

**REPORT OF THE
INSIDER DEALING TRIBUNAL
OF HONG KONG**

**on whether insider dealing took place
in relation to the listed securities of**

**HKCB BANK HOLDING COMPANY LTD
& HONG KONG CHINA LTD
(NOW RENAMED LIPPO CHINA
RESOURCES LTD)**

**between 1 & 23 May 1997 (inclusive)
and on other related questions**

Introduction

By a notice pursuant to section 16 of the Securities (Insider Dealing) Ordinance Cap. 395 dated 2 November 2000, The Hon. Donald Tsang, the then Financial Secretary of the Hong Kong Special Administrative Region, requested the Insider Dealing Tribunal to conduct an inquiry. The notice reads as follows:

“Notice under Section 16(2) of the Securities (Insider Dealing) Ordinance, Cap 395

Whereas it appears to me that insider dealing (as that term is defined in the Ordinance) in relation to the listed securities of the corporations, namely, the HKCB Bank Holding Company Limited and the Hong Kong China Limited (now renamed as Lippo China Resources Limited) (“the Corporations”) has taken place, or may have taken place, the Insider Dealing Tribunal is hereby required to inquire into and to determine:

- (a) whether there has been insider dealing in relation to the corporations arising out of the dealings in the listed securities of the corporations by Messrs. Carlton Poon Kam Tao and Edmund Kung Chiu Nam and Ms. Jenny Kong Yuen Kwan during the period from 1 May 1997 and 23 May 1997 (inclusive);*
- (b) in the event of there having been insider dealing as described in paragraph (a) above, the identity of each and every insider dealer; and*
- (c) the amount of any profit gained or loss avoided as a result of such insider dealing.”*

In compliance with the notice, the Insider Dealing Tribunal, comprising of The Hon Mr. Justice Ligar-Mawson as Chairman and Mr. Dickson Lee and Mr. Ian Grant Robinson as members, heard evidence and submissions from counsel for a total of 78 days, between 16 July 2001 to 11 October 2004.

We now have pleasure in submitting the report on our findings in relation to questions (a) and (b) of that notice. Our report in relation to question (c) will be submitted at a later date.

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Glossary

Throughout this report, references to dollars (\$) are to Hong Kong dollars. References to listings are to listings on the Stock Exchange of Hong Kong (SEHK). Unless otherwise stated references to dates are to the year 1997. Words and expressions employing the masculine gender include the feminine and neuter genders and words and expressions in the singular include the plural and vice-versa. Where we have provided the definition of any word or expression given in any ordinance, the definition extends to all grammatical variations and cognate expressions of that word or expression.

Save where the context otherwise requires it, the following terms and abbreviations are used throughout this report:

Term or abbreviation	Definition
Corporations	HKCB Bank Holding Company Ltd & Hong Kong China Ltd
CRE	China Resources Enterprise Ltd (a subsidiary of CRH)
CRH	China Resources (Holdings) Company Ltd
FSB	Financial Services Branch, Government of the Hong Kong SAR
HKC	Hong Kong China Ltd (renamed Lippo China Resources Ltd)
HKCB	Hong Kong China Bank Ltd
HKCBH	HKCB Bank Holding Company Ltd
HKCBH Acquisition	The transfer of Lippo's interest in HKCBH to HKC
HKCB Reorganisation	The exchanging of the interest of CRH in HKCB for an interest, to be held by CRE, in HKCBH
HKMA	Hong Kong Monetary Authority
HSCCI	Hang Seng China Affiliated Corporations Index
HSI	Hang Seng Index
Lippo	Lippo Ltd
Material time	the period from 1 May to 23 May 1997
MOFTEC	Ministry of Foreign Trade and Economic Co-operation (PRC)
Named Individuals	Carlton Poon, Jenny Kong and Edmund Kung
Ordinance	Securities (Insider Dealing) Ordinance, Cap. 395
PBOC	Peoples' Bank of China
PRC	Peoples' Republic of China
Prudential	Prudential Brokerage Ltd
Reorganisation	The HKCBH Acquisition and the HKCB Reorganisation
Section 18 authorisation	Authorisation given under s.18 of the Ordinance

Section 16 notice	Notice given under s.16 of the Ordinance
Section 33 notice	Notice given under s.33 of the SFC Ordinance
SEHK	The Stock Exchange of Hong Kong
SFC	Securities & Futures Commission of Hong Kong
SFC Ordinance	Securities & Futures Commission Ordinance, Cap. 24
Tribunal	The Insider Dealing Tribunal
Worldsec	Worldsec International Ltd
Worldsec Corporate	Worldsec Corporate Finance Ltd
Wocom	Wocom Securities Ltd
23 June announcement	The formal announcement on 23 June 1997 of the HKCBH Aquisition and the HKCB Reorganisation

Chapter 1

In this chapter we deal with the Tribunal's constitution; identify the implicated persons and the witnesses before the Tribunal; and outline the procedures we followed and the juridical basis of our findings. We also explain the structure of this report.

The Tribunal's constitution

As a result of the trading in HKCBH and HKC securities described in Chapter 3, the SFC conducted an investigation. This led to The Hon Donald Tsang, the then Financial Secretary, on 2 November 2000 requesting the Tribunal to conduct this inquiry. We have quoted the terms of his notice of that date (the section 16 notice) in the introduction.

Pursuant to Section 15(2) of the Ordinance, The Hon Mr. Justice Lugar-Mawson was appointed as the Chairman of the Tribunal and Mr. Dickson Lee and Mr. Ian Grant Robinson were appointed as members. Mr. Lee is a stockbroker and the Managing Director of Lee & Lam Financial Consultants Ltd. Mr. Lee has previously sat as a member of the Tribunal. Mr. Robinson is a Chartered Accountant; he was formerly a partner in Ernst & Young and now runs his own consultancy practice. Mr. Robinson has not previously sat as a member of the Insider Dealing Tribunal.

References in this report to 'The Chairman' are to Mr. Justice Lugar-Mawson.

On 15 January 2001 we appointed Mr. Peter Davies, Senior Government Counsel and Mrs. Winnie Ho Ng Wing Yee, Government Counsel, as Counsel to the Tribunal. On 15 April 2003, following Mr. Davies' retirement from the Department of Justice, we appointed Mr. Peter Duncan SC and Mrs. Winnie Ho as Counsel to the Tribunal.

The Counsel to the Tribunal were not prosecutors, neither were they counsel for the SFC. Their function was to present relevant evidence to us objectively, regardless of which way that evidence fell, be it in support of, or against, an allegation of insider dealing. Counsel to the Tribunal, however, were not constrained to remain neutral throughout the inquiry. Where appropriate, they were entitled to employ their advocacy skills to test and probe evidence.

The Tribunal's working method

Once the Tribunal was established we read the various materials the Financial Secretary had forwarded to us. These consisted of summaries of the SFC investigation, copies of records of interview and statements of various persons made during the course of that investigation and various accompanying documents. We directed ourselves that these materials were not

evidence in the inquiry and were, at that stage, merely to serve as introductory material for the assistance of our understanding of the subject matter of the inquiry.

Initial identification of the persons implicated or concerned in the inquiry

Before the Inquiry started we determined, pursuant to paragraph 17 of the schedule to the Ordinance, that the persons named in the section 16 notice were the persons implicated or concerned in the subject matter of the inquiry.

The ‘Salmon Letters’

Paragraph 16 of the schedule to the Ordinance provides that all persons implicated or concerned in the subject matter of an Insider Dealing Tribunal inquiry are entitled to be present in person at any sitting of the Tribunal and to be represented by a barrister or solicitor. ‘Salmon letters’ (so named after Lord Justice Salmon who in the 1966 Royal Commission’s report on Commissions of Inquiry first suggested this procedure as being appropriate for the notification of persons whose interests may be affected by the findings of a tribunal of inquiry) were sent to all persons whom we identified as persons implicated or concerned in the subject matter of the inquiry, informing them of that fact and advising them of their rights under paragraph 16 of the schedule. They were also served with a summary of the evidence produced by the SFC investigation and advised that preliminary meeting of the Tribunal would be held on 20 February 2001.

The preliminary meeting

At the preliminary meeting the Chairman delivered an opening statement at that preliminary hearing which dealt with a number of matters. In summary they were:

- Confirming the Inquiry’s terms of reference.
- Disclosing the preliminary steps we had taken in the course of preparing for the inquiry.
- Outlining the procedures we proposed to follow in the course of the inquiry.
- Recognising the legal representatives appearing for the implicated persons.

The Appendix 1 gives details of the legal representation at the Inquiry.

At the preliminary hearing we pointed out that Counsel to the Tribunal would, of necessity, be

involved in a large amount of administrative work, such as arranging for the attendance of witnesses and, when appropriate, ensuring that steps were taken to secure new evidence. To this end it was said that Counsel to the Tribunal might from time to time have to meet with the Chairman and the Tribunal members in chambers. However, it was anticipated that once the Inquiry commenced, such meetings would be kept to the minimum necessary to ensure the orderly progress of the Inquiry. We place on record that once the Inquiry commenced there were no meetings between Counsel to the Tribunal and ourselves at which counsel for the implicated persons were not present.

The delay to the Inquiry

The inquiry started on 16 July 2001. However, on 12 July 2001, Mr. Graham Harris, counsel for Carlton Poon, had served notice that he would be seeking to rely on the report of a Mr. Toby Heale, a man with experience in the securities market in Hong Kong. That report suggested that Stephen Riady, who is the Deputy Chairman of the Lippo Group, as well as the Deputy Chairman and Managing Director of HKC and an Executive Director of HKCBH, might have acted in breach of section 9 of the Ordinance in that he counselled or procured persons to engage in insider dealing. Various allegations were also made against other persons. This necessitated Stephen Riady and the other persons being informed of the allegations levied against them and given the opportunity of making representations to the Tribunal.

After hearing submissions on the issues raised in Mr. Heale's report in July, August and November 2001, the Chairman ruled, on 13 December 2001, that the terms of reference of the Inquiry were sufficiently wide to cover the Tribunal making a finding of insider dealing by way of counselling or procuring against Stephen Riady in relation to the dealings of listed securities in the Lippo Group by the named individuals.

Following that ruling the hearings were adjourned to a date to be fixed and Stephen Riady was served with a "Salmon letter" providing a synopsis of the results of the SFC investigation and drawing his attention to Mr. Heale's report.

In the meantime Stephen Riady applied to the Court of First Instance for a judicial review of the Tribunal's ruling and that Court injunctioned the Tribunal from continuing with the Inquiry until the judicial review was decided. The Court of First Instance decided the issue against Stephen Riady and upheld the Chairman's ruling, as did the Court of Appeal. The matter was taken to the Court of Final Appeal and on 29 May 2003 that Court upheld the Chairman's ruling, this permitted the Inquiry to restart. The Inquiry restarted on 8 December 2003, following a directions hearing on 17 September 2003.

The implicated persons

Our inquiry, therefore, concerned the activities of the following four persons in relation to the listed securities of the Corporations over the material time.

