated as a connected transaction.

B11. The Annual Report 2008 of the Company published on 23 April 2009

56. In the meantime, the Company published its Annual Report 2008 (for the year end 31 December 2008) on 23 April 2009 in which it was disclosed, inter alia, that:-

56.1. On 29 April 2008, the Group acquired 100% of the issued share capital of Talentlink HK and its subsidiary, namely, Huzhou Minhai, and Magic Figure and its subsidiaries, namely, Jiaxing Guowei and Jiaxing Situ, from the relatives of the 1st Respondent for a total consideration of RMB88,593,000, representing cash payment of RMB25,985,000 and settlement of outstanding other payables prior to the Acquisition of RMB62,608,000, with a net cash outflow of RMB32,462,000.

56.2. The Company was seeking confirmation from the SEHK as to whether the Acquisition would, in the opinion of the SEHK, constitute a connected transaction as the ultimate vendors were the relatives of the 1st Respondent.

B12. The SEHK's determination that the Acquisition constituted a connected transaction

57. In a further letter dated 29 April 2009 to the SEHK, Richards Butler on behalf of the Company informed the SEHK that the executive directors of the Company (other than the 1st Respondent) were of the view that the Acquisition could constitute a connected transaction in view of the family relationship between the 1st Respondent and Mr. Hsu and Ms. Hsu and the aforesaid financial assistance given by the 1st Respondent to Mr. Hsu and Ms. Hsu, taken together.

58. On 12 May 2009, the SEHK determined, based on the following facts as represented by the Company, that Mr. Hsu and Ms. Hsu were connected persons of the Company under Rule 14A.11(4)(c) of the Listing Rules and accordingly, the Acquisition was a connected transaction under Chapter 14A. The facts as represented by the Company and relied upon by the SEHK to come to the said determination were:-

- 58.1. The Company acquired 100% of the issued share capital of Talentlink HK and Magic Figure together with the sales loan at a total consideration of RMB88.5 million. The ultimate beneficial owners of the vendors were Mr. Hsu and Ms. Hsu.
- 58.2. Mr. Hsu and Ms. Hsu were the nephew and niece of the 1st Respondent, the Company's chairman and executive director.
- 58.3. The 1st Respondent financed Mr. Hsu and Ms. Hsu, up to US\$10 million (the "**Loan**"), in investments in China which they had made through Magic Figure. The Loan had been in place since 2007.
- 58.4. The Loan was ultimately repaid to the 1st Respondent after the Acquisition had been completed and by way of proceeds arising from the Acquisition.
- 58.5. The executive directors (other than the 1st Respondent) considered that the Acquisition constituted a connected transaction in view of the family relationship and the financial assistance.

B13. The Company's announcement of connected transaction

59. On 12 June 2009, the Company issued a public announcement (the "**Announcement**") informing its shareholders and the investing public, inter alia, that:-
 - 59.1. the executive directors of the Company (other than the 1st Respondent) considered that the Acquisition could constitute a connected transaction in view of the family relationship between the 1st Respondent and Mr Hsu and Ms Hsu and the financial assistance given by the 1st Respondent to Mr Hsu and Ms Hsu;

- 59.2. the SEHK had on 12 May 2009 determined that Mr Hsu and Ms Hsu were connected persons of the Company;
- 59.3. as the applicable percentage ratios under Chapter 14 of the Listing Rules for the Acquisition were more than 2.5% but less than 25%, and the consideration was in excess of HK\$10,000,000, the Acquisition should have been subject to the reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules;
- 59.4. the financing of Mr Hsu and Ms Hsu by the 1st Respondent, which had been in place since 2007, was only ultimately repaid to the 1st Respondent after the Acquisition had been completed by way of proceeds from completion of the Acquisition;
- 59.5. the Jiaxing Guowei Land and the Jiaxing Situ Land were valued at approximately RMB 49,177,000 as of 25 April 2008.
60. The Announcement did not disclose, *inter alia*, the following:
- 60.1. The price of the Jiaxing Guowei Land and the Jiaxing Situ Land were independently valued at RMB 375 per square metre;
- 60.2. In 2007, the EL Triumph Land, the Hashimoto Land, the Shinyou Land, which were adjacent to the Jiaxing Situ Land and the Jiaxing Guowei Land were acquired by subsidiaries of the Company at RMB 104.9995 per square metre;
- 60.3. The true relationship between the 1st Respondent and Antong, as set out in Section B3;

- 60.4. Jiaxing Guowei and Jiaxing Situ were contractually bound to pay the construction fees under the Construction Contract, including the Estimated Construction Costs at RMB 29,380,000; and
- 60.5. In light of the above, the reason why it was considered commercially justifiable for Decade to proceed with the Acquisition.

B14. The Company's EGM to approve, confirm and ratify the Acquisition

61. On 10 July 2009, the Company issued a circular (the “**Circular**”) to its shareholders giving notice of an extraordinary general meeting (“**EGM**”) to be held on 27 July 2009 to approve, confirm and ratify the Acquisition.
62. The EGM was held on 27 July 2009 and a shareholders’ resolution (with the 1st Respondent, Linkfair Investments Limited and their respective associates abstaining from voting) was passed to approve, confirm and ratify the Acquisition. No disclosure was made in the Circular of, *inter alia*, the following matters:
- 62.1. The price of the Jiaxing Guowei Land and the Jiaxing Situ Land were independently valued at RMB 375 per square metre;
- 62.2. In 2007, the EL Triumph Land, the Hashimoto Land, and the Shinyou Land, which were adjacent to the Jiaxing Situ Land and the Jiaxing Guowei Land, were acquired by subsidiaries of the Company at RMB 104.9995 per square metre;
- 62.3. the true relationship between the 1st Respondent and Antong as set out in Section B3 above;

62.4. Jiaxing Guowei and Jiaxing Situ were contractually bound to pay the construction fees under the Construction Contract, including the Estimated Construction Costs at RMB 29,380,000; and

62.5. In light of the above, the reason why it was considered commercially justifiable for Decade to proceed with the Acquisition.

63. On or about 27 July 2009, the Company held an EGM and the Acquisition was approved by 98.75% of the votes casted by Independent Shareholders. The 1st Respondent, Linkfair Investments Ltd and their associates refrained from voting.

B15. Relevant Listing Rules

64. The following Listing Rules (applicable at the material time) are relevant:-

Rule 2.13

Without prejudice to any specific requirements of the Exchange Listing Rules as to content or responsibility for the document in question, any announcement or corporate communication required pursuant to the Exchange Listing Rules must be prepared having regard to the following general principles:

- (1) the information contained in the document must be clearly presented and in the plain language format specified or recommended by the Exchange and/or the Commission from time to time; and
- (2) the information contained in the document must be accurate and complete in all material respects and not be misleading or deceptive. In complying with this requirement, the issuer must not, among other things:—
 - (a) omit material facts of an unfavourable nature or fail to accord them with appropriate significance;

- (b) present favourable possibilities as certain or as more probable than is likely to be the case ...

Rule 3.08

The board of directors of a listed issuer is collectively responsible for the management and operations of the listed issuer. The Exchange expects the directors, both collectively and individually, to fulfill fiduciary duties and duties of skill, care and diligence to a standard at least commensurate with the standard established by Hong Kong law. This means that every director must, in the performance of his duties as a director:-

- (e) disclose fully and fairly his interests in contracts with the listed issuer; and
- (f) apply such degree of skill, care and diligence as may reasonably be expected of a person of his knowledge and experience and holding his office within the listed issuer.

Rule 13.04

The directors of an issuer are collectively and individually responsible for ensuring the issuer's full compliance with the Exchange Listing Rules.

Rule 13.09(1)

Generally and apart from compliance with all the specific requirements in this Chapter, an issuer shall keep the Exchange, members of the issuer and other holders of its listed securities informed as soon as reasonably practicable of any information relating to the group (including information on any major new developments in the group's sphere of activity which is not public knowledge) which:-

- (a) is necessary to enable them and the public to appraise the position of the group; or

Rule 14A.01

The connected transactions rules are intended to ensure that the interests of shareholders as a whole are taken into account by a listed issuer when the listed issuer enters into connected transactions. The rules set out in this Chapter also provide certain safeguards against listed issuers' directors, chief executives or substantial shareholders (or their associates) taking advantage of their positions.

Rule 14A.02

This is achieved through the general requirement for connected transactions to be disclosed and subject to independent shareholders' approval. Accordingly, where any connected transaction is proposed, the transaction must be announced publicly by means of an announcement published in accordance with rule 2.07C and a circular must be sent to shareholders giving information about the transaction. Prior approval of the shareholders in general meeting will be required before the transaction can proceed. A connected person with a material interest in the transaction will not be permitted to vote at the meeting on the resolution approving the transaction.

Rule 14A.05

If a listed issuer proposes to enter into a transaction which could be a connected transaction, it is essential that the listed issuer consult the Exchange at an early stage so that, in cases of doubt, the listed issuer can ascertain whether and to what extent the provisions of this Chapter apply. The relevant contract(s) or, if applicable, draft contract(s) must be supplied to the Exchange, if requested.

Rule 14A.11

Rule 1.01 contains a general definition of "connected person". In this Chapter, the definition of "connected person" includes:

- (1) a director, chief executive or substantial shareholder of the listed issuer;

- (4) any associate of a person referred to in rules 14A.11(1), (2) or (3). The definitions of “associate” (in the context of non-PRC issuers and PRC issuers) are contained in rules 1.01 and 19A.04, respectively. In this Chapter, an “associate” of a person referred to in rules 14A.11(1), (2) or (3) includes the following additional persons:
- (c) a father-in-law, mother-in-law, son-in-law, daughter-in-law, grandparent, grandchild, uncle, aunt, cousin, brother-in-law, sister-in-law, nephew and niece of a person referred to in rules 14A.11(1), (2) or (3) whose association with the person referred to in rules 14A.11(1), (2) or (3) is such that, in the opinion of the Exchange, the proposed transaction should be subject to the requirements of this Chapter. Listed issuers must notify the Exchange of any proposed transaction with these parties unless the transaction is exempt under rules 14A.31 or 14A.33. Listed issuers must also provide information to the Exchange to demonstrate whether or not these parties should be regarded as associates of the person referred to in rules 14A.11(1), (2) or (3);

Rule 14A.13

A connected transaction is:

- (1) (a) any transaction between a listed issuer and a connected person; or

Rule 14A.45

The following details of the connected transaction must be included in the listed issuer’s next published annual report and accounts:

- (1) the transaction date;
- (2) the parties to the transaction and a description of their connected relationship;

- (3) a brief description of the transaction and its purpose;
- (4) the total consideration and terms (including, where relevant, interest rates, length of repayment and security); and
- (5) the nature and extent of the connected person's interest in the transaction.

Rule 14A.47

Issuers proposing to enter into a connected transaction or a continuing connected transaction which is subject to announcement requirements must:—

- (1) notify the Exchange as soon as possible after the terms of the transaction have been agreed;

Note: Under rule 13.09, a listed issuer's notification obligations in respect of information expected to be price-sensitive arise as soon as that information is the subject of a decision.

- (2) send to the Exchange a draft announcement. Once the announcement has been amended to take account of the Exchange's comments, the listed issuer must cause such announcement to be published in accordance with rule 2.07C as soon as possible; and

Notes: 1 Pursuant to rule 13.54(2), the listed issuer must forward to the Exchange 7 copies of such announcement as cleared by the Exchange at the same time as it is issued.

2 Where the connected transaction is also a share transaction, major transaction, very substantial disposal, very substantial acquisition or reverse takeover, rule 14.37 (requirement for short suspension of dealings) also applies.

- (3) comply with rules 14A.45 or 14A.46 (the reporting requirements).

