

**Reports of the Market Misconduct Tribunal  
on the dealings in the shares of  
Mirabell International Holdings Limited**

The following is a summary of the reports of the Market Misconduct Tribunal on the dealings in the shares of Mirabell International Holdings Limited (Mirabell) –

Introduction

By notice under section 252(2) of the Securities and Futures Ordinance (Cap 571) (SFO) dated February 25, 2010, as amended on June 25, 2010 pursuant to the order made by the Tribunal under section 15 of Schedule 9 of the SFO, the Financial Secretary (FS) required the Tribunal to conduct proceedings and determine -

- (1) whether any market misconduct in the nature of insider dealing or otherwise has taken place;
- (2) the identity of every person who has engaged in the market misconduct found to have been perpetrated; and
- (3) the amount of any profit gained or loss avoided, if any, as a result of the market misconduct found to have been perpetrated

arising out of dealings in the listed securities of Mirabell on and between February 18, 2008 and February 22, 2008.

2. The Tribunal, under the Chairmanship of the Honourable Mr Justice Lunn, completed its proceedings and submitted a report of its findings in relation to questions (1) and (2) of the FS's Notice on September 9, 2010. The Tribunal submitted a report in relation to question (3) of the Notice and consequential orders to the FS on October 14, 2010.

Background

3. After close of trading on Friday, February 22, 2008, trading in shares of Belle International Holdings Limited (Belle) and Mirabell was suspended. On February 28, 2008, Belle and Mirabell jointly announced a possible voluntary conditional cash offer by a wholly-owned subsidiary of Belle to acquire all the shares of Mirabell for an offer price of \$6.00 in cash per share. Trading in the shares of Mirabell resumed on February 29, 2008.

4. Norton Rose, Hong Kong (Norton Rose) was at that time advising Belle on the proposed general offer to acquire all the shares of Mirabell.

5. Ms Liu Yan Yan (Liu), a trainee solicitor of Norton Rose since September 3, 2007, was a team member in Corporate Finance Department of Norton Rose advising Belle on that issue at that time.

6. Mr Zhang Bi Jia (Zhang), an employee of Access Capital Limited, cohabited with Liu at a premises in Sai Ying Pun at that time.

7. On February 21 and 22, 2008, Zhang bought 82,000 and 100,000 respectively in his account in the range of \$5.30 to \$5.45 per share, to a total of \$982,763.20. On March 10, 2008, Zhang sold 50,000 shares at \$5.80 per share. On April 21, 2008, Zhang sold the balance of 132,000 shares at \$5.83 per share. Zhang obtained a profit of about \$80,300.00.

#### Insider Dealing in Mirabell Shares

8. On February 18, 2008, Liu began work with her colleagues advising Belle on its proposed acquisition of Mirabell. Although at that time, the project was named as “Miracle”, with code names “Billy” and “Mary” being used instead of Belle and Mirabell, various documents and emails handled or accessed by her showed the terms “Belle” and “GO and CT Announcement”. In these documents and emails, reference was made to “the cousin relationship between the controlling shareholders of the two companies”, “the offer price greater than the last trading price” and “the offer in cash”.

9. The Tribunal determined that Liu, being a member of small team in Norton Rose assigned to deal with the project, was a “connected person” in respect of Mirabell. Given that she was an intelligent and hard-working trainee who had worked many hours on the projects concerning Belle, the Tribunal determined that Liu had readily identified Mirabell as the target of Belle's acquisition and thus possessed “relevant information”.

10. The Tribunal rejected the assertion by Zhang that his purchase of Mirabell shares had been based on his careful and calculated investment decision reached after consideration of the report of analysts and his own financial analysis of both Belle and Mirabell. On February 21 and 22, 2008, Zhang's acquisition of Mirabell shares for the very first time cost \$982,763.30 and resulted in an overdraft of over \$65,000.00 in his account. At the material time, Liu and Zhang had an intimate relationship which extended to their financial affairs. The Tribunal determined that, in all the circumstances, the only and irresistible inference to draw was that, knowing that Liu possessed the

relevant information in respect of Mirabell, she disclosed that information to Zhang prior to his purchase of Mirabell shares. The Tribunal found that Liu knew or had reasonable cause to believe that Zhang, who also knew that Liu working on the project at Norton Rose for the acquisition by Belle of Mirabell shares was connected with Mirabell, would make use of the relevant information for the purpose of dealing Mirabell shares.

11. Accordingly, pursuant to section 252(3) of the Ordinance, the Tribunal determined that Liu had engaged in insider dealing in that she, being a person connected with Mirabell, and knowing it to be relevant information disclosed to Zhang information, prior to his purchases of Mirabell shares commencing on February 21, 2008, that Belle was to make a general cash offer for the shares of Mirabell above the last traded market price knowing that he would make use of the information for the purpose of dealing in Mirabell shares, contrary to section 270(1)(c) of the Ordinance (Note). Secondly, the Tribunal determined that Zhang had engaged in insider dealing in that he dealt in the shares of Mirabell on February 21 and 22, 2008 knowing that he had relevant information in relation to Mirabell, which he had received from Liu, whom he knew to be connected with Mirabell and whom he knew to hold that information by reason of being so connected, contrary to section 270(1)(e) of the Ordinance (Note).

12. As the Tribunal accepted the opinion of a market expert that the market had re-rated the price of Mirabell shares by the close of the second day of trading after the joint announcement, and determined that the “notional” profit gained as a result of the market misconduct was \$74,473.55.

Note

Section 270(1) of the Ordinance provides that :

*“Insider dealing in relation to a listed corporation takes place -*

*...*

(c) *when a person connected with the corporation and knowing that any information is relevant information in relation to the corporation, discloses the information, directly or indirectly, to another person, knowing or having reasonable cause to believe that the other person will make use of the information for the purpose of dealing ... in the listed securities of the corporation ... ;*

*...*

(e) *when a person who has information which he knows is relevant information in relation to the corporation and which he received, directly or indirectly, from a person whom he knows is connected with the corporation and whom he knows or has reasonable cause to believe held the information as a result of being connected with the corporation -*

*(i) deals in the listed securities of the corporation ... ”.*