Full name	Referred to in this report as:
1. Mr. Carlton Poon Kam Tao	Carlton Poon
2. Mrs. Jenny Kong Yuen Kwan	Jenny Kong
3. Mr. Edmund Kung Chiu Nam	Edmund Kung
4. Mr. Stephen Tjondro Riady	Stephen Riady

The conduct of the Inquiry

Following its restart, the Inquiry was conducted in public over 66 days from 8 December 2003 to 11 October 2004. Save for 5 sessions held at the Technology Court in the High Court, where we received evidence from Singapore, Sydney (Australia) and London (England) by way of a live video link, all sessions were held at the Tribunal's courtroom on the 7th floor of Lippo Tower 2, Queensway, Hong Kong.

Over the course of the Inquiry we heard from 42 live witnesses, including all four implicated persons, considered the statements of other witnesses who were not called to give oral evidence and received over 30 lever-arch files of documentary evidence. Appendix 2 lists the witnesses we heard from.

There were two witnesses we would particularly have liked to have heard from, Zhu You Lan, formerly the Vice Chairman and President of CRH and Tony Hidajat formerly the Senior Vice President and Treasurer of the Lippo Group. We were unable to do so because Zhu You Lan was outside our jurisdiction in Beijing in the Mainland and declined to reply to the Tribunal's request to come to Hong Kong to give evidence before us. Tony Hidajat is believed to reside in Indonesia; however, despite our best endeavours (which included the engaging the services of an Inquiry Agent to trace him) we were unable to obtain his residential and business addresses or his contact details.

We mainly sat in the mornings from 9.30 a.m. to 1 p.m. to enable the Tribunal members to

attend to their professional commitments in the afternoons. When it was necessary to accommodate witnesses or speed up the progress of the Inquiry the Tribunal sat in the early evening from 5 to 7 p.m.

The Tribunal's proceedings were recorded and transcribed by Lindy Williams Court Reporters Ltd. A transcript of each day's proceedings was ready either in the late afternoon of that day or the morning of the following day. The transcripts were made available to all the implicated persons and their legal representatives as soon as they were ready, by e-mail.

We had the assistance of two bilingual (Cantonese and English) interpreters. Complaint was made on a number of occasions about the ability of one of those interpreters. We found those complaints to be unjustified. Mr. Lee, who is himself bilingual, assured Mr. Robinson and the Chairman that the standard of interpretation throughout was reasonable, accurate and acceptable.

Mr. Duncan, leading Counsel to the Tribunal, made an opening statement at the commencement of the inquiry. A copy of this had been served on the implicated parties earlier. Counsel for the implicated parties then delivered opening statements on behalf of all four implicated persons. Evidence was then called before us. The evidence took the form of the oral evidence of witnesses, witness statements or affirmations, various documentary exhibits and schedules. We were careful to remind ourselves that schedules and charts prepared for the hearing could not be relied upon unless they were proved from their source materials. Extracts and summaries of the evidence that we thought important appear throughout this Report. At the end of the evidence we had written submissions from Counsel to the Tribunal and those implicated persons, or their counsel, who chose to submit them and heard short oral addresses focusing on the salient points in those submissions. We then adjourned for discussion between ourselves.

The inquisitorial process

The provisions of Part III of the Ordinance (including the schedule) envisage an inquisitorial process not an adversarial one and it is an inquisitorial process that we followed.

Although the inquisitorial process appears unusual - even sinister - to those brought up in the common law tradition, it is not. The process observes the basic principle embodied in all developed systems of justice in the Latin maxim '*audiatur et altera partes*' literally '*hear both or all parties*'. No decision can be reached until a fair opportunity has been given to all concerned in the inquiry to be heard, and to discuss and test the claims, arguments,

considerations and evidence of the others.

In the inquisitorial process the judges are given a greater role, as it is believed that, thereby, it will be easier for them to arrive at the truth. The Tribunal, therefore, directs the inquiry; the witnesses called are the Tribunal's witnesses; and as the Inquiry progresses, new matters may be raised which require a line of investigation not previously thought necessary. The Tribunal has a broad discretion to receive and consider relevant material, whether by way of oral evidence, written statements, documents or otherwise. Neither is the Tribunal bound by the conventional rules of evidence that apply in adversarial proceedings.

We emphasise the inquisitorial nature of our function because throughout the many days of the Inquiry we actively sought and obtained evidence beyond that obtained by the SFC. This was the consequence of the task entrusted to us by the Ordinance and the terms of reference. In doing so we uncovered what we regard as significant relevant evidence. Whilst the procedures we adopted were flexible, we were always aware that one of our primary considerations was fairness to all persons who were involved in the inquiry. At no time did we adopt any procedure which in our view may have resulted in unfairness to any such person.

Decisions on questions of fact & law

Paragraph 13 of the schedule to the Ordinance (the schedule is provided for in section 5(5)) provides that the three members of the Tribunal decide all questions of fact, but that the Chairman alone decides all questions of law. All our findings of fact in this report were made unanimously. Any reference in this report to the Tribunal making a decision on a question of law is to be read as being a decision made at the Chairman's direction.

The report's structure

Chapters 2 to 10 of this report deal with the following issues:

- | | |
|-----------|---|
| Chapter 1 | Procedure, and structure of the report. |
| Chapter 2 | The law & legal principles followed throughout the Inquiry and in writing the report. |
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personnel of Lippo and Lippo's solicitors over the material time as well as the meetings those personnel had with other people concerning the reorganisation over the same period.

- Chapter 5 A summary of the evidence relating to the trades in HKCBH and HKC securities conducted in Jenny Kong and Edmund Kung's names over the material time.
- Chapter 6 The explanations given by Carlton Poon, Jenny Kong and Edmund Kung for the trades in HKCBH and HKC securities carried out in Jenny Kong and Edmund Kung's names and conclusions on their veracity.
- Chapter 7 A consideration of the case against Stephen Riady.
- Chapter 8 The question of whether or not 'relevant information' existed.
- Chapter 9 Summary of conclusions.
- Chapter 10 Observations on certain trades in HKCBH and HKC securities by other persons and on other aspects of the evidence.

We now provide our findings in relation to sub-paragraphs (a) and (b) of the terms of reference set out in the section 16 notice.

We intend after further submissions and representations from the parties to determine and deliver the appropriate orders and penalties pursuant to sub-paragraph (c) of the section 16 notice.

Chapter 2

In this chapter we deal with the law. It is divided into two parts. Part 1 deals with the general legal principles that we found to be of relevance in the course of our deliberations and in writing this report. Part 2 deals with the relevant provisions of the Ordinance.

Part 1: General legal principles

The general legal principles that we found to be of relevance in this inquiry are:

The Standard of Proof

At the preliminary hearing we identified the standard of proof applicable to these proceedings as being:

“...the civil standard and not the criminal standard of proof beyond a reasonable doubt. We recognize, however, that allegations of insider dealing are akin to allegations of professional misconduct involving deceit or moral turpitude and, as such, the degree of probability must be proportionate to the nature and gravity of the issues that we have to decide. Because of that, we say now that the standard that we will apply will be higher than that of a mere balance of probabilities. The standard that we will apply was aptly described by the Honorable Mr. Justice Stock sitting as chairman of the tribunal in the inquiry into Success Holdings Limited in 1994 as being ‘proof to a high degree of probability.’ ”

Since then the Court of Final Appeal has confirmed that this is the applicable standard in trials and inquiries where matters akin to those before this Tribunal fall for determination¹. We have applied that standard of proof to all our decisions.

We have not been persuaded by arguments that the criminal standard of proof beyond reasonable doubt should apply.

The approaches of Tribunals constituted under the Securities Ordinance, Cap. 333, now repealed, are irrelevant and, in any event, have been overtaken by the well-established principle set out in the Success Holdings Inquiry.

¹ See *HKSAR v Lee Ming Tee* FACC 1 of 2003 (unreported)

The fact that the Ordinance has now been repealed is of no consequence: we are concerned in determining whether or not there was insider dealing between 1 & 23 May 1997 according to the law as it was before that repeal.

Neither is the fact that the Securities and Futures Ordinance, Cap. 571, the new legislation governing market misconduct, including insider dealing, provides, in Part XIV of that ordinance, for a criminal offence of insider dealing, of any consequence. The provisions of Cap. 571 have no application to the period of time covered by the section 16 notice.

Separate consideration

We considered the case of each of the four implicated persons separately and reminded ourselves that a finding of insider dealing against one implicated person did not necessarily mean that the others were also culpable of insider dealing.

SFC statements

With the consent of all the implicated persons the statement or statements to the investigating officers of the SFC of each witness called by Counsel to the Tribunal were adopted by them as part of their evidence. With a few minor exceptions, each witness stated that the contents of his or her statement were true and accurate and each witness was given the opportunity to clarify or amend his or her statement.

Likewise, the statement or statements of each implicated person to the investigating officers of the SFC were, on Counsel to the Tribunal's application and without objection by any implicated person or his counsel, put into evidence. By this procedure they became evidence of what they had said to the Commission's investigating officers, subject to any live evidence they gave by way of clarification or amendment.

Whenever they wished to do so, we permitted each witness before us, including the implicated persons, to give their evidence-in-chief by way of a written statement and to make such amendments and clarifications to it as they wished by way of oral evidence.

In determining issues of fact we have attached such weight to the contents of each witnesses' statement as we consider fair and proper. In accordance with

well-established legal principle we have made no findings of fact in relation to one implicated person based on the contents of another implicated person's statement.

Drawing of inferences

In arriving at our determination as to whether or not an implicated person had conducted, or been involved, in insider dealing, as well as in dealing with many other issues that arose during the Inquiry, it was necessary for us to consider whether certain facts established to our satisfaction from the evidence led us to infer other facts. That is not unusual in an Insider Dealing Tribunal inquiry. Commercial transactions of an unlawful or prohibited nature are rarely evidenced in writing and the truth of those transactions can often only be discerned indirectly. This is done by looking at the surrounding circumstances and the actions of the persons involved in the light of those circumstances. On the Chairman's instruction, we directed ourselves that any inference we drew from a set of facts proved to our satisfaction had to be the only reasonable inference which could be drawn from those established facts.

Consideration of factual evidence

Mr. Lee and Mr. Robinson are a stockbroker and an accountant, respectively. Both have first hand experience of Hong Kong's financial markets and have a wealth of relevant experience and expertise in respect of those markets that the Chairman who is a High Court Judge does not have. Both Mr. Lee and Mr. Robinson were alert to the danger of becoming their own witnesses. The Chairman directed them that they could not provide 'evidence' from their own knowledge - in the sense that they could not rely upon their own knowledge of a fact or matter in arriving at their findings - but that they were entitled to use their fundamental professional experience and knowledge in assessing the evidence presented at the Inquiry and in deciding what weight to place upon it.²

No privilege against self-incrimination

By virtue of section 16(d) of the Ordinance all persons called before the Tribunal are bound to answer all questions put to them by the Tribunal, or with the Tribunal's consent; they have no privilege against self-incrimination. Section 19 of the Ordinance, however, provides that evidence given by any person at and for the purpose of the Inquiry (including any material or document received by or produced

² See *Weatherall V. Harrison* [1976] QB 773

to the Tribunal under the Ordinance) is inadmissible against that person in civil proceedings arising out of their giving of evidence at the Inquiry and in all criminal proceedings except for perjury, or offences akin to perjury under the Crimes Ordinance.