Rule 14A.48

Listed issuers proposing to enter into a connected transaction or a continuing connected transaction which is subject to independent shareholders' approval must:

- (1) comply with rules 14A.45 or 14A.46 (the reporting requirements) and 14A.47 (the announcement requirements); and
- (2) comply with the requirements set out in rules 14A.49 to 14A.54 (the circular and independent shareholders' approval requirements).

Rule 14A.56

The announcement for connected transactions and continuing connected transactions must contain at least the following:

- (1) the information set out in rules 14.58 to 14.60 (contents of announcements ...;
- (2) a description of the connected relationship between the parties to the transaction and the nature and extent of the connected person's interest in the transaction;
- (3) a statement that the transaction is subject to independent shareholders' approval, if applicable.

Rule 14A.58

All circulars sent by a listed issuer to holders of its listed securities must:

- (1) provide a clear and adequate explanation of its subject matter and demonstrate the advantages and disadvantages of the transaction for the listed issuer;
- (2) where practicable, include an arithmetical evaluation in the circular; and
- (3) where independent shareholders' approval is required, contain:

- (a) all information necessary to allow the holders of securities to make a properly informed decision;
- (b) a heading drawing attention to the importance of the document and advising holders of securities, who are in any doubt as to what action to take to consult appropriate independent advisers;
- (c) a separate letter from the independent board committee, if applicable (see rule 14A.21); and
- (d) a separate letter from the independent financial adviser (see rule 14A.22).

Note: If all the independent non-executive directors have a material interest in the relevant transactions or arrangements, no independent board committee can be formed. In that event, the independent financial adviser shall make its recommendation to the independent shareholders only in its letter set out in the circular to shareholders.

Rule 14A.59

The circular must contain at least:

- (2) full details of the transaction including:
 - (a) the date of the transaction and the identity and activities of the parties to the transaction including the identity and activities of the ultimate beneficial owner of the disposing or acquiring party;
 - (b) a general description of the nature and the value (being the book value and valuation, if any) of any assets concerned. If any of the assets are securities, the circular must include the name of the company in which the shares are or were held and a general description of its activities;

- (c) a description of the terms and conditions of the consideration and a statement of the total consideration, explaining how this is being or is to be satisfied;
- (d) the name of the connected person concerned;
- (e) a statement of the nature of the connected person's relationship with any controller and the name and office held by that controller; and
- (f) the nature and extent of the interest of the connected person in the transaction;

B16. Misrepresentations made to the SEHK, Petitioner, shareholders of the Company and public and/or material non-disclosure

65. By reason of the matters aforesaid, the Company has made misrepresentations to the SEHK, the Petitioner, the shareholders of the Company and the public, and/or failed to make full and proper disclosure of material facts or matters to them.
66. The Interim Report 2008 of the Company published on 22 September 2008 contained the following misrepresentations and/or material non-disclosure, namely:-
- 66.1. The representation that the Group acquired 100% of Talentlink HK and Magic Figure and their subsidiaries for a total consideration of RMB25,917,000 from third parties is false or misleading, in that (a) the total consideration for the Acquisition was RMB88,593,000, (b) the Group in fact acquired Talentlink HK and Magic Figure and their subsidiaries from connected persons, not third parties; and (c) Decade would be responsible for the construction fees under the Construction Contract, including the Estimated Construction Costs.
- 66.2. The representation that the Acquisition resulted in a "net cash inflow" of RMB30,215,000 is false or misleading in that, rather than a "net cash inflow", the Acquisition would ultimately result in a "net cash outflow" of RMB32,462,000.

- 66.3. There was a failure to disclose that the Acquisition was a connected transaction as defined in Chapter 14A of the Listing Rules; and
- 66.4. There was also a failure to disclose (a) the true relationship between the 1st Respondent, Manlead and Antong, (b) the 1st Respondent's relationship with Mr. Hsu and Ms. Hsu, (c) the 1st Respondent's true interest in Magic Figure, Talentlink BVI and Talentlink HK, and (d) the 1st Respondent's true interest in the Jiaxing Situ Land and the Jiaxing Guowei Land. The 3rd Respondent did not have knowledge of these matters. These matters may be subject of negotiation between the Petitioner and the 1st Respondent and the 3rd Respondent is agreeable to considering any agreed facts as between the Petitioner and the 1st Respondent at the material time.
67. The Company's letter to the SEHK dated 12 December 2008 contained the following misrepresentations:-
- 67.1. The representation that the Group acquired 100% of Talentlink HK and Magic Figure and their subsidiaries for a total consideration of RMB25,917,000 from third parties is false or misleading, in that (a) the total consideration for the Acquisition was RMB88,593,000, (b) the Group in fact acquired Talentlink HK and Magic Figure and their subsidiaries from connected persons, not third parties; and (c) Decade would be responsible for the construction fees under the Construction Contract, including the Estimated Construction Costs.
- 67.2. The description of Ms. Hsu as an "independent third party" is false, in that she was the 1st Respondent's niece and a connected person.
- 67.3. The description of Mr. Hsu as an "independent third party" is false, in that he was the 1st Respondent's nephew and a connected person.
- 67.4. The representation that Talentlink BVI, Ms. Hsu and Mr. Hsu were not related to any members of the senior management, employees, contractors, sub-contractors and business associates of the Group is false, in that they were all connected with the 1st Respondent.

- 67.5. The representation that the Acquisition was not a connected transaction subject to Chapter 14A of the Listing Rules is false, in that the contrary was the correct position.
68. The Company's letter to the Petitioner dated 23 January 2009 contained the following misrepresentations, namely:-
- 68.1. The representation that the Acquisition was considered a minor acquisition is false or misleading, in that it was a substantial transaction by reference to the applicable percentage ratios under Chapter 14 of the Listing Rules, which ultimately involved the payment of a total consideration of RMB88,593,000, and that in addition, Decade would be responsible for the construction fees under the Construction Contract, including the Estimated Construction Costs.
- 68.2. The representation that no announcement was required in respect of the Acquisition under the Listing Rules, nor did it merit disclosure under Rule 13.09 of the Listing Rules is false or misleading, in that the contrary was the accurate position.
69. The Company's letter to the SEHK dated 22 April 2009 contained the following misrepresentations, namely, that the financing of Mr. Hsu and Ms. Hsu, which had been in place since 2007, was only ultimately repaid to the 1st Respondent after the Acquisition had been completed by way of proceeds from the Company's completion of the Acquisition, in that (a) there was no genuine financing of Mr. Hsu and Ms. Hsu, or in any event (b) the alleged outstanding indebtedness of Mr Hsu and Ms Hsu (through Magic Figure) to the 1st Respondent had apparently been discharged on or before 29 April 2008 not from the sale proceeds arising from the Company's completion of the Acquisition. The 3rd Respondent did not have knowledge of these matters. These matters may be subject of negotiation between the Petitioner and the 1st Respondent and the 3rd Respondent is agreeable to considering any agreed facts as between the Petitioner and the 1st Respondent at the material time.
70. The Announcement contained the following misrepresentations, namely:
- 70.1. The representation that the financing of Mr. Hsu and Ms. Hsu, which had been in place since 2007, was only ultimately repaid to the 1st Respondent after the Acquisition had been completed by way of proceeds from the

Company's completion of the Acquisition, in that (a) there was no genuine financing of Mr. Hsu and Ms. Hsu, or in any event (b) the alleged outstanding indebtedness of Mr Hsu and Ms Hsu (through Magic Figure) to the 1st Respondent had apparently been discharged on or before 29 April 2008 not from the sale proceeds arising from the Company's completion of the Acquisition. The 3rd Respondent did not have knowledge of these matters. These matters may be subject of negotiation between the Petitioner and the 1st Respondent and the 3rd Respondent is agreeable to considering any agreed facts as between the Petitioner and the 1st Respondent at the material time;

- 70.2. There was a failure to disclose the extent of the consideration paid by Decade in relation to the Acquisition ultimately going to bank accounts belonging to or controlled by the 1st Respondent. The 3rd Respondent did not have knowledge of these matters. These matters may be subject of negotiation between the Petitioner and the 1st Respondent and the 3rd Respondent is agreeable to considering any agreed facts as between the Petitioner and the 1st Respondent at the material time;
- 70.3. There was a failure to disclose the contractual obligations of Jiaxing Situ and Jiaxing Guowei to pay construction fees under the Construction Contract, including the Estimated Construction Costs at RMB29,380,000;
- 70.4. There was a failure to disclose the fact that before the Acquisition, in 2006/2007 various plots of land adjacent to the Jiaxing Situ Land and the Jiaxing Guowei Land (which formed part of Plot L211), had been acquired by EL Triumph, Shinyou and Hashimoto at RMB 104.9995 per square metre; and
- 70.5. There was a failure to disclose (a) the true relationship between the 1st Respondent, Manlead and Antong, (b) the 1st Respondent's relationship with Mr. Hsu and Ms. Hsu, (c) the 1st Respondent's true interest in Magic Figure, Talentlink BVI and Talentlink HK, and (d) the 1st Respondent's true interest in the Jiaxing Situ Land and the Jiaxing Guowei Land. The 3rd Respondent did not have knowledge of these matters. These matters may be subject of negotiation between the Petitioner and the 1st Respondent and the 3rd Respondent is agreeable to considering any

agreed facts as between the Petitioner and the 1st Respondent at the material time.

71. Likewise, the Circular failed to disclose:-

- 71.1. the extent of the consideration paid by Decade in relation to the Acquisition going to bank accounts belonging to or controlled by the 1st Respondent. The 3rd Respondent did not have knowledge of these matters. These matters may be subject of negotiation between the Petitioner and the 1st Respondent and the 3rd Respondent is agreeable to considering any agreed facts as between the Petitioner and the 1st Respondent at the material time;
- 71.2. the contractual obligations of Jiaxing Situ and Jiaxing Guowei to pay construction fees under the Construction Contract, including the Estimated Construction Costs at RMB29,380,000;
- 71.3. that before the Acquisition in 2006/2007 various plots of land adjacent to the Jiaxing Situ Land and the Jiaxing Guowei Land (which formed part of Plot L211), had been acquired by EL Triumph, Shinyou and Hashimoto at RMB 104.9995 per square metre; and
- 71.4. the true relationship between the 1st Respondent, Manlead and Antong, the 1st Respondent's relationship with Mr. Hsu and Ms. Hsu, the 1st Respondent's true interest in Magic Figure, Talentlink BVI and Talentlink HK, and the 1st Respondent's true interest in the Jiaxing Situ Land and the Jiaxing Guowei Land. The 3rd Respondent did not have knowledge of these matters. These matters may be subject of negotiation between the Petitioner and the 1st Respondent and the 3rd Respondent is agreeable to considering any agreed facts as between the Petitioner and the 1st Respondent at the material time.

B17. Breaches of the Listing Rules

72. In connection with the Acquisition, the Company has committed breaches of the Listing Rules, in particular:-

- 72.1. failure to notify the SEHK of the proposed Acquisition and demonstrate to the SEHK as to whether or not Mr. Hsu and Ms. Hsu should be regarded as connected persons, in breach of Rule 14A.11 of the Listing Rules;
- 72.2. failure to observe the reporting, announcement and independent shareholders' approval requirements under Rules 14A.45, 14A.47 and 14A.48 of the Listing Rules;
- 72.3. publishing the Interim Report 2008 which contained information which was not accurate or complete in all material respect and/or was misleading or deceptive, in breach of Rule 2.13(2) of the Listing Rules;
- 72.4. publishing the Annual Report 2008 which did not fully describe the connected relationship between the parties to the Acquisition, did not disclose the purpose of the transaction, and did not disclose the nature and extent of the connected person's interest in the transaction, in breach of Rules 14A.45(2), 14A.45(3) and 14A.45(5) of the Listing Rules; and
- 72.5. failure to disclose in the Announcement and the Circular the true extent to which the consideration paid by Decade in relation to the Acquisition went to bank accounts belonging to or controlled by the 1st Respondent, in breach of Rules 14A.56(2), 14A.58(3)(a) and 14A.59(2) of the Listing Rules.

B18. Liability of the 3rd Respondent

73. By reason of the matters aforesaid, the business or affairs of the Company have been conducted in a manner:-
 - 73.1. involving misfeasance or other misconduct towards the Company, its members or part of its members;
 - 73.2. resulting in its members or part of its members not having been given all the information with respect to its business or affairs that they might reasonably expect; and/or
 - 73.3. unfairly prejudicial to its members or part of its members.

74. The 3rd Respondent, being the COO and an Executive Director of the Company at all material times:

74.1. Ought to have made but failed to make further inquiries in respect of the Company's business or affairs which should have revealed that Mr. Hsu and Ms. Hsu are the nephew and niece of the 1st Respondent and as such, the 1st Respondent's interest in Magic Figure, Talentlink BVI and Talentlink HK; the unit price per square metre of the other parts of Plot L211 which were sold sometime in 2007 before the Acquisition; the contractual obligations of Jiaxing Situ and Jiaxing Guowei under the Construction Contract and the total amount of the consideration payable under the Acquisition; and the fact that the valuation reports of Joinhouse did not appear to or did not appear to have adequately evaluated how these factors would impact upon the value of the Jiaxing Situ Land and the Jiaxing Guowei Land; and

74.2. ought to have made but failed to make further enquiries which may have prevented the Company from: (1) making the misrepresentations set out in Section B16 above to the SEHK, the Petitioner, the shareholders of the Company and the public, and/or (2) failing to make full and proper disclosure of material facts or matters, and/or breached the Listing Rules as set out in Section B17 above.

C. AGREED MITIGATING FACTORS

75. The 3rd Respondent had no actual knowledge of the following matters which the 1st Respondent did not inform the board of the Company, namely:-

75.1. His relationship with Mr. Hsu and Ms. Hsu (the "**Hsu Siblings**");

75.2. His significant control through the Hsu Siblings over Manlead (and Antong), Magic Figure, Talentlink BVI, Talentlink HK, Jiaxing Situ, Jiaxing Guowei, and in turn over the Jiaxing Situ Land and the Jiaxing Guowei Land;

75.3. The Acquisition was not a transaction with an independent third party; and

75.4. The manner in which the consideration paid by Decade under the Acquisition was eventually disbursed or dealt with.

76. The 3rd Respondent has adopted a reasonable course of action in agreeing to conclude these proceedings by way of the *Carecraft* Procedure which would save the time and costs of the Petitioner and the Court.

D. PROPOSAL FOR DISQUALIFICATION

77. On the basis of the facts not in dispute as set out in Section B above and the agreed mitigating factor set out in Section C above, the parties agree that it would be appropriate for a disqualification order to be made against the 3rd Respondent under section 214(2)(d) of the Ordinance that, for a period of 3 years, he shall not, without the leave of the Court:-

77.1. be, or continue to be, a director, liquidator, or receiver or manager of the property or business of any listed or unlisted company in Hong Kong (including the Company or any of its subsidiaries and affiliates),; and

77.2. in any way, whether directly or indirectly, be concerned, or take part, in the management of any listed or unlisted company in Hong Kong (including the Company or any of its subsidiaries and affiliates).

78. The 3rd Respondent further agrees to pay such portion of the Petitioner's costs in these proceedings as the Court thinks fit, to be taxed if not agreed.

Dated the 3rd day of October 2019.

The Petitioner
Securities and Futures Commission

Mu Wei Zhong (穆偉忠)
The 3rd Respondent

Appendix 1

“Subsidiary” means, with respect to its holding company, a company:

(1) the composition of the board of directors of which is directly or indirectly controlled by the holding company; or

(2) more than half of the issued share capital of which is directly or indirectly controlled by the holding company; or

(3) which is a subsidiary of a company which is a subsidiary of the holding company; or which is accounted for and consolidated in the holding company's consolidated financial statements.

“Affiliate” in respect of a company, means any subsidiaries or holding companies of such company or any subsidiaries of any of the holding companies of such company or any subsidiaries of any of the holding companies of such company.

**IN THE HIGH COURT OF THE
HONG KONG SPECIAL ADMINISTRATIVE REGION
COURT OF FIRST INSTANCE
MISCELLANEOUS PROCEEDINGS
NO. 891 OF 2014**

IN THE MATTER OF Minth Group Limited

AND

IN THE MATTER OF Section 214 of the Securities and Futures
Ordinance Cap. 571

BETWEEN

SECURITIES AND FUTURES COMMISSION

Petitioner

and

CHIN JONG HWA (秦榮華)

1st Respondent

SHI JIAN HUI (石建輝)

2nd Respondent

MU WEI ZHONG (穆偉忠)

3rd Respondent

ZHAO FENG (趙鋒)

4th Respondent

MINTH GROUP LIMITED

5th Respondent

DECADE (HK) LIMITED

6th Respondent

**STATEMENT OF FACTS NOT IN DISPUTE FOR THE
PURPOSES OF A CARECRAFT SETTLEMENT BETWEEN THE
PETITIONER AND THE 3RD RESPONDENT**

Filed on:

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HCMP 891/2014

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HONG KONG SPECIAL ADMINISTRATIVE REGION
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3rd Respondent

ZHAO FENG (趙鋒)

4th Respondent

MINTH GROUP LIMITED

5th Respondent

DECADE (HK) LIMITED

6th Respondent

**STATEMENT OF FACTS NOT IN DISPUTE FOR THE PURPOSES OF A
CARECRAFT SETTLEMENT BETWEEN THE PETITIONER AND THE 4TH
RESPONDENT**

A. INTRODUCTION

1. On 10 April 2014, the Securities and Futures Commission (“**Petitioner**”) issued these proceedings under section 214 of the Securities and Futures Ordinance (Cap 571) (“**Ordinance**”) seeking, inter alia, a disqualification orders against Mr. Zhao Feng (“**4th Respondent**”) and others in respect of their conduct of the business and affairs of the 5th Respondent, Minth Group Limited (“**Company**”).
2. Subject to the approval of this Court, the Petitioner and the 4th Respondent consent to the disposal of these proceedings against the 4th Respondent by way of the summary procedure (“**Carecraft Procedure**”) sanctioned in *Re Carecraft Construction Co Limited* [1994] 1 WLR 172, as clarified by the English Court of Appeal in *Secretary of State for Trade and Industry v Rogers* [1996] 1 WLR 1569 and as adopted by this Court in a number of cases including but not limited to *Securities and Futures Commission v Yick Chong San* [2007] 4 HKLRD 46, *Securities and Futures Commission v Fung Chiu and Others* [2009] 2 HKC 19, *Securities and Futures Commission v Shum Ka Sang Charlie and Shen Yi* (HCMP1014/2008, unrep, 22.05.2009), *Securities and Futures Commission v Cheung Chi Shing and Others* [2011] 1 HKLRD 96, *Securities and Futures Commission v Cheung Keng Ching and Others* (HCMP 1869/2008, unrep, 18.03.2010), and *Securities and Futures Commission v Kwok Wing & Others* (HCMP 3392/2013, unrep, 27.03.2015) in respect of proceedings under section 214 of the Ordinance.
3. This Statement is produced in order to identify the material facts relied upon by the Petitioner in these proceedings that are not disputed by the 4th Respondent, for the disposal of these proceedings on the basis that the case against the 4th Respondent will be dealt with by this Court by way of the *Carecraft* Procedure.
4. Solely for the purposes of resolving these proceedings by way of the *Carecraft* Procedure, and by reference to the facts set out in Section B below (which the 4th Respondent admits and accepts), the 4th Respondent accepts that during the relevant period, the business and affairs of the Company, for which the 4th Respondent as its Vice President and one of the Executive Directors was partly responsible, have been conducted in a manner described in section 214(1)(b), (c) and (d) of the Ordinance, namely:

- 4.1. involving misfeasance or other misconduct towards the Company, its members or part of its members;
 - 4.2. resulting in its members or part of its members not having been given all the information with respect to its business or affairs that they might reasonably expect; and
 - 4.3. unfairly prejudicial to its members or part of its members.
5. On the basis of the facts set out in Section B below and the agreed mitigating factors set out in Section C below, the Petitioner and the 4th Respondent agree, and the 4th Respondent is prepared to accept, that it would be appropriate for a disqualification order to be made against the 4th Respondent under section 214(2)(d) of the Ordinance under which he shall not for a period of **3 years**, without the leave of the Court:-
- 5.1. be, or continue to be, a director, liquidator, or receiver or manager of the property or business of any listed or unlisted company in Hong Kong (including the Company or any of its subsidiaries and affiliates),; and
 - 5.2. in any way, whether directly or indirectly, be concerned, or take part, in the management of any listed or unlisted company in Hong Kong (including the Company or any of its subsidiaries and affiliates).
6. The definitions of “subsidiaries” and “affiliates” are set out in Appendix 1 to this Schedule. No agreement on the Petitioner’s costs of these proceedings has been reached between the Petitioner and the 4th Respondent, and the 4th Respondent agrees to pay such portion of the Petitioner’s costs in these proceedings as the Court thinks fit, to be taxed if not agreed.
7. In the event of a disqualification order made against the 4th Respondent by reference to this Statement: (1) the Petitioner and the 4th Respondent agree that they will jointly apply to this Court for a direction that this Statement be annexed to a judgment of this Court; and (2) the Petitioner reserves the right to refer to this Statement for all purposes connected with or ancillary to these proceedings including, but not limited to, the continuation of these proceedings against other Respondents.

8. The Petitioner and the 4th Respondent agree that in the event this Court for whatever reason is of the view that these proceedings shall not be dealt with by the Court by way of the *Carecraft* Procedure or that a full hearing is appropriate, no admission or concession by either the Petitioner or the 4th Respondent nor any proposal for disqualification or the period of disqualification herein referred to or liability to pay costs shall be referred to or relied upon by either party at any subsequent hearing in these proceedings without the prior written consent of both parties.

B. FACTS NOT IN DISPUTE

9. The structure of Section B of this Schedule is as follows:-
- 9.1. Section B1 sets out the background information relating to the Company and its management.
- 9.2. Sections B2 to B17 set out the facts relied on by the Petitioner in support of its case that the business and affairs of the Company have been conducted in such manner described in section 214(1)(b), (c) and (d) of the Ordinance.
- 9.3. Section B18 sets out the facts relied upon by the Petitioner in support of its case that the 4th Respondent was partly responsible for the aforesaid business and affairs of the Company.

B1 Background and Management of the Company

10. The Company was incorporated in the Cayman Islands. Its shares (Stock Code: 425) were listed on the Main Board of the Stock Exchange of Hong Kong Limited (the “SEHK”) on 1 December 2005 and remain so listed as at the date of this Schedule.
11. The registered office of the Company is situate at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands, British West Indies. Its head office and principal place of business in China is at No.8 Dagang No.6 Road, Ningbo Economic and Technology Development Zone, Postal Code 315800, China, and its principal place of business in Hong Kong is at Room 904, 9/F, Island Place Tower, No. 510 King’s Road, North Point, Hong Kong.