Good character

All four implicated persons are of good character, in the sense that none of them has a criminal record, neither have they been found culpable of the civil wrong of insider dealing by this Tribunal. In past inquiries, where applicable, the Tribunal has taken the implicated persons' good character into account in the course of its deliberations.

In this Inquiry we directed ourselves that the implicated persons' good character is relevant in two ways. First, it bolstered their credit in deciding what weight we should attach to their evidence and, secondly, it established that, because they were of good character throughout their careers, they were, as a result, less likely to have engaged in insider dealing.

Demeanour

While the ability to watch and listen to a witness giving his or her evidence is of considerable assistance in deciding what weight to give to that witness's evidence, we have borne in mind that demeanour is an imprecise concept and invariably subjective. These difficulties were increased when in respect of many of the witnesses two of us understood their evidence, which was given in a language other than English, through an interpreter. We are aware that demeanour can only be a point of last resort and have cautioned ourselves accordingly when assessing the credibility of all the witnesses, including the implicated persons.

Lies

It was impossible for us to carry out our task without assessing and forming our opinion on the credibility of the witnesses who gave evidence before us, including the implicated persons. In order to find a fact proved, we had to be satisfied that the evidence we relied on was reliable, which means that it was both accurate and honest evidence. Conversely, in respect of other pieces of evidence, we concluded that they were unbelievable, unreliable, inaccurate, or untruthful. This was a necessary part of our function as a tribunal of fact.

Lies by the implicated persons

Credibility was an important issue in the Inquiry. In his opening statement, Mr. Harris, counsel for Carlton Poon claimed that his client was a “*market professional*” of “*integrity*.” Mr. Richard Price, the Managing Director of College Retirement Equity Fund of New York, USA, a client of Carlton Poon’s, was called to give evidence to support this contention. Yet, contrary to his statutory obligations, Carlton Poon lied in his interviews with the SFC and he compounded this by requesting Edmund Kung to lie to the SFC when they interviewed him on 13 May 1998. Both men admit this.

As a result the question of the proper weight to be attached to the evidence of the implicated persons whom we found to be untruthful is important. We are conscious of the fact that lies by themselves prove nothing, save that they have been told. We are also conscious of the fact that there may be reasons for lies that are consistent with the absence of any wrongdoing, or of the particular wrongdoing alleged. It is only if we exclude such reasons that an implicated person’s lies, in conjunction with other evidence, can go to support an inference of insider dealing. This is in the sense that such lies can confirm or tend to support other evidence, which of itself is indicative of such conduct.

Where we have concluded that one of the implicated persons lied, we have borne in mind that the reason for the lie may not have been a realization that they had committed insider dealing, but a realization, or fear, that they had committed some other wrongdoing, or a fear (whether justified or not) that others would view certain conduct as improper, or no more than a feeling that the truth was unlikely to be believed.

We have also borne in mind that before a lie may be used to support a particular allegation, we have first to be satisfied that the lie was both deliberate and material to the issue we had to decide.

Potential criminal liability

Carlton Poon’s and Edmund Kung’s admitted lies *prima facie* exposes both of them to a potential prosecution for the criminal offences of attempting to pervert the course of justice and making false statements to the SFC investigators. We are not a criminal court and it is not for us to make findings outside of our jurisdiction. Indeed, much of the evidence we received could not be used in a criminal trial.

However as there is *prima facie* evidence of these offences a copy of this report will be sent to the Secretary for Justice for her consider what, if any, criminal proceedings should be brought against Carlton Poon and Edmund Kung.

Expert evidence

Expert evidence is permitted in an Insider Dealing Tribunal inquiry to provide the Tribunal with information and opinion on matters relating to securities trading that is within the witness's expertise, but which is likely to be outside the Chairman and Members' experience and knowledge. Although in Insider Dealing Tribunal inquiries the Members' knowledge of these matters may rival that of the expert. Although a witness called as an expert is entitled to express an opinion in respect of his findings, or the matters put to him, the Tribunal is entitled to come to its own conclusion on these matters based on the whole of the evidence put before it.

In this Inquiry attempts were made by all counsel to persuade us to look at a great body of material which was described as "expert evidence". When we examined it we found that it was no such thing, it was well researched and well argued submissions as to why we should come to certain conclusions, although in some cases the conclusions reached by the document's author appeared to be unsupported by evidence. That is a function of advocacy and not expert evidence. In short, the so-called expert evidence amounted to no more than attempts by experienced market professional to usurp our function. We declined to receive this so-called expert evidence, save to the extent that where relevant factual information was given in the documents placed before us we, on occasions, referred to that.

The Tribunal set out the duties of an expert witness in the report into Siu Fung Ceramic Holdings Ltd. The extract from that report dealing with this matter is set out as Appendix 3.

Part 2: the Ordinance

Section 9(1) of the Ordinance provides six instances of when the civil wrong of insider dealing takes place; three are relevant to this Inquiry, they are as follows:

Under section 9(1)(a) insider dealing takes place in relation to a listed corporation:

"when a person connected with that corporation who is in possession of information which he knows is relevant information in relation to that

corporation deals in any listed securities of that corporation...or counsels or procures another person to deal in such listed securities knowing or having reasonable cause to believe that such person would deal in them;”

Under section 9(1)(c) insider dealing takes place in relation to a listed corporation:

“when relevant information in relation to that corporation is disclosed directly or indirectly, by a person connected with that corporation, to another person and the first-mentioned person knows that the information is relevant information in relation to the corporation and knows or has reasonable cause for believing that the other person will make use of the information for the purpose of dealing, or counselling or procuring another to deal, in the listed securities of that corporation or their derivatives...”

Under section 9(1)(e) insider dealing takes place in relation to a listed corporation:

“when a person who has information which he knows is relevant information in relation to that corporation which he received (directly or indirectly) from a person-

- (i) whom he knows is connected with that corporation; and*
 - (ii) whom he knows or has reasonable cause to believe held that information by virtue of being so connected,*
- deals in the listed securities of that corporation...or counsels or procures another person to deal in those listed securities...”*

The word “*corporation*” is defined in section 2(1) of the Ordinance (the General Definitions section) as:

‘ “corporation” means any company or other body corporate or an unincorporated body, incorporated or formed either in Hong Kong or elsewhere.’

Section 2(1) also defines the phrase ‘*securities*’ as meaning (among other things) ‘*shares*’ and ‘*listed securities*’ as meaning ‘*securities that are listed on the Unified Exchange*’, that is the SEHK.

For insider dealing to be proved against a person under inquiry the Tribunal must be satisfied, to the requisite standard, of four matters; they are:

Firstly, that the securities in question are those of a *“listed corporation”*.

There is no dispute that the Corporations were at the material time listed corporations as defined in section 2(1) of the Ordinance; that is, corporations whose shares and other issued securities were listed on the SEHK and that all the dealings we were concerned with were of its listed securities.

From now on in this report, whenever the context requires it, we use the words *“corporation”* and *“company”* interchangeably and the word *“shares”* and *“warrants”* interchangeably with the word *“securities”* and the phrase *“listed securities”*.

Secondly, that the person under inquiry must either be *“connected”* with the corporation, or if he is not connected, be someone who received information relating to the corporation from a person whom he knew was ‘connected’ with the corporation, and whom he knew, or had reasonable cause to believe, held the information by virtue of his connection.

Section 4 of the Ordinance defines who are persons connected with a corporation for the purposes of section 9. They include, among others:

1. Under section 4(1)(a) an individual who is a director or employee of that corporation or a related corporation.
2. Under section 4(1)(c), an individual who occupies a position which may reasonably be expected to give him access to relevant information concerning the corporation by virtue of:

“(i) any professional or business relationship existing between himself (or his employer or a corporation of which he is a director or a firm of which he is a partner) and that corporation, a related corporation or an officer or substantial shareholder in either of such corporations; or

(ii) his being a director, employee or partner of a substantial shareholder in the corporation or a related corporation...

Thirdly, that the person under inquiry must “deal in” the securities himself, or counsel or procure another person to deal in them, knowing or having reasonable cause to believe that the other person would deal in them.

The ordinary meaning of the word “counsel” is “advise” or “solicit”. There is no implication in the word that there should be any causal connection between the counselling and the offence. However, the counsellor is liable only for an offence if it is committed as a result of his counselling. It is, however, not necessary to prove that the counselling was a substantial cause of the commission of the offence:

To “procure” means to produce by endeavour; you procure a thing by setting out to see that it happens and by taking the appropriate steps to produce that happening. There must be a causal link between what the alleged procurer did and the other’s commission of the act.

Section 6 of the Ordinance defines “dealing in securities” as being:

*“For the purposes of this Ordinance, a person deals in securities or their derivatives if (**whether as principal or agent**) he buys, sells, exchanges or subscribes for, or agrees to buy, sell, exchange or subscribe for, any securities...or acquires or disposes of, or agrees to acquire or dispose of, the right to buy, sell, exchange or subscribe for, any securities...”
(emphasis supplied)*

Fourthly, that at the time of dealing, the person under inquiry must be in possession of information, which he knows is “relevant information”.

Section 8 of the Ordinance defines the phrase “relevant information” as:

“ “relevant information” in relation to a corporation means specific information about that corporation which is not generally known to those persons who are accustomed or would be likely to deal in the listed securities of that corporation but which would if it were generally known to them be likely materially to affect the price of those securities.”

For information to be relevant information it must possess three elements, each of which must be proved to the Tribunal's satisfaction; they are:

1. It must be "*specific information*". This term is not defined in the Ordinance. The presence of no more than rumours in the market is not enough. Information concerning a company's affairs becomes sufficiently specific if it carries with it such particulars as to the characteristics of a transaction, event, or matter - or a proposed transaction, event, or matter - so as to allow that individual transaction, event, or matter to be identified and its nature to be described and understood in a coherent fashion. It is not necessary that its possessor know all the particulars or details of the transaction, event or matter in question, and the fact that a transaction is proposed, or contemplated, or under negotiation, or subject to preliminary discussions only does prevent knowledge of it from being specific information.³
2. The information is known only to a few and is not generally known to the market; that is, to those individuals and institutions accustomed or likely to deal in the securities of the company.
3. And it must be information of the kind, which, had the market known about it, would have been likely to have a material effect on the price of that company's listed securities.

The test of price sensitivity has to be applied at the time the alleged insider dealer's transaction took place. The exercise of determining how general investors would have behaved on that day, had they been in possession of that information, is an assessment. It is not a simple matter of deciding whether the information had a material impact on the market when it became general knowledge. The test is a hypothetical one, the Tribunal must ask itself: had this information been generally known to the investing public on the day the insider traded would it, at that time, have been likely to have had a material impact on the company's share price? It is well established that evidence of how investors reacted once the information was stripped of its confidentiality and became public knowledge will often provide the

³ See this Tribunal's Report in *Stime Watch International Holding Ltd* p.82

answer. However, care must be taken to ascertain whether the investors' response was attributable to the information released, or whether it was, wholly or in part, attributable to other extraneous events or considerations.