12. As stated in the Monthly Return of Equity Issuer on Movement in Securities for the month ended 28 February 2019, the Company has an authorized share capital of HK\$500,000,000 divided into 5,000,000,000 shares of HK\$0.10 each, and 1,146,777,500 issued shares.
13. One of the wholly owned subsidiaries of the Company is the 6th Respondent, Decade (HK) Limited (“**Decade**”), a company incorporated in Hong Kong on 18 September 2007. At all material times, the 1st Respondent was and is the sole director of Decade. The Company and its subsidiaries will hereinafter collectively be referred to as the “**Group**”.
14. The 1st to 4th Respondents at all material times were Executive Directors of the Company. The 1st and 4th Respondents still are Executive Directors of the Company.
15. The 1st Respondent is the Chairman and an Executive Director of the Company and a director of various subsidiaries of the Company, including Jiaying EL Triumph Automotive Parts Co. Ltd (嘉興敏勝零部件有限公司) (“**EL Triumph**”), Jiaying Minth Hashimoto Automotive Parts co. Ltd (嘉興敏橋汽車零部件有限公司) (“**Hashimoto**”). The 1st Respondent was also the legal representative of Jiaying Shinyou Mould Tech Co. Ltd (嘉興信元模具科技有限公司) (“**Shinyou**”). He founded the Group in March 1997 and is the controlling shareholder of the Company. It is stated in the 2012 Annual Report of the Company that the 1st Respondent has experience of over 25 years in management in the auto-parts industry and has been leading the management team since the founding of the Group, and he had approximately 40.53% shareholding interest in the Company through Linkfair Investments Limited, a company wholly owned by the 1st Respondent, which held 436,664,000 shares as at 31 December 2012. He was re-designated from Chairman and an Executive Director to a non-Executive Director and Honorary Chairman of the Board with effect from 26 May 2016. On 10 August 2017, he was re-designated as the Company’s Chairman, Chief Executive Officer (“**CEO**”), and an Executive Director.
16. The 2nd Respondent was the CEO and an Executive Director of the Company and a director of various subsidiaries of the Company, including EL Triumph (from around 9 August 2006 to 6 March 2007). It is stated in the 2012 Annual Report of the Company that the 2nd Respondent has experience of almost 20 years in the

Chinese auto-parts industry since he joined one of the 1st Respondent's companies in 1993. Prior to his current position as CEO, he assumed responsibility as general manager of operations (including leading both overseas and domestic business departments), head of the R&D Centre and was in charge of Human Resources Departments for the Group as a whole. The 2nd Respondent joined the Group in March 1997 and was appointed as a Director on 14 July 2005. He was appointed as Chairman with effect from 26 May 2016. He resigned as Chairman, the CEO, and Executive Director with effect from 10 August 2017.

17. The 3rd Respondent was the Chief Operating Officer and an Executive Director of the Company. He was the supervisor of EL Triumph from around 9 August 2006 to 6 March 2007. It is stated in the 2008 Annual Report of the Company that the 3rd Respondent has experience of over 20 years in engineering. Before joining one of the 1st Respondent's companies in 1993, the 3rd Respondent worked at Zhejiang Shipyard as an assistant engineer, and was later in charge of the Group's overseas business and operations and before that served in various members of the Group as a member of the production management team, sales manager, deputy manager, financial controller and general manager successively. The 3rd Respondent joined the Group in March 1997 and was appointed as a Director on 14 July 2005. He was re-designated from an Executive Director to a Non-Executive Director on 21 March 2012, and resigned as non-executive Director with effect from 19 December 2012.
18. The 4th Respondent is the Vice President and an Executive Director of the Company and a director of various subsidiaries of the Company with overall responsibilities for the Group's sales. It is stated in the 2012 Annual Report of the Company that the 4th Respondent has over 14 years of experience in management. Since joining the Group, the 4th Respondent has worked successively as a purchase officer, manager of the business department and deputy general manager of business operations. The 4th Respondent joined the Group in March 1999 and was appointed as a Director on 22 December 2006.
19. Ms. Bao Jian Ya (包建亞) was the Chief Financial Officer (“CFO”) of the Group and the supervisor of Hashimoto. It is stated in the 2012 Annual Report of the Company that she graduated from Shanghai University of Finance Economics in 1993 where she majored in international accounting. She has over 19 years of

experience in accounting and financial management. Prior to joining the Group in March 2005 and assuming the responsibility of financial controller of the Company, she was the financial controller of another Chinese manufacturer. She was nominated as CFO of the Group on 22 December 2006, and appointed as an Executive Director of the Company on 29 May 2014. Ms. Bao Jian Ya resigned as an Executive Director and CFO with effect from 31 May 2017.

20. In order to act as directors of the Company, each of the 1st, 2nd, 3rd and 4th Respondents were required to and did sign a formal declaration, undertaking and acknowledgement *as per* Form B of Appendix 5 to the Rules Governing the Listing of Securities on the SEHK (the “**Listing Rules**”), whereby each of them undertook to the SEHK that he would, in the exercise of his powers and duties as director of the Company, ensure the Company’s full compliance with the Listing Rules from time to time in force.

B2. Mr. Hsu Chun Wei (“Mr. Hsu”) and Ms. Hsu Hsiao Ling (“Ms. Hsu”)

21. Mr. Hsu and Ms. Hsu are the nephew and niece respectively of the 1st Respondent, their mother (deceased) being an elder sister of the 1st Respondent.
22. According to information provided by the Company, in about 2007 the 1st Respondent lent about US\$10,000,000 to Mr. Hsu and Ms. Hsu to finance their investments in China, including investments in Magic Figure Investments Limited (“**Magic Figure**”) and Talentlink Development Limited (“**Talentlink HK**”).

B3. 安統(嘉興)汽車電氣系統有限公司 (“Antong”)

23. Antong was incorporated in the PRC on 7 July 2003. At all material times, the sole shareholder of Antong was Manlead Holdings Limited (君導控股有限公司) (“**Manlead**”). Prior to 31 December 2006, the 1 issued share in Manlead was held by Sino Case Development Limited (“**Sino Case**”), a company owned and controlled by the 1st Respondent.

24. On 31 December 2006, Sino Case transferred the 1 issued share in Manlead to Ms. Hsu, at nil consideration.
25. On 9 September 2003, by a State Land Rights Transfer Agreement (國有土地使用權出讓合同) (“**Antong Assignment**”), Antong was assigned a plot of land of about 194,000 square metres at Plot L211 of Jiachuang Road Eastside, Canada Jiaxing Science and Industrial Park, Jiaxing City, PRC (“**Plot L211**”) at a consideration of RMB28,712,000.
26. In 2006 and 2007, Antong assigned parts of Plot L211 to five parties in five assignments (“**the Antong Sub-Assignments**”) respectively, as follows:-
- 26.1. By an agreement entitled 關於落實新辦入園企業土地使用權的協議書 (translated into English as “Agreement Concerning the Implementation of the Land Use Rights of New Park Enterprise”) made between the Zhejiang Jiaxing Xiu Zhou Industrial Park Management Committee (English translation of 浙江嘉興秀洲工業區管理委員會) (“**the Committee**”), Antong and EL Triumph dated 5 April 2006, and a Land Rights Transfer Agreement (土地使用權轉讓協議) made between Antong and EL Triumph sometime in 2007, Antong assigned 31,423 square metres of Plot L211 (“**EL Triumph Land**”) to EL Triumph at a consideration of RMB 3,299,399, or RMB 104.9995 per square metre (“**the EL Triumph Assignment**”);
- 26.2. By an Agreement Concerning the Implementation of the Land Use Rights of New Park Enterprise (關於落實新辦入園企業土地使用權的協議書) made between the Committee, Antong and Shinyou dated 24 April 2006, and a Land Rights Transfer Agreement (土地使用權轉讓協議) made between Antong and Shinyou sometime in 2007, Antong assigned 18,694 square metres of Plot L211 (“**Shinyou Land**”) to Shinyou at a consideration of RMB 1,962,546, or RMB 104.9995 per square metre (“**the Shinyou Assignment**”);
- 26.3. By an Agreement Concerning the Implementation of the Land Use Rights of New Park Enterprise (關於落實新辦入園企業土地使用權的協議書) made

between the Committee, Antong and Hashimoto dated 30 October 2006, and a Land Rights Transfer Agreement (土地使用權轉讓協議) made between Antong and Hashimoto sometime in 2007, Antong assigned 12,748 square metres of Plot L211 (“**Hashimoto Land**”) to Hashimoto at a consideration of RMB 1,338,534, or RMB 104.9995 per square metre (“**the Hashimoto Assignment**”);

26.4. By a Land Rights Transfer Agreement (土地使用權轉讓協議) made between Antong and Jiaxing Guowei Automotive Parts Co., Ltd (嘉興國威汽車零部件有限公司) (“**Jiaxing Guowei**”) sometime in 2007, Antong assigned 63,197 square metres of Plot L211 (“**Jiaxing Guowei Land**”) to Jiaxing Guowei at a purported consideration of RMB 9,289,915, or RMB 146.9993 per square metre (“**the Jiaxing Guowei Assignment**”); and

26.5. By a Land Rights Transfer Agreement (土地使用權轉讓協議) made between Antong and Jiaxing Situ Automotive Parts Co., Ltd (嘉興思途汽車零部件有限公司) (“**Jiaxing Situ**”) sometime in 2007, Antong assigned 67,941 square metres of Plot L211 (“**Jiaxing Situ Land**”) to Jiaxing Situ at a purported consideration of RMB 9,9887,279, or RMB 146.9993 per square metre (“**the Jiaxing Situ Assignment**”).

27. The 4th Respondent acknowledges it is the Petitioner’s case that the 1st Respondent was at all material times the true beneficial owner of Manlead (and Antong) which Ms. Hsu held as nominee for the 1st Respondent, and the 1st Respondent was at all material times in control of Manlead (and Antong). The purported transfer of Manlead (and Antong) to Ms. Hsu, and the purported assignment by Antong of the Jiaxing Situ Land and Jiaxing Guowei Land to Jiaxing Situ and Jiaxing Guowei (both wholly-owned subsidiaries of Magic Figure) were all steps taken by the 1st Respondent to conceal the fact that he was, and remained as, the beneficial owner of the Jiaxing Situ Land and the Jiaxing Guowei Land. In truth and in fact, the Jiaxing Guowei Assignment and the Jiaxing Situ Assignments were sham transactions. The 4th Respondent did not have knowledge of these matters. These matters may be subject of negotiation

between the Petitioner and the 1st Respondent and the 4th Respondent is agreeable to considering any agreed facts as between the Petitioner and the 1st Respondent at the material time.

B4. Magic Figure

28. Magic Figure is a limited company incorporated in the British Virgin Islands on 25 October 2006.

29. The 4th Respondent acknowledges that it is the Petitioner's case that between 17 November 2006 and 22 May 2008, Mr. Hsu was the sole director and shareholder of Magic Figure. Mr. Hsu at all material times was the nominee of the 1st Respondent who owned and controlled Magic Figure, but the 1st Respondent withheld this fact from the board of the Company including the 4th Respondent. The 4th Respondent did not have knowledge of these matters. These matters may be subject of negotiation between the Petitioner and the 1st Respondent and the 4th Respondent is agreeable to considering any agreed facts as between the Petitioner and the 1st Respondent at the material time

30. According to information provided by the Company, Magic Figure was at all material times an investment holding company and its principal investments were two wholly owned subsidiaries both established in the PRC, namely, Jiaxing Guowei and Jiaxing Situ, which held land use rights in the Jiaxing Guowei Land and the Jiaxing Situ Land. The director and legal representative of Jiaxing Guowei was Ms. Hsu. The director and legal representative of Jiaxing Situ was Mr. Hsu. The 4th Respondent acknowledges it is the Petitioner's case Ms. Hsu and Mr. Hsu were both nominees of the 1st Respondent who at all material times was the true beneficial owner of the Jiaxing Guowei Land and the Jiaxing Situ Land, but the 1st Respondent withheld this fact from the board of the Company including the 4th Respondent. The 4th Respondent did not have knowledge of these matters. These matters may be subject of negotiation between the Petitioner and the 1st Respondent and the 4th Respondent is agreeable to considering any agreed facts as between the Petitioner and the 1st Respondent at the material time. As at June 2009, neither

Jiaxing Guowei nor Jiaxing Situ had, since their respective dates of establishment, commenced any trading and production operations.

31. Further, by a 建設工程施工合同 dated 12 March 2008 (“**the Construction Contract**”) entered into by Jiaxing Situ, Jiaxing Guowei, and a company known as 浙江億達建設有限公司 (translated as “Zhejiang Yi Da Construction Co Ltd”) (“**Yi Da**”), Jiaxing Situ and Jiaxing Guowei agreed to pay Yi Da an estimated amount of RMB 29,380,000, as construction costs for the construction of a dormitory, a canteen, and factory premises on the Jiaxing Guowei Land and the Jiaxing Situ Land (“**the Estimated Construction Cost**”).

B5. Talentlink HK and Talentlink Development Limited (BVI) (“Talentlink BVI”)

32. Talentlink HK is a limited company incorporated in Hong Kong on 27 September 2007.
33. Between 27 September 2007 and 22 May 2008, Ms. Hsu was the sole director of Talentlink HK.
34. Talentlink BVI is a limited company incorporated in the British Virgin Islands on 18 April 2005.
35. The 1st Respondent was the sole director of Talentlink BVI from 23 May 2005 to 4 January 2007. On 4 January 2007, the 1st Respondent ceased to act as director of Talentlink BVI and Ms. Hsu was appointed and became the sole director of Talentlink BVI.
36. The 1st Respondent was also the sole shareholder of Talentlink BVI from 23 May 2005 to 22 July 2005, holding 1 issued share in Talentlink BVI with a par value of US\$1.00. On 22 July 2005, the 1st Respondent transferred the 1 issued share in Talentlink BVI to Sino Case, a company owned and controlled by the 1st

Respondent. On 4 January 2007, Sino Case transferred the 1 issued share in Talentlink BVI to Ms. Hsu.

37. Between 28 September 2007 and 27 June 2008, Talentlink BVI was the sole shareholder of Talentlink HK, holding 10,000 issued shares in Talentlink HK with a par value of HK\$1.00 each. On 27 June 2008, Talentlink BVI transferred the 10,000 issued shares in Talentlink HK to Decade.
38. The 4th Respondent acknowledges it is the Petitioner's case that Ms. Hsu at all material times was the nominee of the 1st Respondent who owned and controlled Talentlink HK and Talentlink BVI, but the 1st Respondent withheld this fact from the board of the Company including the 4th Respondent. The 4th Respondent did not have knowledge of these matters. These matters may be subject of negotiation between the Petitioner and the 1st Respondent and the 4th Respondent is agreeable to considering any agreed facts as between the Petitioner and the 1st Respondent at the material time.
39. According to information provided by the Company, Talentlink HK was at all material times an investment holding company and its principal investment was a wholly owned subsidiary established in the PRC on 21 December 2006, namely Huzhou Minhai Automotives Parts Co Ltd (湖州敏海汽車零部件有限公司) ("**Huzhou Minhai**"). Since around 1 November 2007, the directors of Huzhou Minhai were Mr. Hsu, Wang Xiao Ai and Yu Yue Ping, the head of the Research & Development Department of the Company. Up to June 2009, Huzhou Minhai had not, since its date of establishment, commenced any trading and production operations.

B6. The Acquisition

40. On 29 April 2008, Decade entered into a written agreement (the "**Magic Figure Agreement**") with Mr. Hsu to acquire the only issued share in Magic Figure for a cash consideration of US\$3,186,639. The Magic Figure Agreement was signed by Mr. Wang Xiao Ai, the authorised representative of Mr. Hsu, as vendor and the 1st Respondent on behalf of Decade as purchaser.

41. In approving the Magic Figure Agreement, the 4th Respondent:
- 41.1. Agreed and adopted the independent valuation made by one Joinhouse Property Valuation Co Ltd (“**Joinhouse**”) in two valuation reports dated 28 April 2008, which purported to value the Jiaxing Situ Land and the Jiaxing Guowei Land at RMB 375 per square metre. The said valuation reports were provided by Joinhouse upon the instructions of Jiaxing Situ and Jiaxing Guowei, as the vendors one day before the Acquisition; and
 - 41.2. Did not cause or require a further valuation to be obtained by Decade or the Company of the Jiaxing Situ Land and the Jiaxing Guowei Land;
 - 41.3. Did not raise any query or make any inquiry as to valuation of the Jiaxing Situ Land and the Jiaxing Guowei Land by Joinhouse (at RMB 375 per square metre) was higher than that paid by EL Triumph, Shinyou, and Hashimoto (at RMB 104.9995 per square metre) for the other parts of Plot L211 (namely, the EL Triumph Land, the Shinyou Land and the Hashimoto) under the Antong Sub-Assignments;
 - 41.4. Did not adequately consider the liabilities of Jiaxing Guowei and Jiaxing Situ, and including, their liabilities for the construction fees under the Construction Contract including the Estimated Construction Costs, the impact of such liabilities and cost on the Acquisition, and whether it was in the interests or best interests of Decade or the Company to acquire the share of Magic Figure;
42. Also on 29 April 2008, Decade entered into a written agreement (the “**Talentlink HK Agreement**”) with Talentlink BVI to acquire all the issued shares in Talentlink HK for a cash consideration of US\$525,400. The Talentlink HK Agreement was signed by Mr. Wang Xiao Ai, the authorised representative of Ms. Hsu, as vendor and the 1st Respondent on behalf of Decade as purchaser.

43. The acquisitions of Magic Figure and Talentlink HK under the above agreements will hereinafter collectively be referred to as the “**Acquisition**”.
44. The total amount of the liabilities of Magic Figure which Decade had to discharge was approximately US\$8,957,000 (HK\$69,417,000), and the total amount of the liabilities of Talentlink HK which Decade had to discharge was approximately HK\$19,300. This amount does not include the Estimated Construction Costs.
45. Accordingly, Decade had to make payments in the total sum of approximately HK\$100,642,000 (equivalent to approximately RMB88,593,000), made up of:-
- 45.1. cash consideration of US\$3,186,689 under the Magic Figure Agreement;
 - 45.2. cash consideration of US\$525,400 under the Talentlink HK Agreement;
 - 45.3. the total amount of liabilities of Magic Figure to be discharged by Decade in the sum of approximately US\$8,957,000; and
 - 45.4. the total amount of liabilities of Talentlink HK to be discharged by Decade in the sum of approximately HK\$19,300.
46. Further, in acquiring Magic Figure and agreeing to take over all its liabilities, Decade became responsible for the liabilities of Magic Figure’s wholly-owned subsidiaries, Jiaying Guowei and Jiaying Situ, including the construction fees under the Construction Contract, and the Estimated Construction Costs.
47. The 4th Respondent acknowledges it is the Petitioner’s case that the bulk of consideration paid by Decade under the Acquisition, in total amount of US\$12,342,000, was received by the 1st Respondent, his wife and/or companies owned and/or controlled by him. The 1st Respondent withheld this fact from the board of the Company, including the 4th Respondent. The 4th Respondent did not have knowledge of these matters. These matters may be subject of negotiation between the Petitioner and the 1st Respondent and the 4th Respondent is agreeable to considering any agreed facts as between the Petitioner and the 1st Respondent at the material time.

B7. The Interim Report 2008 of the Company published on 22 September 2008

48. In the Interim Report 2008 (for half year ended 30 June 2008) published by the Company on 22 September 2008, it was stated (at page 50 thereof), in relation to the Acquisition, inter alia, as follows:-

48.1. On 30 April 2008, the Group acquired 100% of Talentlink HK and Magic Figure and their subsidiaries for a total consideration of RMB25,917,000 from third parties.

48.2. The Acquisition was regarded as acquisition of assets and assuming of liabilities since no business was acquired.

48.3. The Acquisition resulted in a “net cash inflow” of RMB30,215,000, being the difference between (i) the bank balances and cash acquired of RMB56,132,000 and (ii) the cash consideration paid of RMB25,917,000.

49. At pages 54 and 55 of the Interim Report 2008, details of various “Related Party Transactions and Connection Transactions” were set out. It was further stated that the transactions mentioned on those pages included connected transactions or continuing connected transactions as defined in Chapter 14A of Listing Rules. The Acquisition was not treated or disclosed as a connected transaction.

B8. The Company’s responses to queries raised by the SEHK in respect of the Acquisition

50. By a fax dated 1 December 2008, the SEHK asked the Company to provide further details in respect of the Acquisition and to demonstrate with supporting evidence that the Acquisition was not a connected transaction which required reporting and/or shareholders’ approval under Chapter 14A of the Listing Rules.

51. In response to those queries, the Company stated, in a letter dated 12 December 2008 to the SEHK, inter alia, as follows:-

51.1. The total consideration paid for the acquisition of Magic Figure and Talentlink HK was RMB25,917,000.

51.2. The beneficial owner of Talentlink BVI (the vendor of Talentlink HK) was Ms Hsu who was described as an “independent third party”.

51.3. The vendor under the Magic Figure Agreement was Mr. Hsu who was also described as an “independent third party”.

51.4. Based on inquiries by the Company, Talentlink BVI, Ms. Hsu and Mr. Hsu were not related to any members of the senior management, employees, contractors, sub-contractors and business associates of the Group.

51.5. Based on confirmation by the Company with its directors and the vendors, the vendors were not connected persons (as defined in the Listing Rules) of the Company, and the Acquisition was not a connected transaction subject to Chapter 14A of the Listing Rules.

B9. The Company’s responses to queries raised by the Petitioner in respect of the Acquisition

52. By a letter dated 6 January 2009 to the Company, the Petitioner raised various queries regarding the details of the Acquisition.

53. In response to those queries, the Company through its solicitors (Richards Butler) stated, in a letter dated 23 January 2009 to the Petitioner, inter alia, as follows:-

53.1. There was no board meeting or shareholders' meeting convened for the Company as the Acquisition was considered a minor acquisition.

53.2. No announcement was made by the Company because none was required in respect of the Acquisition under the Listing Rules nor did it merit disclosure under Rule 13.09 of the Listing Rules.

B10. The Company sought the SEHK's determination on whether the Acquisition constituted a connected transaction

54. By a letter dated 22 April 2009, the Company through its solicitors (Richards Butler) disclosed to the SEHK for the first time that:-

54.1. Mr. Hsu and Ms. Hsu were the son and daughter respectively of the 1st Respondent's sister who had passed away over 20 years ago.

54.2. The 1st Respondent had financed Mr. Hsu and Ms. Hsu in investments in China which they had made through Magic Figure. Such financing had been in place since 2007 and was only ultimately repaid to the 1st Respondent after the Acquisition had been completed by way of proceeds from the Company's completion of the Acquisition.

54.3. The other directors of the Company were not aware of the aforesaid relationship between the 1st Respondent and Mr. Hsu and Ms. Hsu until the Company was notified by the 1st Respondent through his Hong Kong legal advisor on 21 April 2009.

55. In the same letter, the Company accepted that the question of whether the Acquisition was a connected transaction within the meaning of Chapter 14A of the Listing Rules in the circumstances should have been determined by the SEHK under Rule 14A.11(4)(c) of the Listing Rules, and requested the SEHK to confirm whether the Acquisition should be treated as a connected transaction.