Further, the test is not simply whether the information, along with other matters already known, would have been likely to affect the price of the company's securities; the test is whether it would have been likely to have affected their price materially. Thus information that would be likely to cause a mere fluctuation, or a slight change in price, is not sufficient; there must be the likelihood of change of sufficient degree to amount to a material change.

Not all important or interesting information concerning a company will necessarily be materially price sensitive. It may excite comment, it may be very interesting, but it may nevertheless be information of the kind that would be unlikely to have a material impact on the price of that company's securities.

Similarly, past tribunals have recognized that information concerning a company's affairs which, although important, is of a neutral or mixed nature may influence some investors to buy and some investors to sell, but will not thereby be likely to affect the price either up or down to a material degree; that is to say to a degree that causes more than a mere fluctuation or slight change.

We make it clear that before we made our findings of insider dealing against certain of the implicated persons, not only were we satisfied that at the time of their dealing in HKCBH and HKC securities they were in possession of relevant information, we were also satisfied that they knew, subjectively, that the information they had was relevant information. It would not have been enough for us to have found that they ought to have known it to be relevant information, or that a reasonable man or woman in their position ought to have known it to be relevant information.

Chapter 3

In this chapter we set out the background to the Inquiry, deal with non-contentious facts, figures and events and set out the ambit of the Inquiry.

The Lippo Group

The Lippo Group is owned and controlled by the Riady Family who come from Indonesia and who are well known in both Hong Kong and Indonesia.

Before the Reorganisation, Lippo was the holding company of HKCBH and HKC¹. The securities of the three companies were listed on the SEHK. The stock code for HKCBH shares was 655, the stock code for HKCBH warrants was 922, the stock code for HKC shares was 156, and the stock code for HKC warrants was 754.

HKCBH's principal activities were retail and commercial banking, conducted through HKCB (a licensed bank but an unlisted company). Securities and futures broking businesses were conducted through its broking arm - Lippo Securities Holdings Ltd. HKC's principal activities were mainly investment holding, property investment and development.

China Resources Group

Since 1992, CRH, which is part of the China Resources Group, had cooperated with the Lippo Group in a number of businesses. Before 23 June 1997, CRH held a 50.8% interest in CRE and a 1% interest in HKCBH. CRH reported directly to MOFTEC in the PRC. The market in Hong Kong generally regarded it as a State owned conglomerate.

A group reorganisation

On 23 June HKCBH and HKC, together with Lippo, published a joint announcement of a group reorganisation consisting of various transactions affecting all three corporations.

Among the changes effected by the Reorganisation were:

1. CRH would first transfer its 50% interest in HKCB to a new company and then transfer its interest in that new company to CRE. CRE which owned the 50%

¹ At the end of August 1997 HKC was renamed Lippo China Resources, the stock code remained 156.

interest in HKCB via the new company would then sell the new company to HKCBH (which would then own 100% of HKCB) in exchange for new shares in HKCBH; these new shares would be issued to a joint venture company in such way that the joint venture company (which would be owned 50/50 by Lippo and CRE) would own 74% of the enlarged issued share capital of HKCBH (the HKCBH Reorganisation).

2. Lippo would transfer its 56% interest in HKCBH to a new company. Lippo would then sell its 50% interest in this company to HKC, so that the new company would be owned 50/50 by HKC and CRE (the HKCB Acquisition).
3. Lippo would sell shares representing some 8% of HKC's issued share capital to CRH.

There were a number of benefits to all parties involved in the Reorganisation. Generally it enabled Lippo and CRH to build on their existing relationship and expand that relationship into other areas of financial services. By becoming a direct partner with Lippo in the company controlling HKCBH (instead of just HKCB) CRE would be able to participate in the broader range of financial services businesses (including securities and insurance) which HKCBH carried on. HKCBH would be able to consolidate HKCB's entire profits and its capital base would increase by approximately \$900 million. HKC, which had hitherto been principally a property stock, would obtain strong, stable and recurrent earnings from HKCBH and rely less on the volatility of the property market for rental income and property disposals. And Lippo's cash resources would be increased by approximately \$697 million.

Appendix 4 is a copy of the 23 June announcement.

The relevant corporate structures prior to and after the Reorganisation, which was completed on or about 2 September appear in the two charts at Appendix 5.

The stock market in the first three quarters of 1997

Before the financial downturn in the fourth quarter of 1997, the stock market generally performed very well in the first three quarters of 1997. Over that period, the HSI rose from a close of 13,203.44 on 2 January to an all time high of 16,673 on 7 August, representing an increase of 26%.

In the same first three quarters, the market generally reacted positively and materially to announcements of PRC related activities, of which there were a number in that period. The share price of a stock, when identified by the market as a target of PRC related corporate activities, would generally surge materially both before and after the announcement of such activities. The market referred to the phenomenon as the “*red chip frenzy*” or the “*red chip fever*”.

Prices and trading volumes of Lippo, HKCBH and HKC

These two factors caused the prices and trading volumes of Lippo, HKCBH and HKC to rise very significantly following the 23 June announcement, as may be seen from appendices 6 to 9 of this report.

Appendix 6 is a table showing the:

- daily high/low price of HKCBH shares
- daily closing price of HKCBH shares
- daily turnover of HKCBH shares; and
- the HSI

for the period 2 January to 31 December.

Appendix 7 is a table showing the same information in respect of HKC (Lippo China Resources) shares for the same period.

The graph at Appendix 8 shows the daily closing price and turnover of HKCBH shares and the HSI for the period 2 January to 31 December.

The graph at Appendix 9 shows the daily closing price and turnover of HKC (Lippo China Resources) shares for the same period.

Starting from close of trading on 15 April (which is the date HKCBH’s share price started to rise) the price of Lippo, HKC and HKCBH securities increased by 61%, 182% and 270% respectively following the 23 June announcement, the HSI rose 21.7% over the same period. Further details are given in Chapter 8.

The SFC investigation

The SFC investigation revealed that over the material time (which is the period covered by the section 16 notice of 1 May to 23 May) Carlton Poon, who is a director

of Worldsec and a market analyst, had a number of meetings with Stephen Riady, who as we said in Chapter 1, is the Deputy Chairman of the Lippo Group, as well as the Deputy Chairman and Managing Director of HKC and an Executive Director of HKCBH, at which both the HKCBH Acquisition and the HKCB Reorganisation were discussed and that through Carlton Poon's offices Worldsec Corporate offered their services as financial advisors to Lippo. These meetings, as well as others relevant to this Inquiry, both shortly before, during and shortly after the material time, are described in Chapter 4.

The SFC investigation also revealed dealings over the material time in the listed securities of the Corporations in the names of two of the implicated persons - Jenny Kong and Edmund Kung.

Jenny Kong is Carlton Poon's wife. Jenny Kong's dealings are described in Chapter 5. There were seven purchases over the material time, one on 1 May, three on 2 May, one on 7 May, one on 8 May and one on 12 May. There was also one purchase on 30 April, which falls outside the material time. The securities bought were sold between 12 May and 5 June.

Edmund Kung is a former business associate and former friend of Carlton Poon. Edmund Kung's dealings are also described in Chapter 5. There were two purchases over the material time, on 16 & 23 May. The securities bought were sold between 30 May and 5 June.

The SFC investigation found no evidence that Carlton Poon dealt in his own name in the listed securities of the Corporations over the material time.

The circumstances in which Stephen Riady became an implicated party are referred to in Chapter 1. The SFC investigation found no evidence that Stephen Riady dealt in his own name in the listed securities of the Corporations over the material time.

The ambit of the Inquiry

Carlton Poon

In respect of Carlton Poon the Tribunal has inquired into and determined whether, given the provisions of section 4(1)(c)(i) of the Ordinance and the capacity in which he attended the various meetings with Stephen Riady on behalf of Worldsec, Carlton Poon was a person connected with HKCBH or HKC (or both companies).

If he was so connected, whether Carlton Poon, whilst in possession of information about HKCBH or HKC (or both companies) which he knew to be relevant information, acted in breach of section 9(1)(a) of the Ordinance, either by dealing in the securities of HKCBH or HKC (or both companies) himself, or by counseling or procuring either Jenny Kong or Edmund Kung (or both of them) to deal in them, over the material time, knowing or having reasonable cause to believe that either (or both of them) would so deal.

Alternatively, if he was so connected, whether Carlton Poon, knowing certain information about HKCBH or HKC (or both companies) to be relevant information, acted in breach of section 9(1)(c) of the Ordinance by disclosing that information, to either Jenny Kong or Edmund Kung (or both of them), knowing or having reasonable cause to believe that either (or both of them) would make use of the information for the purpose of dealing in the securities of HKCBH or HKC (or both companies) over the material time.

Irrespective of whether he was so connected with HKCBH or HKC (or both companies), whether Carlton Poon acted in breach of section 9(1)(e) of the Ordinance by virtue of his dealing in their securities, or by counselling or procuring either Jenny Kong or Edmund Kung (or both of them) to deal in them over the material time, having when he did so information about HKCBH or HKC (or both companies) which he knew to be relevant information, and which he had received from a person whom he knew to be connected with either HKCBH or HKC (or both companies).

Jenny Kong

In respect of Jenny Kong, the Tribunal has inquired into and determined whether she acted in breach of section 9(1)(e) of the Ordinance in that she dealt in the securities of HKCBH or HKC (or both companies) over the material time having information about HKCBH or HKC (or both companies) which she knew to be relevant information, and which she had received (directly or indirectly) from a connected person, knowing such person to be connected with either HKCBH or HKC (or both companies) and knowing or having reasonable cause to believe that the connected person held that information by reason of such connection.

Edmund Kung

In respect of Edmund Kung, the Tribunal has inquired into and determined whether he acted in breach of section 9(1)(e) of the Ordinance in that he dealt in the securities of HKCBH or HKC (or both companies) over the material time having information about HKCBH or HKC (or both companies) which he knew to be relevant information, and which he had received (directly or indirectly) from a connected person, knowing such person to be connected with either HKCBH or HKC (or both companies) and knowing or having reasonable cause to believe that the connected person held that information by reason of such connection.

Stephen Riady

In respect of Stephen Riady the Tribunal has inquired into and determined whether he acted in breach of either section 9(1)(a) or 9(1)(c) of the Ordinance in respect of either Jenny Kong or Edmund Kung's dealings in the securities of either HKCBH or HKC (or both companies) during the material time.

Chapter 4

In this chapter we summarise the evidence relating to the meetings Carlton Poon had with personnel of the Lippo Group and Lippo's solicitors over the material time, as well as the meetings those personnel had with other people concerning the Reorganisation over the same period.

There is no evidence that either Jenny Kong or Edmund Kung met Stephen Riady, or Kelvin Lo, or indeed any other officer of the companies within the Lippo Group or any solicitor or legal executive of Richards Butler, over the material time.

A proposal for the Lippo Group to enter into a share swap with CRH was first floated in November 1995. It came to nothing.

On 11 April 1997, Kelvin Lo at a meeting with Jeffrey Marzo, Januar Tjandra and David Voon of Goldman Sachs, had indicated that the Lippo Group was considering restructuring HKC.