B11. The Annual Report 2008 of the Company published on 23 April 2009

56. In the meantime, the Company published its Annual Report 2008 (for the year end 31 December 2008) on 23 April 2009 in which it was disclosed, inter alia, that:-

56.1. On 29 April 2008, the Group acquired 100% of the issued share capital of Talentlink HK and its subsidiary, namely, Huzhou Minhai, and Magic Figure and its subsidiaries, namely, Jiaxing Guowei and Jiaxing Situ, from the relatives of the 1st Respondent for a total consideration of RMB88,593,000, representing cash payment of RMB25,985,000 and settlement of outstanding other payables prior to the Acquisition of RMB62,608,000, with a net cash outflow of RMB32,462,000.

56.2. The Company was seeking confirmation from the SEHK as to whether the Acquisition would, in the opinion of the SEHK, constitute a connected transaction as the ultimate vendors were the relatives of the 1st Respondent.

B12. The SEHK's determination that the Acquisition constituted a connected transaction

57. In a further letter dated 29 April 2009 to the SEHK, Richards Butler on behalf of the Company informed the SEHK that the executive directors of the Company (other than the 1st Respondent) were of the view that the Acquisition could constitute a connected transaction in view of the family relationship between the 1st Respondent and Mr. Hsu and Ms. Hsu and the aforesaid financial assistance given by the 1st Respondent to Mr. Hsu and Ms. Hsu, taken together.

58. On 12 May 2009, the SEHK determined, based on the following facts as represented by the Company, that Mr. Hsu and Ms. Hsu were connected persons of the Company under Rule 14A.11(4)(c) of the Listing Rules and accordingly, the Acquisition was a connected transaction under Chapter 14A. The facts as represented by the Company and relied upon by the SEHK to come to the said determination were:-

- 58.1. The Company acquired 100% of the issued share capital of Talentlink HK and Magic Figure together with the sales loan at a total consideration of RMB88.5 million. The ultimate beneficial owners of the vendors were Mr. Hsu and Ms. Hsu.
- 58.2. Mr. Hsu and Ms. Hsu were the nephew and niece of the 1st Respondent, the Company's chairman and executive director.
- 58.3. The 1st Respondent financed Mr. Hsu and Ms. Hsu, up to US\$10 million (the "**Loan**"), in investments in China which they had made through Magic Figure. The Loan had been in place since 2007.
- 58.4. The Loan was ultimately repaid to the 1st Respondent after the Acquisition had been completed and by way of proceeds arising from the Acquisition.
- 58.5. The executive directors (other than the 1st Respondent) considered that the Acquisition constituted a connected transaction in view of the family relationship and the financial assistance.

B13. The Company's announcement of connected transaction

59. On 12 June 2009, the Company issued a public announcement (the "**Announcement**") informing its shareholders and the investing public, inter alia, that:-
 - 59.1. the executive directors of the Company (other than the 1st Respondent) considered that the Acquisition could constitute a connected transaction in view of the family relationship between the 1st Respondent and Mr Hsu and Ms Hsu and the financial assistance given by the 1st Respondent to Mr Hsu and Ms Hsu;

- 59.2. the SEHK had on 12 May 2009 determined that Mr Hsu and Ms Hsu were connected persons of the Company;
- 59.3. as the applicable percentage ratios under Chapter 14 of the Listing Rules for the Acquisition were more than 2.5% but less than 25%, and the consideration was in excess of HK\$10,000,000, the Acquisition should have been subject to the reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules;
- 59.4. the financing of Mr Hsu and Ms Hsu by the 1st Respondent, which had been in place since 2007, was only ultimately repaid to the 1st Respondent after the Acquisition had been completed by way of proceeds from completion of the Acquisition;
- 59.5. the Jiaxing Guowei Land and the Jiaxing Situ Land were valued at approximately RMB 49,177,000 as of 25 April 2008.
60. The Announcement did not disclose, *inter alia*, the following:
- 60.1. The price of the Jiaxing Guowei Land and the Jiaxing Situ Land were independently valued at RMB 375 per square metre;
- 60.2. In 2007, the EL Triumph Land, the Hashimoto Land, the Shinyou Land, which were adjacent to the Jiaxing Situ Land and the Jiaxing Guowei Land were acquired by subsidiaries of the Company at RMB 104.9995 per square metre;
- 60.3. The true relationship between the 1st Respondent and Antong, as set out in Section B3;

- 60.4. Jiaxing Guowei and Jiaxing Situ were contractually bound to pay the construction fees under the Construction Contract, including the Estimated Construction Costs at RMB 29,380,000; and
- 60.5. In light of the above, the reason why it was considered commercially justifiable for Decade to proceed with the Acquisition.

B14. The Company's EGM to approve, confirm and ratify the Acquisition

61. On 10 July 2009, the Company issued a circular (the “**Circular**”) to its shareholders giving notice of an extraordinary general meeting (“**EGM**”) to be held on 27 July 2009 to approve, confirm and ratify the Acquisition.
62. The EGM was held on 27 July 2009 and a shareholders’ resolution (with the 1st Respondent, Linkfair Investments Limited and their respective associates abstaining from voting) was passed to approve, confirm and ratify the Acquisition. No disclosure was made in the Circular of, *inter alia*, the following matters:
- 62.1. The price of the Jiaxing Guowei Land and the Jiaxing Situ Land were independently valued at RMB 375 per square metre;
- 62.2. In 2007, the EL Triumph Land, the Hashimoto Land, and the Shinyou Land, which were adjacent to the Jiaxing Situ Land and the Jiaxing Guowei Land, were acquired by subsidiaries of the Company at RMB 104.9995 per square metre;
- 62.3. the true relationship between the 1st Respondent and Antong as set out in Section B3 above;

62.4. Jiaxing Guowei and Jiaxing Situ were contractually bound to pay the construction fees under the Construction Contract, including the Estimated Construction Costs at RMB 29,380,000; and

62.5. In light of the above, the reason why it was considered commercially justifiable for Decade to proceed with the Acquisition.

63. On or about 27 July 2009, the Company held an EGM and the Acquisition was approved by 98.75% of the votes casted by Independent Shareholders. The 1st Respondent, Linkfair Investments Ltd and their associates refrained from voting.

B15. Relevant Listing Rules

64. The following Listing Rules (applicable at the material time) are relevant:-

Rule 2.13

Without prejudice to any specific requirements of the Exchange Listing Rules as to content or responsibility for the document in question, any announcement or corporate communication required pursuant to the Exchange Listing Rules must be prepared having regard to the following general principles:

- (1) the information contained in the document must be clearly presented and in the plain language format specified or recommended by the Exchange and/or the Commission from time to time; and
- (2) the information contained in the document must be accurate and complete in all material respects and not be misleading or deceptive. In complying with this requirement, the issuer must not, among other things:—
 - (a) omit material facts of an unfavourable nature or fail to accord them with appropriate significance;

- (b) present favourable possibilities as certain or as more probable than is likely to be the case ...

Rule 3.08

The board of directors of a listed issuer is collectively responsible for the management and operations of the listed issuer. The Exchange expects the directors, both collectively and individually, to fulfill fiduciary duties and duties of skill, care and diligence to a standard at least commensurate with the standard established by Hong Kong law. This means that every director must, in the performance of his duties as a director:-

- (e) disclose fully and fairly his interests in contracts with the listed issuer;
and
- (f) apply such degree of skill, care and diligence as may reasonably be expected of a person of his knowledge and experience and holding his office within the listed issuer.

Rule 13.04

The directors of an issuer are collectively and individually responsible for ensuring the issuer's full compliance with the Exchange Listing Rules.

Rule 13.09(1)

Generally and apart from compliance with all the specific requirements in this Chapter, an issuer shall keep the Exchange, members of the issuer and other holders of its listed securities informed as soon as reasonably practicable of any information relating to the group (including information on any major new developments in the group's sphere of activity which is not public knowledge) which:-

- (a) is necessary to enable them and the public to appraise the position of the group; or

Rule 14A.01

The connected transactions rules are intended to ensure that the interests of shareholders as a whole are taken into account by a listed issuer when the listed issuer enters into connected transactions. The rules set out in this Chapter also provide certain safeguards against listed issuers' directors, chief executives or substantial shareholders (or their associates) taking advantage of their positions.

Rule 14A.02

This is achieved through the general requirement for connected transactions to be disclosed and subject to independent shareholders' approval. Accordingly, where any connected transaction is proposed, the transaction must be announced publicly by means of an announcement published in accordance with rule 2.07C and a circular must be sent to shareholders giving information about the transaction. Prior approval of the shareholders in general meeting will be required before the transaction can proceed. A connected person with a material interest in the transaction will not be permitted to vote at the meeting on the resolution approving the transaction.

Rule 14A.05

If a listed issuer proposes to enter into a transaction which could be a connected transaction, it is essential that the listed issuer consult the Exchange at an early stage so that, in cases of doubt, the listed issuer can ascertain whether and to what extent the provisions of this Chapter apply. The relevant contract(s) or, if applicable, draft contract(s) must be supplied to the Exchange, if requested.

Rule 14A.11

Rule 1.01 contains a general definition of "connected person". In this Chapter, the definition of "connected person" includes:

- (1) a director, chief executive or substantial shareholder of the listed issuer;

- (4) any associate of a person referred to in rules 14A.11(1), (2) or (3). The definitions of “associate” (in the context of non-PRC issuers and PRC issuers) are contained in rules 1.01 and 19A.04, respectively. In this Chapter, an “associate” of a person referred to in rules 14A.11(1), (2) or (3) includes the following additional persons:
- (c) a father-in-law, mother-in-law, son-in-law, daughter-in-law, grandparent, grandchild, uncle, aunt, cousin, brother-in-law, sister-in-law, nephew and niece of a person referred to in rules 14A.11(1), (2) or (3) whose association with the person referred to in rules 14A.11(1), (2) or (3) is such that, in the opinion of the Exchange, the proposed transaction should be subject to the requirements of this Chapter. Listed issuers must notify the Exchange of any proposed transaction with these parties unless the transaction is exempt under rules 14A.31 or 14A.33. Listed issuers must also provide information to the Exchange to demonstrate whether or not these parties should be regarded as associates of the person referred to in rules 14A.11(1), (2) or (3);

Rule 14A.13

A connected transaction is:

- (1) (a) any transaction between a listed issuer and a connected person; or

Rule 14A.45

The following details of the connected transaction must be included in the listed issuer’s next published annual report and accounts:

- (1) the transaction date;
- (2) the parties to the transaction and a description of their connected relationship;

- (3) a brief description of the transaction and its purpose;
- (4) the total consideration and terms (including, where relevant, interest rates, length of repayment and security); and
- (5) the nature and extent of the connected person's interest in the transaction.

Rule 14A.47

Issuers proposing to enter into a connected transaction or a continuing connected transaction which is subject to announcement requirements must:—

- (1) notify the Exchange as soon as possible after the terms of the transaction have been agreed;

Note: Under rule 13.09, a listed issuer's notification obligations in respect of information expected to be price-sensitive arise as soon as that information is the subject of a decision.

- (2) send to the Exchange a draft announcement. Once the announcement has been amended to take account of the Exchange's comments, the listed issuer must cause such announcement to be published in accordance with rule 2.07C as soon as possible; and

Notes: 1 Pursuant to rule 13.54(2), the listed issuer must forward to the Exchange 7 copies of such announcement as cleared by the Exchange at the same time as it is issued.

2 Where the connected transaction is also a share transaction, major transaction, very substantial disposal, very substantial acquisition or reverse takeover, rule 14.37 (requirement for short suspension of dealings) also applies.

- (3) comply with rules 14A.45 or 14A.46 (the reporting requirements).

Rule 14A.48

Listed issuers proposing to enter into a connected transaction or a continuing connected transaction which is subject to independent shareholders' approval must:

- (1) comply with rules 14A.45 or 14A.46 (the reporting requirements) and 14A.47 (the announcement requirements); and
- (2) comply with the requirements set out in rules 14A.49 to 14A.54 (the circular and independent shareholders' approval requirements).

Rule 14A.56

The announcement for connected transactions and continuing connected transactions must contain at least the following:

- (1) the information set out in rules 14.58 to 14.60 (contents of announcements ...;
- (2) a description of the connected relationship between the parties to the transaction and the nature and extent of the connected person's interest in the transaction;
- (3) a statement that the transaction is subject to independent shareholders' approval, if applicable.

Rule 14A.58

All circulars sent by a listed issuer to holders of its listed securities must:

- (1) provide a clear and adequate explanation of its subject matter and demonstrate the advantages and disadvantages of the transaction for the listed issuer;
- (2) where practicable, include an arithmetical evaluation in the circular; and
- (3) where independent shareholders' approval is required, contain:

- (a) all information necessary to allow the holders of securities to make a properly informed decision;
- (b) a heading drawing attention to the importance of the document and advising holders of securities, who are in any doubt as to what action to take to consult appropriate independent advisers;
- (c) a separate letter from the independent board committee, if applicable (see rule 14A.21); and
- (d) a separate letter from the independent financial adviser (see rule 14A.22).

Note: If all the independent non-executive directors have a material interest in the relevant transactions or arrangements, no independent board committee can be formed. In that event, the independent financial adviser shall make its recommendation to the independent shareholders only in its letter set out in the circular to shareholders.

Rule 14A.59

The circular must contain at least:

- (2) full details of the transaction including:
 - (a) the date of the transaction and the identity and activities of the parties to the transaction including the identity and activities of the ultimate beneficial owner of the disposing or acquiring party;
 - (b) a general description of the nature and the value (being the book value and valuation, if any) of any assets concerned. If any of the assets are securities, the circular must include the name of the company in which the shares are or were held and a general description of its activities;

- (c) a description of the terms and conditions of the consideration and a statement of the total consideration, explaining how this is being or is to be satisfied;
- (d) the name of the connected person concerned;
- (e) a statement of the nature of the connected person's relationship with any controller and the name and office held by that controller; and
- (f) the nature and extent of the interest of the connected person in the transaction;

B16. Misrepresentations made to the SEHK, Petitioner, shareholders of the Company and public and/or material non-disclosure

65. By reason of the matters aforesaid, the Company has made misrepresentations to the SEHK, the Petitioner, the shareholders of the Company and the public, and/or failed to make full and proper disclosure of material facts or matters to them.
66. The Interim Report 2008 of the Company published on 22 September 2008 contained the following misrepresentations and/or material non-disclosure, namely:-
- 66.1. The representation that the Group acquired 100% of Talentlink HK and Magic Figure and their subsidiaries for a total consideration of RMB25,917,000 from third parties is false or misleading, in that (a) the total consideration for the Acquisition was RMB88,593,000, (b) the Group in fact acquired Talentlink HK and Magic Figure and their subsidiaries from connected persons, not third parties; and (c) Decade would be responsible for the construction fees under the Construction Contract, including the Estimated Construction Costs.
- 66.2. The representation that the Acquisition resulted in a "net cash inflow" of RMB30,215,000 is false or misleading in that, rather than a "net cash inflow", the Acquisition would ultimately result in a "net cash outflow" of RMB32,462,000.

- 66.3. There was a failure to disclose that the Acquisition was a connected transaction as defined in Chapter 14A of the Listing Rules; and
- 66.4. There was also a failure to disclose (a) the true relationship between the 1st Respondent, Manlead and Antong, (b) the 1st Respondent's relationship with Mr. Hsu and Ms. Hsu, (c) the 1st Respondent's true interest in Magic Figure, Talentlink BVI and Talentlink HK, and (d) the 1st Respondent's true interest in the Jiaxing Situ Land and the Jiaxing Guowei Land. The 4th Respondent did not have knowledge of these matters. These matters may be subject of negotiation between the Petitioner and the 1st Respondent and the 4th Respondent is agreeable to considering any agreed facts as between the Petitioner and the 1st Respondent at the material time.
67. The Company's letter to the SEHK dated 12 December 2008 contained the following misrepresentations:-
- 67.1. The representation that the Group acquired 100% of Talentlink HK and Magic Figure and their subsidiaries for a total consideration of RMB25,917,000 from third parties is false or misleading, in that (a) the total consideration for the Acquisition was RMB88,593,000, (b) the Group in fact acquired Talentlink HK and Magic Figure and their subsidiaries from connected persons, not third parties; and (c) Decade would be responsible for the construction fees under the Construction Contract, including the Estimated Construction Costs.
- 67.2. The description of Ms. Hsu as an "independent third party" is false, in that she was the 1st Respondent's niece and a connected person.
- 67.3. The description of Mr. Hsu as an "independent third party" is false, in that he was the 1st Respondent's nephew and a connected person.
- 67.4. The representation that Talentlink BVI, Ms. Hsu and Mr. Hsu were not related to any members of the senior management, employees, contractors, sub-contractors and business associates of the Group is false, in that they were all connected with the 1st Respondent.

- 67.5. The representation that the Acquisition was not a connected transaction subject to Chapter 14A of the Listing Rules is false, in that the contrary was the correct position.
68. The Company's letter to the Petitioner dated 23 January 2009 contained the following misrepresentations, namely:-
- 68.1. The representation that the Acquisition was considered a minor acquisition is false or misleading, in that it was a substantial transaction by reference to the applicable percentage ratios under Chapter 14 of the Listing Rules, which ultimately involved the payment of a total consideration of RMB88,593,000, and that in addition, Decade would be responsible for the construction fees under the Construction Contract, including the Estimated Construction Costs.
- 68.2. The representation that no announcement was required in respect of the Acquisition under the Listing Rules, nor did it merit disclosure under Rule 13.09 of the Listing Rules is false or misleading, in that the contrary was the accurate position.
69. The Company's letter to the SEHK dated 22 April 2009 contained the following misrepresentations, namely, that the financing of Mr. Hsu and Ms. Hsu, which had been in place since 2007, was only ultimately repaid to the 1st Respondent after the Acquisition had been completed by way of proceeds from the Company's completion of the Acquisition, in that (a) there was no genuine financing of Mr. Hsu and Ms. Hsu, or in any event (b) the alleged outstanding indebtedness of Mr Hsu and Ms Hsu (through Magic Figure) to the 1st Respondent had apparently been discharged on or before 29 April 2008 not from the sale proceeds arising from the Company's completion of the Acquisition. The 4th Respondent did not have knowledge of these matters. These matters may be subject of negotiation between the Petitioner and the 1st Respondent and the 4th Respondent is agreeable to considering any agreed facts as between the Petitioner and the 1st Respondent at the material time.
70. The Announcement contained the following misrepresentations, namely:
- 70.1. The representation that the financing of Mr. Hsu and Ms. Hsu, which had been in place since 2007, was only ultimately repaid to the 1st Respondent after the Acquisition had been completed by way of proceeds from the

Company's completion of the Acquisition, in that (a) there was no genuine financing of Mr. Hsu and Ms. Hsu, or in any event (b) the alleged outstanding indebtedness of Mr Hsu and Ms Hsu (through Magic Figure) to the 1st Respondent had apparently been discharged on or before 29 April 2008 not from the sale proceeds arising from the Company's completion of the Acquisition. The 4th Respondent did not have knowledge of these matters. These matters may be subject of negotiation between the Petitioner and the 1st Respondent and the 4th Respondent is agreeable to considering any agreed facts as between the Petitioner and the 1st Respondent at the material time;

- 70.2. There was a failure to disclose the extent of the consideration paid by Decade in relation to the Acquisition ultimately going to bank accounts belonging to or controlled by the 1st Respondent. The 4th Respondent did not have knowledge of these matters. These matters may be subject of negotiation between the Petitioner and the 1st Respondent and the 4th Respondent is agreeable to considering any agreed facts as between the Petitioner and the 1st Respondent at the material time;
- 70.3. There was a failure to disclose the contractual obligations of Jiaxing Situ and Jiaxing Guowei to pay construction fees under the Construction Contract, including the Estimated Construction Costs at RMB29,380,000;
- 70.4. There was a failure to disclose the fact that before the Acquisition, in 2006/2007 various plots of land adjacent to the Jiaxing Situ Land and the Jiaxing Guowei Land (which formed part of Plot L211), had been acquired by EL Triumph, Shinyou and Hashimoto at RMB 104.9995 per square metre; and
- 70.5. There was a failure to disclose (a) the true relationship between the 1st Respondent, Manlead and Antong, (b) the 1st Respondent's relationship with Mr. Hsu and Ms. Hsu, (c) the 1st Respondent's true interest in Magic Figure, Talentlink BVI and Talentlink HK, and (d) the 1st Respondent's true interest in the Jiaxing Situ Land and the Jiaxing Guowei Land. The 4th Respondent did not have knowledge of these matters. These matters may be subject of negotiation between the Petitioner and the 1st Respondent and the 4th Respondent is agreeable to considering any

agreed facts as between the Petitioner and the 1st Respondent at the material time.

71. Likewise, the Circular failed to disclose:-

- 71.1. the extent of the consideration paid by Decade in relation to the Acquisition going to bank accounts belonging to or controlled by the 1st Respondent. The 4th Respondent did not have knowledge of these matters. These matters may be subject of negotiation between the Petitioner and the 1st Respondent and the 4th Respondent is agreeable to considering any agreed facts as between the Petitioner and the 1st Respondent at the material time;
- 71.2. the contractual obligations of Jiaxing Situ and Jiaxing Guowei to pay construction fees under the Construction Contract, including the Estimated Construction Costs at RMB29,380,000;
- 71.3. that before the Acquisition in 2006/2007 various plots of land adjacent to the Jiaxing Situ Land and the Jiaxing Guowei Land (which formed part of Plot L211), had been acquired by EL Triumph, Shinyou and Hashimoto at RMB 104.9995 per square metre; and
- 71.4. the true relationship between the 1st Respondent, Manlead and Antong, the 1st Respondent's relationship with Mr. Hsu and Ms. Hsu, the 1st Respondent's true interest in Magic Figure, Talentlink BVI and Talentlink HK, and the 1st Respondent's true interest in the Jiaxing Situ Land and the Jiaxing Guowei Land. The 4th Respondent did not have knowledge of these matters. These matters may be subject of negotiation between the Petitioner and the 1st Respondent and the 4th Respondent is agreeable to considering any agreed facts as between the Petitioner and the 1st Respondent at the material time.

B17. Breaches of the Listing Rules

72. In connection with the Acquisition, the Company has committed breaches of the Listing Rules, in particular:-

- 72.1. failure to notify the SEHK of the proposed Acquisition and demonstrate to the SEHK as to whether or not Mr. Hsu and Ms. Hsu should be regarded as connected persons, in breach of Rule 14A.11 of the Listing Rules;
- 72.2. failure to observe the reporting, announcement and independent shareholders' approval requirements under Rules 14A.45, 14A.47 and 14A.48 of the Listing Rules;
- 72.3. publishing the Interim Report 2008 which contained information which was not accurate or complete in all material respect and/or was misleading or deceptive, in breach of Rule 2.13(2) of the Listing Rules;
- 72.4. publishing the Annual Report 2008 which did not fully describe the connected relationship between the parties to the Acquisition, did not disclose the purpose of the transaction, and did not disclose the nature and extent of the connected person's interest in the transaction, in breach of Rules 14A.45(2), 14A.45(3) and 14A.45(5) of the Listing Rules; and
- 72.5. failure to disclose in the Announcement and the Circular the true extent to which the consideration paid by Decade in relation to the Acquisition went to bank accounts belonging to or controlled by the 1st Respondent, in breach of Rules 14A.56(2), 14A.58(3)(a) and 14A.59(2) of the Listing Rules.