Stephen Riady spoke to Zhu You Lan, the President of CRH, *"sometime in April"* 1997 about the *"red chip flavour"* in the market and suggested that CRH swap its interest in HKCB for an interest in HKCBH. Zhu was open to the idea and asked Riady to explore it. Stephen Riady instructed Kelvin Lo, Lippo's Company Secretary to prepare a proposal. According to Kelvin Lo, this instruction was *"a couple of days before 25 April 1997"*, given the meeting he had with Jeffrey Marzo, Januar Tjandra and David Voon of Goldman Sachs on 11 April, he may be wrong in his timing.

On 23 April, Stephen Riady disclosed the proposed Reorganisation to Dioscoro Ramos and Januar Tjandra of Goldman Sachs' investment research department. Kelvin Lo also attended that meeting.

On 25 April, of his own volition, Kelvin Lo arranged a meeting with Christopher Williams of Richards Butler, the Lippo Group's solicitors, to discuss various implications of the HKCBH acquisition including the necessary compliance and documentation requirements. On the same day (25 April) after the meeting, Kelvin Lo prepared and sent a confidential memorandum to Stephen Riady headed *"Timetable for Lippo Group Restructuring."* In it Kelvin Lo estimated that the draft sale and purchase agreement of HKCBH acquisition would be prepared during the period 28 April to 7 May, and the sale and purchase agreement could only be signed

after the announcement of interim results for 1997 so that the interim figure could be used as basis for fixing the consideration.

On 30 April, at 1225 hrs, Christopher Williams sent a memorandum headed "*Lippo Group Reorganisation 1997*" to Kelvin Lo under cover of a confidential fax. This memorandum dealt with the compliance requirements, documentation, statutory approvals and notifications required in a reorganisation as well as setting out an outline timetable for a reorganisation.

On 1 May, at 1600 hrs, Carlton Poon attended a meeting with Stephen Riady at Riady's office. Bethany Chan, a Director of Worldsec and his assistant, accompanied him. Conroy Eu, Worldsec's sales manager, who had known Stephen Riady for about ten years, had arranged this meeting at Carlton Poon's request. According to Conroy Eu, Carlton Poon had asked him to do this about two days before the meeting because Poon was interested in conducting research into small capitalized companies. Poon had not mentioned to him which of the companies in the Lippo Group he was particularly interested in conducting research on. Conroy Eu said that once he had introduced Carlton Poon and Bethany Chan to Stephen Riady, he left the meeting.

Carlton Poon told us that this meeting was a research visit only. All three participants in the meeting (Riady, Poon & Chan) agree that at the meeting Carlton Poon offered Worldsec Corporate's financial services to Stephen Riady. It would appear that Worldsec wished to be advisors in respect of the whole Lippo reorganisation, but that Lippo envisaged their role being limited to advisors to the minority shareholders.

Carlton Poon's evidence was that Stephen Riady made no mention of any reorganisation of the Corporations at this meeting.

Stephen Riady's evidence was that he mentioned the HKCBH Acquisition and that it was in this context that Carlton Poon offered the services of Worldsec Corporate to HKCBH. According to Stephen Riady, Carlton Poon made that offer once he had informed Carlton Poon of the existence of a plan to restructure the Group.

Although Bethany Chan's recollection of the meeting was "*hazy*", she recalled that a restructuring was mentioned. In her interview on 4 March 1998, she drew a chart for

the SFC outlining what had been discussed. This chart is in a format which is consistent with Stephen Riady's evidence.

On 2 May, Stephen Riady and Kelvin Lo met Chester Kwok and Hubert Chak of ING Barings. According to Hubert Chak, Stephen Riady disclosed details of the HKCB Reorganisation and HKCBH Acquisition to them. Riady also mentioned that HKC would buy out CRH's 50% interest in HKCB by cash and shares, and CRH would become a shareholder in HKCBH, holding a 50/50 equal stake with HKC in a 60-75% shareholding in HKCBH. It was also mentioned that CRH might also increase its interest in HKC so that both HKCBH and HKC would have some red chip element. At the meeting, Stephen Riady drew a diagram illustrating and explaining the new shareholding structure of the various companies in the Reorganisation. Hubert Chak copied the diagram and made contemporaneous notes during the meeting.

On the same day (2 May) Kelvin Lo prepared and sent a memorandum marked confidential and urgent to Stephen Riady regarding the HKCB Reorganisation. The memorandum set out different bases of valuations of HKCBH and HKCB. A new organisation chart showed CRH as holding a 50% shareholding in a joint venture company which was to hold 70% (altered to 68% by hand) of HKCBH, which in turn was to hold 100% of HKCB.

On 5 & 7 May 1997, Kelvin Lo prepared further memoranda analysing the financial implications of a reorganisation on the Lippo Group and CRH using different bases of valuations of HKCBH and HKCB.

At about 1500 hrs on 5 May 1997, Stephen Riady went to Zhu You Lan's office and discussed the HKCB Reorganisation with her. According to Riady, Zhu appeared receptive to the idea. According to Zhu, this was the first time that Riady had mentioned the proposal to her.

At about 1600 hrs on 7 May 1997, Stephen Riady again went to see Zhu You Lan and discussed the HKCB Reorganisation with her. The calculations and charts that Kelvin Lo had prepared were given to Zhu. Zhu indicated that she would consider the proposal.

Zhu recollected that she had received documents relating to the financial implications of the HKCB Reorganisation from Stephen Riady at one of these two meetings.

At around 1100 hrs on 7 May, Carlton Poon attended a meeting with Kelvin Lo accompanied by Cecilia Ng, a corporate finance executive from Worldsec. Two lawyers, Christopher Williams and Loretta Lau from Richards Butler, also attended that meeting. From Cecilia Ng and Richard Butler's minutes of the meeting, it is clear that details of the Reorganisation, including the HKCBH Acquisition and the HKCB Reorganisation, were given out at that meeting.

Later on the same day (7 May) Richards Butler's Christopher Williams sent Carlton Poon by hand a 'Private & Confidential' letter, addressed to "Dear Carlton", which reads as follows:

"Following our meeting of earlier today, I enclose certain draft documents I have previously prepared relating to the proposed reorganisation. I should mention that all such documentation relates only to step 1 of the reorganisation (i.e. the transfer of Lippo' s interest in HKCB Holding to Hongkong China, and not any transaction involving China Resources). Accordingly, I enclose the following:

- 1. A draft Memorandum dated 29.4.97 dealing with certain regulatory and due diligence requirements.*
- 2. A draft Submission to the Securities & Futures Commission.*
- 3. Reorganisation timetable.*

I should return to the office on Friday morning and will give you a call on my return. In the meantime, I understand you will prepare an outline timetable encompassing steps 1 and 2 of the reorganisation. In my absence, I think it would also be helpful if you could prepare an analysis of the transactions from a Listing Rule perspective.

As regards any Submission required in relation to a waiver from the requirement to make a mandatory offer in accordance with Rule 26 of the Code, would you prefer any such waiver application to come from Worldsec in its capacity as financial adviser. As currently drafted it comes from this firm."

Also on 7 May, at 1600 hrs, Stephen Riady and Zhu You Lan again discussed the Reorganisation.

On 8 May, Carlton Poon and Stephen Riady spoke over the telephone. There is a conflict between Carlton Poon and Stephen Riady over what they discussed. Carlton Poon's evidence is that he suggested to Riady that trading in HKCBH shares be suspended temporarily pending an interim announcement about the Reorganisation. Stephen Riady had no recollection of this and said that had Carlton Poon mentioned it to him it was the sort of thing he would have remembered. He went on to say that no investment bank had suggested anything of this nature to him.

Also, at 1915 hrs, on the same day (8 May), Kelvin Lo faxed a draft announcement relating to the Reorganisation to Carlton Poon.

On 9 May, at about 1430 hrs, there was a further meeting between Stephen Riady and Zhu You Lan at which Zhu told Riady that CRH had no objection to the Reorganisation, but that approval for it would have to be obtained from MOFTEC in Beijing.

Just before lunch on 12 May Carlton Poon met Stephen Riady for the second time. Both Carlton Poon and Stephen Riady agree that the meeting was called to discuss whether Worldsec Corporate was to be offered a mandate to provide Lippo with corporate financial services. Stephen Riady's evidence is that at this meeting he confirmed to Carlton Poon that there was a role for Worldsec in the restructuring. Carlton Poon's evidence is that this was not discussed and matters became awkward when he advised Riady that he should be careful not to let information about the Reorganisation leak into the market and not to make misleading statements about it. Stephen Riady said that he had no recollection of this being said and had it been, he would have remembered it.

Also on 12 May, at 1230 hrs, Stephen Riady met Y K Choi of the HKMA to discuss the Reorganisation.

On 13 May, between 1100 & 1215 hrs, Carlton Poon attended a further meeting with Kelvin Lo, Christopher Williams, and Cecilia Ng to discuss the Reorganisation. This meeting was followed up, at 1622 hrs, by Christopher Williams faxing details of the discussion to Kelvin Lo and copying that letter to Carlton Poon. Kelvin Lo faxed his

reply to Christopher Williams on 15 May, at 1619 hrs, and faxed a copy of that reply to Carlton Poon and Cecilia Ng.

Also on 13 May 1997, CRH sought approval from MOFTEC and the PBOC for the restructuring of the shareholding of HKCB. Zhu You Lan and Frank Ning, the Managing Director of CRE, flew to Beijing on 15 May 1997 to deliver the letter personally to MOFTEC and the PBOC. While in Beijing, they met with Chen Yuan, a Vice Governor of the PBOC and the representative of MOFTEC. Officers of both the PBOC and MOFTEC indicated to Zhu that neither authority had an objection to the proposal, and that written approval for it would be issued later. Zhu returned to Hong Kong on 23 May.

On 15 May, at 1030 hrs Stephen Riady met David Carse and Y K Choi of the HKMA to discuss the Reorganisation.

On 16 May, Christopher Williams faxed Kelvin Lo a private & confidential fax relating to the Reorganisation. He also faxed a copy to Carlton Poon.

On 27 May, at 0930 hrs, Zhu You Lan informed Stephen Riady of her discussions with the officers of MOFTEC and the PBOC in Beijing and informed him of her appointment as a director of HKC. Later that day Stephen Riady, Carlton Poon, Kelvin Lo and a person called Terry lunched together.

On 29 May, at 1932 hrs, Kelvin Lo faxed Carlton Poon the draft announcement of Zhu You Lan's appointment as a director of HKC, with effect from 29 May 1997.

On 30 May, Stephen Riady met with Frank Ning to discuss the Reorganisation and negotiate the share price.

On 5 June, at 1700 hrs, Zhu You Lan and Frank Ning met David Carse and Li Kwong Fai of the HKMA to discuss the Reorganisation.

On 6 June, at 1428 hrs, the SEHK issued a Teletext announcement reporting the suspension of trading in the securities of HKCBH and HKC pending the formalisation of the Reorganisation.

On 23 June HKCBH and HKC, together with Lippo, published a joint announcement of a group reorganisation (the 23 June announcement) consisting of various transactions affecting all three corporations. These are précised in Chapter 3 of this Report.

Chapter 5

In this chapter we summarise the evidence relating to the trades in the Corporation's securities conducted in Jenny Kong and Edmund Kung's name over the material time.

Trades in Jenny Kong's name

Jenny Kong traded in HKCBH and HKC securities through accounts opened in her name at Worldsec, Wocom and Prudential over the material time.

On 30 April, at 1120-1127 hrs, Jenny Kong bought 500,000 HKCBH warrants (stock code 922) through seven discretionary accounts in the names of various of her family members and friends that she maintained at Worldsec.

On 1 May, at 1112-1119 hrs, 150,000 HKCBH warrants were bought through Jenny Kong's own account at Worldsec.

On 2 May, at 1006-1127 hrs, 1,570,000 HKCBH warrants were bought through Jenny Kong's account at Worldsec. On the same day, at 1008 -1019 hrs, 1,500,000 HKCBH shares (stock code 655) were bought through Jenny Kong's account at Prudential. And also on the same day, at 1011-1204 hrs, 1,500,000 HKCBH warrants were bought through Jenny Kong's account at Wocom.

On 7 May, at either 1459 or 1509hrs, 200,000 HKCBH warrants were bought through Jenny Kong's account at Worldsec.

On 8 May, at 1053 hrs, 644,000 HKC shares (stock code 156) were bought through Jenny Kong's account at Wocom.

On 12 May (a Monday) at 1002-1050 hrs, 1,500,000 HKCBH shares were sold through Jenny Kong's account at Prudential. On the same day, at 1003-1013 hrs, 1,500,000 HKCBH warrants were sold through Jenny Kong's account at Wocom and 1,920,000 HKCBH warrants were sold through Jenny Kong's account at Worldsec. However, at 1438-1520 hrs, 2,000,000 HKC warrants (stock code 754) were bought through Jenny Kong's account at Prudential.

After the close of the market that day (12 May), Carlton Poon instructed Hilda Lam, an account executive at Worldsec, to change the booking for the purchase of the

1,920,000 HKCBH warrants bought on 1, 2 & 7 May from Jenny Kong's accounts to the accounts of other people.

As a result of these instructions, Hilda Lam allocated 920,000 of the HKCBH warrants to two discretionary accounts she handled, namely the accounts of her husband Lau Chiu Ping and someone called Yuen Siu Fung. Lau Chiu Ping took up 350,000 HKCBH warrants and Yuen Siu Fung took up 570,000 HKCBH warrants. The warrants were sold on the same day, making a profit of \$668,384 for Lau Chiu Ping's account and around \$1 million for Yuen Siu Fung's account.

Hilda Lam allocated the remaining 1,000,000 HKCBH warrants to Edmund Kung's account. This was a discretionary account managed by Carlton Poon. The warrants were sold on the same day and Edmund Kung's account received a profit of \$1,957,009.

On 20 May, at 1537-1554 hrs, 644,000 HKC shares were sold through Jenny Kong's account at Wocom.

On 4 June, at 1229-1545 hrs, 830,000 HKC warrants were sold through Jenny Kong's account at Prudential.

On 5 June, at 1024-1537 hrs, 610,000 HKC warrants were sold through Jenny Kong's account at Prudential. On the same day, at 1201-1537 hrs, 560,000 HKC warrants were sold through Jenny Kong's account at Prudential.

Trades in Edmond Kung's name

There were also trades in HKCBH and HKC securities through the accounts in Edmund Kung's name at Worldsec over the material time.

As we have said when describing Jenny Kong's trades in HKCBH and HKC securities, on 12 May, after the close of the market that day, Carlton Poon instructed Hilda Lam, to change Worldsec's account records for the purchase of the 1,920,000 HKCBH warrants bought on 1, 2 & 7 May by rebooking the purchases from Jenny Kong's accounts to the accounts of other clients of Worldsec. As a result of these instructions, Hilda Lam allocated 920,000 of the HKCBH warrants to two discretionary accounts she handled and the remaining 1,000,000 HKCBH warrants to Edmund Kung's Worldsec account, a discretionary account managed by Carlton

Poon. The warrants were sold on the same day and Edmund Kung's account received a profit of \$1,957,009.

Subsequently, on 16 May, 1,000,000 HKC warrants (stock code 754) were bought through Edmund Kung's Worldsec account. On 23 May, 1,620,000 HKC warrants were bought through that account. On 30 May, 1,260,000 HKC warrants were sold through that account. On 3 June, 340,000 HKC warrants were sold through that account. And on 5 June, 1,020,000 HKC warrants were sold through that account.

Chapter 6

In this Chapter we examine Carlton Poon, Jenny Kong and Edmund Kung's explanations for the trades in HKCBH and HKC securities carried out in Jenny Kong and Edmund Kung's names and reach conclusions on their veracity.

From the summary of evidence given in Chapter 4, it can be seen that each of Carlton Poon's meetings with Stephen Riady on 1, 7 and 12 May were followed by purchases by Jenny Kong of HKCBH and HKC securities. The meeting at 1600 hrs on 1 May was followed by a very substantial purchase of HKCBH securities on the morning of 2 May. The meeting at 1100 hrs on 7 May was followed by purchases of HKCBH securities in the afternoon of 7 May and HKC securities on the morning of 8 May. And the meeting just before lunch on 12 May was followed by a purchase of 2 million HKC warrants during the afternoon of the same day.

Carlton Poon has it that he had nothing to do with these purchases; they were entirely his wife's (Jenny Kong) idea. She had never consulted him about them, and it is mere coincidence that she was trading in the securities of the Corporations at the time when Worldsec, of which he was a director and the principal analyst, was offering its corporate finance services to Stephen Riady in respect of the Reorganisation and he was liaising with Richards Butler, the Lippo Group's solicitors, in respect of that matter. Jenny Kong also maintains the same position.

Carlton Poon also has it that he had harboured reservations about how serious Lippo was about the Reorganisation, and that it was on 8 May, not 7 May that he gained the impression that Lippo were taking it seriously. He also said that he remained of this view around 12-13 May. He also claimed in his witness statement that he believed that the Reorganisation was not commercially viable and that Lippo was engaged in "*ramping-up*" the share price.

The Reorganisation

There is no evidence that after the 7 May meeting between Carlton Poon and Stephen Riady, that Riady or any other Lippo executive, suggested to Carlton Poon that the senior management of the Lippo Group was not giving serious consideration to the Reorganisation. Rather, the actions of the Lippo executives and communications between Lippo, Richards Butler and Worldsec outlined in Chapter 4 indicate that the proposals for the Reorganisation were being pursued throughout this period of time in a positive and enthusiastic manner. This may be seen from the fact

that Stephen Riady met with Zhu You Lan of CRE on 5, 7 & 9 May and with officers of the HKMA on 12 & 15 May to discuss the Reorganisation.

Neither is there any evidence that Carlton Poon communicated his view that Lippo was engaged in ramping to anybody over the material time.

It would also appear that Carlton Poon never communicated his stated belief that the Reorganisation was not commercially viable to Cecilia Ng, his colleague at Worldsec. It is true that there was some evidence from John Maguire, Worldsec's Managing Director, suggesting a belief on Maguire's part that the Reorganisation might not happen. This, however, has to be considered in the context of both Cecilia Ng and Maguire himself continuing to work on Worldsec's part in the project between 15 & 23 May, as may be seen from Worldsec's working documents. In any event this assessment would have been premature on 12 & 13 May. There would have been nothing unusual in the price being a matter for discussion at that stage in the negotiations.

Jenny Kong's trades

We turn now to the trades in the Corporations' securities conducted by Jenny Kong. Carlton Poon did not disclose the trades conducted through her Worldsec account between 1 & 7 May to the SFC in response to their request for information on 3 September 1997.

In his first interview with the SFC on 24 February 1998, Carlton Poon claimed that Jenny Kong's Worldsec account had not been used for trades in HKCBH securities as she had wanted to use the funds in this account to purchase sterling.

The SFC discovered evidence of Jenny Kong's Worldsec trades when they searched the Poon's family home on 4 March 1998. When Carlton Poon was asked in a subsequent SFC interview on 2 April 1998 why he had not reported them, he replied:

"I interpreted your questions to mean those shares that my wife had purchased. It being a cancellation, she didn't have - - she didn't purchase those shares, she didn't have the benefit or the loss of all of those shares."

In his statement to us, Carlton Poon claimed that prior to his second interview with the SFC in November 1998 that:

"...it occurred to me that my reply to the SFC might have been incomplete. I had a vague recollection of the cancelled trades but could not remember the details."

Carlton Poon went on to say that despite only having that "vague recollection", he went to the trouble of obtaining an "enquiry statement" from Worldsec, took it home to study, but failed to study it.

He also claimed to us that he not had disclosed Jenny Kong's trades to the SFC in September 1997, because they had "slipped his mind".

So far as the rebooking of Jenny Kong's Worldsec trades on 12 May is concerned, Carlton Poon claimed that he had discovered these trades "accidentally" on 7 May, and that he had been unaware of them before then. He went on to say that he had said nothing about them to Jenny Kong until the evening of Monday, 12 May. This was after the rebooking, described in Chapter 4, had been effected. He had been unable to explain to her the reasons why there had to be a rebooking. Carlton Poon claims that this was because he believed that his wife would be unable to understand the reasons for the rebooking. This had led to matrimonial disharmony.

He told us that his intention in effecting the re-booking was to distance both his wife and himself from the trades.

Hilda Lam

Apart from Carlton Poon and Jenny Kong, Hilda Lam was the principal witness regarding the 12 May re-booking. She confirmed that she had arranged for this to be done at Carlton Poon's request. She had claimed in her SFC interview on 30 March that the purchase of 1,250,000 HKCBH warrants had been wrongly allocated to Jenny Kong as the result of an "error". She was unable to explain what that error was.

Jenny Kong

Jenny Kong claimed that she had been unable to recall the "cancelled trades" prior to the SFC search of the Poon's home on 4 March 1998. At the material time there had

been “*virtually no communication*” between her husband, Carlton Poon, and herself regarding her share trading. Most of the HKCBH and HKC securities bought at that time had been purchased “*mistakenly*” and her husband had “*cancelled*” them without her permission. By doing this he had deprived her of a substantial profit in the region of \$3.75 million. This was something that had never happened before and it caused a major row to erupt between her husband and herself.

According to both Carlton Poon’s and her own evidence there had been a discussion between the two of them about the ‘sterling’ issue in November 1997, in the context of why the Worldsec account had not been used.

On or about 15 January 1998 the SFC had brought to her attention that they were interested in her trades in HKCBH and HKC securities and that they required her to attend an interview for this purpose. On 24 February 1998 when she attended for interview at the SFC she was asked about these matters. Her replies were that:

“Q. ... why didn’t you trade through Worldsec but instead chose to do so through Wocom?”

A. It was because I told my husband in April I wanted to buy 1,000,000 Pound sterling. As I had to settle my trade in Pound sterling in cash, but my fixed deposit wasn’t due at that time, so I might not have enough money for settlement. On the other hand, I didn’t want to make use of my (margin) facility in Worldsec. Although Worldsec doesn’t provide margin facility (to its clients), as I am its long time client, if I owe Worldsec money, it won’t pursue settlement with me immediately.