B18. Liability of the 4th Respondent

- 73. By reason of the matters aforesaid, the business or affairs of the Company have been conducted in a manner:-
 - 73.1. involving misfeasance or other misconduct towards the Company, its members or part of its members;
 - 73.2. resulting in its members or part of its members not having been given all the information with respect to its business or affairs that they might reasonably expect; and/or
 - 73.3. unfairly prejudicial to its members or part of its members.

74. The 4th Respondent, being the Vice President and an Executive Director of the Company at all material times:

74.1. Ought to have made but failed to make further inquiries in respect of the Company's business or affairs which should have revealed that Mr. Hsu and Ms. Hsu are the nephew and niece of the 1st Respondent and as such, the 1st Respondent's interest in Magic Figure, Talentlink BVI and Talentlink HK; the unit price per square metre of the other parts of Plot L211 which were sold sometime in 2007 before the Acquisition; the contractual obligations of Jiaying Situ and Jiaying Guowei under the Construction Contract and the total amount of the consideration payable under the Acquisition; and the fact that the valuation reports of Joinhouse did not appear to or did not appear to have adequately evaluated how these factors would impact upon the value of the Jiaying Situ Land and the Jiaying Guowei Land; and

74.2. ought to have made but failed to make further enquiries which may have prevented the Company from: (1) making the misrepresentations set out in Section B16 above to the SEHK, the Petitioner, the shareholders of the Company and the public, and/or (2) failing to make full and proper disclosure of material facts or matters, and/or breached the Listing Rules as set out in Section B17 above.

C. AGREED MITIGATING FACTORS

75. The 4th Respondent had no actual knowledge of the following matters which the 1st Respondent did not inform the board of the Company, namely:-

75.1. The 1st Respondent's relationship with Mr. Hsu and Ms. Hsu (the "**Hsu Siblings**");

75.2. The 1st Respondent's significant control through the Hsu Siblings over Manlead (and Antong), Magic Figure, Talentlink BVI, Talentlink HK, Jiaying Situ, Jiaying Guowei, and in turn over the Jiaying Situ Land and the Jiaying Guowei Land;

- 75.3. The Acquisition was not a transaction with an independent third party by reason of paragraph 75.2; and
- 75.4. The manner in which the consideration paid by Decade under the Acquisition was eventually disbursed or dealt with.
76. The 4th Respondent has adopted a reasonable course of action in agreeing to conclude these proceedings by way of the *Carecraft* Procedure which would save the time and costs of the Petitioner and the Court.

D. PROPOSAL FOR DISQUALIFICATION

77. On the basis of the facts not in dispute as set out in Section B above and the agreed mitigating factor set out in Section C above, the parties agree that it would be appropriate for a disqualification order to be made against the 4th Respondent under section 214(2)(d) of the Ordinance that, for a period of 3 years, he shall not, without the leave of the Court:-
- 77.1. be, or continue to be, a director, liquidator, or receiver or manager of the property or business of any listed or unlisted company in Hong Kong (including the Company or any of its subsidiaries and affiliates),; and
- 77.2. in any way, whether directly or indirectly, be concerned, or take part, in the management of any listed or unlisted company in Hong Kong (including the Company or any of its subsidiaries and affiliates).
78. The 4th Respondent further agrees to pay such portion of the Petitioner's costs in these proceedings as the Court thinks fit, to be taxed if not agreed.

Dated the 3rd day of October 2019.

The Petitioner
Securities and Futures Commission

Zhao Feng (趙鋒)
The 4th Respondent

Appendix 1

“Subsidiary” means, with respect to its holding company, a company:

(1) the composition of the board of directors of which is directly or indirectly controlled by the holding company; or

(2) more than half of the issued share capital of which is directly or indirectly controlled by the holding company; or

(3) which is a subsidiary of a company which is a subsidiary of the holding company; or which is accounted for and consolidated in the holding company's consolidated financial statements.

“Affiliate” in respect of a company, means any subsidiaries or holding companies of such company or any subsidiaries of any of the holding companies of such company or any subsidiaries of any of the holding companies of such company.

**IN THE HIGH COURT OF THE
HONG KONG SPECIAL ADMINISTRATIVE REGION
COURT OF FIRST INSTANCE
MISCELLANEOUS PROCEEDINGS
NO. 891 OF 2014**

IN THE MATTER OF Minth Group Limited

AND

IN THE MATTER OF Section 214 of the Securities and Futures
Ordinance Cap. 571

BETWEEN

SECURITIES AND FUTURES COMMISSION

Petitioner

and

CHIN JONG HWA (秦榮華)

1st Respondent

SHI JIAN HUI (石建輝)

2nd Respondent

MU WEI ZHONG (穆偉忠)

3rd Respondent

ZHAO FENG (趙鋒)

4th Respondent

MINTH GROUP LIMITED

5th Respondent

DECADE (HK) LIMITED

6th Respondent

**STATEMENT OF FACTS NOT IN DISPUTE FOR THE
PURPOSES OF A CARECRAFT SETTLEMENT BETWEEN THE
PETITIONER AND THE 4th RESPONDENT**

Filed on:

Mayer Brown
Solicitors for the 2nd, 3rd and 4th Respondents
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10 Chater Road, Central,
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Ref.: TLL/JWYY/M6/14/14451751

HCMP 891/2014

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3rd Respondent

ZHAO FENG (趙鋒)

4th Respondent

MINTH GROUP LIMITED

5th Respondent

DECADE (HK) LIMITED

6th Respondent

BEFORE THE HONOURABLE MR. JUSTICE NG IN COURT

ORDER

IN THE MATTER OF the Amended Petition filed herein on 31 August 2016

UPON the joint application of the Petitioner and the 1st, 2nd, 3rd, 4th, 5th and 6th
Respondents by way of the Consent Summons filed with the Court on 9 October 2019

AND UPON reading the Statement of Agreed Facts between the Petitioner and the 1st Respondent dated 2 October 2019; the Statement of Facts Not In Dispute for the purposes of a *Carecraft* Settlement between the Petitioner and the 2nd Respondent dated 3 October 2019; the Statement of Facts Not In Dispute for the purposes of a *Carecraft* Settlement between the Petitioner and the 3rd Respondent dated 3 October 2019; and the Statement of Facts Not In Dispute for the purposes of a *Carecraft* Settlement between the Petitioner and the 4th Respondent dated 3 October 2019

AND UPON hearing Leading Counsel for the Petitioner, Leading Counsel for the 1st Respondent, Counsel for the 2nd, 3rd and 4th Respondents and Counsel for the 5th & 6th Respondents

IT IS ORDERED THAT:-

1. The 1st Respondent shall not, without leave of the Court, for a period of 6 years:
 - (a) be, or continue to be, a director, liquidator, or receiver or manager of the property or business, of any listed or unlisted company in Hong Kong including the 5th Respondent or any of its subsidiaries and affiliates (as defined in Appendix 1 to this Order);
 - (b) in any way, whether directly or indirectly, be concerned, or take part, in the management of any listed or unlisted company in Hong Kong including the

5th Respondent or any of its subsidiaries or affiliates (as defined in Appendix 1 to this Order).

2. The 2nd Respondent shall not, without leave of the Court, for a period of 3 years :
 - (a) be, or continue to be, a director, liquidator, or receiver or manager of the property or business, of any listed or unlisted company in Hong Kong including the 5th Respondent or any of its subsidiaries and affiliates (as defined in Appendix 1 to this Order);
 - (b) in any way, whether directly or indirectly, be concerned, or take part, in the management of any listed or unlisted company in Hong Kong including the 5th Respondent or any of its subsidiaries or affiliates (as defined in Appendix 1 to this Order).

3. The 3rd Respondent shall not, without leave of the Court, for a period of 3 years :
 - (a) be, or continue to be, a director, liquidator, or receiver or manager of the property or business, of any listed or unlisted company in Hong Kong including the 5th Respondent or any of its subsidiaries and affiliates (as defined in Appendix 1 to this Order);
 - (b) in any way, whether directly or indirectly, be concerned, or take part, in the management of any listed or unlisted company in Hong Kong including the

5th Respondent or any of its subsidiaries or affiliates (as defined in Appendix 1 to this Order).

4. The 4th Respondent shall not, without leave of the Court, for a period of 3 years :
 - (c) be, or continue to be, a director, liquidator, or receiver or manager of the property or business, of any listed or unlisted company in Hong Kong including the 5th Respondent or any of its subsidiaries and affiliates (as defined in Appendix 1 to this Order);
 - (d) in any way, whether directly or indirectly, be concerned, or take part, in the management of any listed or unlisted company in Hong Kong including the 5th Respondent or any of its subsidiaries or affiliates (as defined in Appendix 1 to this Order).

5. The periods of disqualification in respect of the Respondents shall be as follows :
 - (a) For the 1st Respondent, the period of disqualification be stayed pending the determination of the Summons issued by the 1st Respondent on 18 October 2019 or until further order from the Court; and
 - (b) For each of the 2nd to 4th Respondents, the period of disqualification shall take effect from the 21st day after the date of this order.

6. Pursuant to section 214(2)(e) of the Securities and Futures Ordinance, Cap 571, the 1st Respondent do pay to the 6th Respondent the sum of RMB 12,000,000 within 30 days from the date hereof together with interest thereon at 1% above HSBC prime rate from 29 April 2008 until the date of full payment;
7. The 6th Respondent do notify the Petitioner in writing of receipt of the sums referred to in paragraph 6 above and to provide supporting documents to prove the same within 7 days of receipt of the said sums;
8. The 1st Respondent do pay 55% of the Petitioner's costs of these proceedings (including all costs reserved, if any), to be taxed if not agreed, with certificate for two counsel;
9. Each of the 2nd, 3rd and 4th Respondents do pay 15% of the Petitioner's costs of these proceedings (including all costs reserved, if any), to be taxed if not agreed, with certificate for two counsel; and
10. As between the Petitioner and each of the 5th and 6th Respondents, there shall be no order as to costs of these proceedings.

Dated the [date of Judgment]

Registrar

APPENDIX 1

“**Subsidiary**” means, with respect to its holding company, a company:

(1) the composition of the board of directors of which is directly or indirectly controlled by the holding company; or

(2) more than half of the issued share capital of which is directly or indirectly controlled by the holding company; or

(3) which is a subsidiary of a company which is a subsidiary of the holding company; or

(4) which is accounted for and consolidated in the holding company’s consolidated financial statements.

“**Affiliate**” in respect of a company, means any subsidiaries or holding companies of such company or any subsidiaries of any of the holding companies of such company.

HCMP 891/2014

IN THE HIGH COURT OF THE
HONG KONG SPECIAL ADMINISTRATIVE REGION
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MISCELLANEOUS PROCEEDINGS NO. 891 OF 2014

IN THE MATTER OF Minth
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AND

IN THE MATTER OF Section
214 of the Securities and Futures
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BETWEEN

SECURITIES AND FUTURES COMMISSION Petitioner

And

CHIN JONG HWA(秦榮華)	1 st Respondent
SHI JIAN HUI (石建輝)	2 nd Respondent
MU WEI ZHONG (穆偉忠)	3 rd Respondent
ZHAO FENG (趙鋒)	4 th Respondent
MINTH GROUP LIMITED	5 th Respondent
DECADE (HK) LIMITED	6 th Respondent

ORDER

Dated the	day of	2019
Filed the	day of	2019

Securities and Futures Commission

The Petitioner

35th Floor, Cheung Kong Center

2 Queen's Road Central

Hong Kong

Tel: 2231 1137

Fax: 2521 7884

Ref: LSD/122/LG/1000/0222