... ..

Q. Did your husband tell you any news related to China Resources (Holdings) Co. Ltd’s intention of acquiring HKCB Holding or the reorganisation proposal of Lippo? (sic)

A. No.

Q. According to our findings, your husband had met Stephen Riady, the Chairman of Lippo, on 1 May to negotiate with him the matter in relation to Worldsec acting as one of the independent financial adviser of Lippo

after reorganisation. As revealed from document KYK-8, you bought HKCB Holding (shares) and HKCB Holding W98 for the first time on 2 May 1997. Did your husband tell you he had contacted Stephen Riady on 1 May before this? (sic)

A. I don't know he had met the staff members of Lippo. My husband also didn't know that I had bought HKCB Holding (shares) and HKCB Holding W98 on 2 May.

Q. According to our findings, your husband had contacted Stephen Riady on 8 May. Do you have any idea about this?

A. I don't.

Q. As revealed from KYK-8, you purchased 2,000,000 HK China W97 on 12 May. In addition, as revealed from the stock activity report on KYK-14, your buy order was put up in the market after the opening of the afternoon session. According to our findings, your husband had met Stephen Riady in the morning of 12 May. Do you have any idea about this?

A. I don't.

Edmund Kung

Edmund Kung has known Carlton Poon ever since they worked together at J. P. Morgan in the 1980's. His Worldsec account was opened in November 1991.

It was set up and operated as a discretionary account operated by Carlton Poon. To run it he relied on Carlton Poon's *"in-depth knowledge of second and third line Hong Kong stocks as well as his broad industry sources and his trading skills"*.

Unless asked to do so, Carlton Poon did not contact him before or after a transaction was executed. Edmund Kung would only learn about the trades on the account when he received the contract notes and the monthly statements from Worldsec.

Starting at the beginning of 1993, Carlton Poon had used this account to conduct certain of his own personal trades. Edmund Kung had agreed to him doing this

provided that Carlton Poon kept track of these trades and kept the dealings separate. He claimed not to know the extent of Carlton Poon's trading through the account.

From January to 12 May 1997, Edmund Kung's Worldsec account was empty and dormant.

Carlton Poon did not consult Edmund Kung before he conducted any of the May and June trades in HKCBH warrants or HKC warrants. Kung first became aware of the HKCB Bank warrant transactions when he received a contract note dated 12 May 1997. When he received that contract note he was puzzled as to why the trade had occurred in his dormant account without any funding from himself. Before he got round to calling Carlton Poon to ask him about it, Poon called him and told Kung that he was using his account for some trades of Poon's own and he wanted to know if that was O.K.? Kung told him that, so long as he kept their trades separate, it was O.K. Carlton Poon did not give him any details of the trades and, since they did not concern him, Kung did not ask for any. It was not until 1998 that Carlton Poon had told Edmund Kung that the 12 May trade was a rebooking of another trade. He denied Carlton Poon's suggestion that Poon had told him about the rebooking on the evening of 12 May. Although he claimed in evidence to have a particular recollection about the fact that there had been no telephone call from Carlton Poon on 12 May 1997, this did not appear so unequivocally in his SFC interview.

With two exceptions, Edmund Kung claimed that none of the post January 1997 trading in his Worldsec account was his. The two exceptions were in August 2000 when he decided to short-sell CITIC. In September 2000 he decided to invest in Shun Tak Holdings stock through the account.

In May 1998, while the SFC investigation was in progress and after Carlton Poon had been interviewed by the SFC and in anticipation of the SFC interviewing Edmund Kung, Poon went to see Kung and persuaded him to mislead the SFC about the May purchases of HKCBH and HKC warrants through the Worldsec account by falsely to telling the investigators that he (Kung) had given specific instructions for these purchases. He agreed to do so, and gave this false account to the SFC when they interviewed him on 13 May 1998.

Once Edmund Kung learnt that he was to be an Implicated Person in this Inquiry he took legal advice. The advice was that he should tell the truth to the SFC, which he

did on 26 March 2001.

Conclusions

Carlton Poon

We do not accept any of Carlton Poon's explanations.

So far as his claimed beliefs about the illusory nature of the Reorganisation are concerned, we are satisfied that by the end of the 1 May meeting with Stephen Riady, Carlton Poon must have been aware that the senior management of the Lippo Group were giving serious consideration to a restructuring of the Group which would include a 'reddening' of HKCBH. He had no doubt asked Conroy Eu to arrange this meeting because he was aware of the rumours in the market that were prompting interest in Lippo related stocks and wanted to probe into them.

We are also satisfied that by the end of 7 May, in addition to the knowledge he had obtained at the 1 May meeting, Carlton Poon must have been aware that the Reorganisation would take place in two stages. By the end of that meeting he was aware of the HKCBH Acquisition. As an experienced stock market analyst, he must have been aware that he was in possession of considerable amount detailed information about how the Reorganisation was to be implemented.

We are also satisfied, from the numbers of items of correspondence passing between Richards Butler and Carlton Poon at Worldsec, that both Lippo and Richards Butler saw Carlton Poon as the person at Worldsec they should contact in respect of the Reorganisation and that Carlton Poon was leading the marketing of Worldsec Corporate's efforts to play a leading part in the Reorganisation as well as demonstrating his own strong personal interest in this matter.

So far as the 12 May rebooking is concerned, if Carlton Poon's intention in effecting the re-booking was to distance both his wife and himself from the trades, it strikes us as both odd, and self defeating of his stated objective, that he re-allocated part of these trades to Edmund Kung's Worldsec account, over which he had discretion, and for him to tell Kung, the nominal owner of that account, that they were his own trades.

Carlton Poon was unable to offer us any explanation why he had been unable to explain the reason for the rebooking to his wife. That strikes us as odd, given that the explanation - to distance both his wife and himself from the trades - is a simple

and non-technical one. We also found odd his claim in evidence that notwithstanding his concern about Jenny Kong's trades, he said he had neither warned nor advised her not to conduct any further trades in HKCBH securities.

Given his own description of the circumstances under which he discovered them, his claimed shocked reaction on discovering them and the cancellation and re-booking procedure he put in place to conceal them, we found Carlton Poon's attempts to explain why he failed to disclose his wife's Worldsec trades to the SFC almost risible. Frankly, there is no way that those trades could have "*slipped*" Carlton Poon's mind in September 1997 when the SFC asked him to disclose them. And he would most certainly have had more than a "*vague recollection*" when the SFC asked him about them in November 1998.

Given that Jenny Kong gave us the same reason for her not recalling the Worldsec trades, we have no doubt that Carlton Poon and Jenny Kong between them contrived the 'need for sterling explanation' prior to their SFC interviews in February 1998 in the hope that the SFC would be misled into thinking that no trades had been conducted at Worldsec. The irresistible conclusion is that until the SFC discovered evidence of them in their search of the Poon's home on 4 March 1998, Carlton Poon and Jenny Kong deliberately concealed these trades from the SFC.

There is an enormous amount of detail contained in Carlton Poon's witness statement. His account of the 1 May meeting alone runs over 5 pages. Yet, this wealth of detail comes from a man who claimed to the statutory body charged with policing the securities market in Hong Kong that significant events had "*slipped his mind*" within less than five months after their occurrence, and to have had only a "*vague recollection*" of them when its officers questioned him under compulsory process 18 months after they had occurred.

We are satisfied that neither the contents of Carlton Poon's witness statement nor his evidence are a truthful recollection of events. Rather, given that there are certain facts which he cannot realistically dispute, he has put before us a contrived account, designed to put himself in the best possible light. We are not taken in.

Hilda Lam

We were not impressed with Hilda Lam's evidence. She spoke of a close relationship between herself and her family and Carlton Poon and Jenny Kong and

their family. Indeed, in her cross-examined by Mr. Delaney, counsel for Jenny Kong, she appeared to be more than anxious to agree with every proposition put to her. We did not regard Hilda Lam as a truly independent witness.

The rebooking was quite unusual. At the time Hilda Lam was not under Carlton Poon's supervision at Worldsec. Her official position then was the personal secretary to the Managing Director.

We found Hilda Lam's evidence relating to the proceeds of the profit, which amounted to \$500,000 or so, totally unconvincing. According to her, Carlton Poon gave this profit to her as a gift, but she had booked it to her husband, Lau Chiu Ping's account. She laconically said in evidence "...*thank you Carlton*". She was unable to give a satisfactory explanation as to why such a generous gift had been made to her. Neither could she explain why all of the profits could not have been allocated to accounts over which she had discretion, or even to her own account at Worldsec. And as equally surprisingly, she claimed that she had never informed her husband of this windfall even though it was, in fact, now his money.

We also found Hilda Lam's husband, Lau Chiu-ping, to be as equally unconvincing, particularly so when he said in evidence that he had showed no interest in the \$500,000 or so profit that was so unexpectedly paid into his account and that he had never asked his wife what she did with the money.

Jenny Kong

We were as equally unimpressed with Jenny Kong's evidence. We have no doubt that she was as determined as her husband was to conceal her Worldsec trades from the SFC. We are satisfied that Carlton Poon and Jenny Kong contrived the 'need for sterling explanation' prior to their first interviews with the SFC in order to bolster this concealment. We note that in her witness statement Jenny Kong was clear about the reason for which she wished to purchase sterling. Her explanation, mainly concerning a wish to hold funds in sterling prior to the resumption of sovereignty on 1 July and a desire to obtain a favourable GBP to HKD exchange rate, runs for over three pages and in giving it she purports to be able to remember many figures and calculations. However she did not volunteer that detailed explanation when the SFC questioned her about it in her third Interview on 1 April 1998, which is far nearer the time of her stated need to purchase sterling. Then she said:

“Q. In question 28 of the record of interview dated 24.2.98, you mentioned that in April, you told Carlton you wanted to buy £1,000,000. Why did you want to buy such a substantial amount of £1,000,000?”

A. I hadn't thought about this.”

Jenny Kong also gave apparently self-contradictory evidence as to whether or not, on the evening of 12 May, Carlton Poon had said anything to her about her conducting further trades in HKCBH and HKC securities. Initially her evidence was that nothing had been said. When taxed with the contents of her second interview she changed her evidence saying words to the effect that Carlton Poon had asked her *“not to buy the shares of #922”* (HKCBH warrants).

We also, do not accept the explanation she gave for matters, which one would expect to be aired between a married couple, not being discussed with her husband. In particular her claims that:

“...when I asked Carlton for a recommendation, he could easily spend 15 to 20 minutes telling me everything about a company and why I should or should not invest in that particular company. Communication was difficult as Carlton could not speak Cantonese and I could not understand financial terms in English or even in Chinese. Sometimes, he would bring home research reports for me to read. I tried to read some of these reports, which were in English, but I found them very boring and difficult to understand so I eventually gave up trying to read them.

... ..

To get Carlton's opinion was not an easy task. I would first have to translate the article from Chinese into English for him and because my “financial” English is poor, he would soon get impatient. As a result, I did not consult Carlton often as it was very difficult for me to discuss these issues with him. I found Carlton's analysis of a company extremely boring and since he spoke in English, I did not understand much of the technical information and consequently, Carlton's views did not help me much in deciding on what to trade. I have not consulted Carlton about investments opinions since the second half of 1994.

... ..

That evening, 12th May 1997, Carlton came home from work late. When I asked him about this matter on his return home he informed me that he had cancelled my Holding warrants (0922) trades on my Worldsec account. This was the first time that Carlton had ever cancelled any trades on my account. I was surprised by his action and I was even more surprised when he gave me no detailed explanation as to why the trades had been cancelled. When I questioned Carlton further, he said he could not explain why he had cancelled them. I was angry and frustrated. I recall using some harsh words, which is very unusual for me. I recall telling Carlton he was stupid. Communication with Carlton is always limited in a situation like this because we cannot speak in the same language and it is troublesome for him to explain to me and vice versa. I was speaking in both English and Chinese but he kept to English. I remember telling him that it was none of his business as to what I traded on my accounts. Then he got angry too. I decided however, not to press him on the matter, as I did not want to cause a big argument that the children would become aware that we were arguing.”

Having regard to Carlton Poon and Jenny Kong’s obviously close relationship and her own background relating to her ability in the English language (she told us that she had trained as a State Enrolled Nurse in a London Hospital) we believe that the communication difficulties between her husband and herself have been grossly exaggerated and that her knowledge of English is far better than she would have us believe.

Neither can we accept, given that their lives appear to be dominated by the securities market, that there would not be far more discussion of the securities matters than either Carlton Poon or Jenny Kong was prepared to concede.

We also found it equally unbelievable, given the very great size of the investments and the regularity with which they were traded, that Jenny Kong, a retired nurse and now a housewife with no training in securities dealing and analysis, particularly in sophisticated instruments such as derivatives are, would be allowed, or even want, to invest the family’s savings in the manner she described without any input from her husband. Carlton Poon, on the other hand, who is a well-qualified, very experienced and highly regarded securities market analyst, would have been very familiar with

them. In this connection, it was apparent from Jenny Kong's evidence and her cross-examination by Mr. Barlow in particular, that she knew very little about the securities for which she was placing orders. Her answers to many of Mr. Barlow's questions were totally inconsistent with the picture of herself that she had attempted to paint of a knowledgeable, sophisticated and decisive independent trader.

We are satisfied that neither the contents of Jenny Kong's witness statement nor her evidence are a truthful recollection of events. She, too, has put before us a contrived account, designed to put herself in the best possible light. Again, we are not taken in.

We are satisfied that the only reasonable inference to be drawn from the evidence is that Carlton Poon was the "*guiding hand*" (the phrase is Mr. Duncan's) for the trades which Jenny Kong conducted through the accounts in her name at Worldsec, Wocom and Prudential.

In addition to the matters already set out earlier in this chapter, we have considered the following factors in coming to that decision.

The obvious change in investment strategy from purchasing HKCBH securities, prior to the 7 May meeting, at which details of the effect of the restructuring on HKC were first communicated to Carlton Poon, to purchasing HKC securities following that meeting.

Carlton Poon's connection with the Worldsec account, without any authority from his wife, he was able to effect the 12 May rebooking from this account.

The Worldsec account had very generous overdraft facilities, which were no doubt due to Carlton Poon's prominent position at Worldsec.

There were 32 occasions in 1997 where the same securities were bought and sold on the same date, at the same (or a very similar) price in various Worldsec accounts managed by Jenny Kong and two Worldsec accounts that Carlton Poon admitted to managing. The similarity of these so-called 'common trades' can only suggest that there was but one source for their orders and that source was Carlton Poon.

From time to time Carlton Poon used Jenny Kong's Wocom account to conduct trades. According to Christy Choi, the broker handling the Wocom account, most of

the trades in this account were Carlton Poon's. And, from time to time Carlton Poon would use Jenny Kong's Prudential account to conduct trades.

The Poon family's assets were maintained in Jenny Kong's name and Carlton Poon was by reason of that a beneficiary of the trades.

The huge amounts of family assets that Jenny Kong was investing in the stock market leads to the commonsense conclusion that Carlton Poon, her husband, would be vitally interested in the profitability of those assets.

When placing orders with Wocom and Prudential Jenny Kong did not seek advice. She told us that she simply gave an order apparently decided upon prior to her making the telephone call.

Edmund Kung

We have taken particular care in assessing Edmund Kung's evidence given that, notwithstanding the fact that at end of his two SFC interviews his obligation to tell the truth and to maintain secrecy were clearly spelled out to him, Edmund Kung deliberately chose to defy these obligations.

In favour of his credibility is the fact that on 26 March 2001 at a relatively early stage, albeit after the announcement that there would be an inquiry and that his securities dealings in May 1997 were to part of the subject of the inquiry, he volunteered a statement admitting that he had lied to the SFC in his earlier interviews and claiming that he was now giving a true and full account of his actions. Mr. Fred Kinmonth, Edmund Kung's solicitor, informed us that a draft of this statement had been read out to Carlton Poon on 20 March. According to Mr. Kinmonth, Poon had not challenged the accuracy of the contents of the statement, but had replied to the effect that its contents were "*substantially correct*".

We were satisfied that Edmund Kung told the truth in his 26 March 2001 statement to the SFC and in evidence before us and that his claim that he had nothing to do with the trades in HKCBH and HKC securities in his Worldsec account over the material time is true.

Chapter 7

In this chapter we consider the evidence against Stephen Riady.

The circumstances in which Stephen Riady became an implicated party are referred to in Chapter 1. Simply put, Mr. Heale had advanced the theory that Stephen Riady may have embarked on a campaign to actively propagate the news of the restructuring to various people, including bankers. That he had done so in the hope of exciting interest in the shares and thus maximise the share price. And that he had deliberately leaked news of the restructuring to Carlton Poon in the hope and expectation that this would cause Carlton Poon to engage in share trading in Lippo Group securities.

Stephen Riady rejected that suggestion. There is no evidence to support it. In this regard, Mr. Harris, Carlton Poon's counsel, expressly stated in his cross-examination of Stephen Riady that he was not suggesting that Riady had been leaking information. Neither was it ever put to Stephen Riady in cross-examination by counsel for any of the parties before us that he had been using bankers such as Dioscoros Ramos of Goldman Sachs, or Hubert Chak of ING Barings, or indeed any other person, to propagate the news of the restructuring.

We conclude in Chapter 8 that there is insufficient evidence to justify a finding that Stephen Riady engaged in insider dealing.

Chapter 8

In this chapter we deal with the question of whether or not Carlton Poon and Jenny Kong were in knowing possession of 'relevant information' about HKCBH and HKC.

Insider dealing can only take place if the buyer or seller of the securities of the corporations in question is in knowing possession of specific information about that corporation. If what they know falls short of being relevant information then there has been no insider dealing.

We dealt with the concept of relevant information in Chapter 2. We summarise what we said there: For information to be relevant information it must possess three elements, each of which must be proved to the Tribunal's satisfaction; they are:

1. The information about the corporation in question must be specific.
2. The information is known only to a few and is not generally known to the market; that is, to those individuals and institutions accustomed or likely to deal in the securities of the company; and
3. The information must be of the kind, which, had the market known about it, would have been likely to have a material effect on the price of that corporation's listed securities.

There is also the additional requirement that the person under inquiry must know that the information he has and acts on is relevant information.

What did Carlton Poon and Jenny Kong know?

We summarised the evidence of what Carlton Poon and Jenny Kong knew about the HKCBH Acquisition and the HKCB Reorganisation prior to the 23 June announcement in Chapter 5 and in Chapter 6 we examined Carlton Poon and Jenny Kong's explanations for the trades in HKCBH and HKC securities carried out in Jenny Kong's names and reached various conclusions. We do not propose to set out those conclusions again.

In summary, we are satisfied that at the meeting with Stephen Riady and Kelvin Lo on 1 May, Carlton Poon came into possession of information relating to HKCBH namely that the senior management of the Lippo Group were giving serious

consideration to a restructuring of the group which would include a 'reddening' of HKCBH. And that at the meeting with Kelvin Lo on 7 May, not only was the information relating to HKCBH confirmed, but Carlton Poon also came into possession of further relevant information relating to HKC, namely that HKC would be transformed from a property stock to a financial stock and the mechanism by which this was to be achieved.

We are satisfied that Carlton Poon informed Jenny Kong of the reasons for suddenly investing in such large amounts in HKCBH and HKC in May 1997 and that she systematically implemented his suggestions in trading in those securities. Her trades involved the family assets and would have necessitated frequent communication between Carlton Poon and Jenny Kong.

Was what Carlton Poon and Jenny Kong knew 'specific information'?

As we said in Chapter 2, information concerning a company's affairs becomes sufficiently specific if it carries with it such particulars as to the characteristics of a transaction, event, or matter - or a proposed transaction, event, or matter - so as to allow that individual transaction, event, or matter to be identified and its nature to be described and understood in a coherent fashion. We said there that it is not necessary that its possessor know all the particulars or details of the transaction, event or matter in question, and that the fact that a transaction is proposed, or contemplated, or under negotiation, or subject to preliminary discussions only does not prevent knowledge of it from being specific information. However, the presence of no more than rumours in the market is not enough.

With that test in mind, we are satisfied that the information Carlton Poon had and which he passed on to his wife, Jenny Kong, went beyond mere rumour and was specific information about HKCBH and HKC.

The fact that these items of information may only have been described as "preliminary" (and the like) by a number of witnesses does not preclude our finding that both were items of specific information.

Did the market not generally know that specific information?

We readily accept that potential investors in HKCBH and HKC's securities would have had access to a significant amount of published information about those companies. For example, Wardley Cards would have provided historical information

and summary financial data. Lippo, HKCBH and HKC's annual reports and various public announcements would have provided further information at various stages through the year. In this regard, on 29 April 1997, HKCBH had announced its financial results for the year ended 31 December 1996. These showed that before exceptional items, the company's profit growth compared with the previous year was 29%. The Lippo Group's close links with CRH would also have been public knowledge, particularly given their 50:50 joint ownership of HKCB.

Press reports

There was also information and commentaries in press reports, SEHK announcements, brokers' research reports as well as announcements made by the companies concerned. The salient details of these are summarised in the following paragraphs. We also give details of the performance of HKCBH and HKC's share price (and on occasions CRE and Lippo's share price) on various days and periods.

30 April

On 30 April, the Sing Pao Daily News published the following article:

"The Hong Kong Chinese Bank (655) share price rose considerably yesterday. Rumours had it that China Resources (Holdings) Company Limited, being a shareholder of the Hong Kong Chinese Bank, intended to increase its stake in the bank. Currently the two substantial shareholders of the Hong Kong Chinese Bank, namely China Resources (Holdings) Company Limited and Lippo Group, each holds 50% interest (less minority shareholders interest) in the bank. Yesterday, the shares of the Hong Kong Chinese Bank closed at \$2.85, an increase of \$0.25, with a turnover of 39,770,000 shares. The intra-day high hit \$2.875 whereas the intra-day low was \$2.625."

Also on 30 April, there were at least 10 other newspaper articles commenting on the fact that HKCBH's shares had soared the previous day. Some recommended purchases of HKCBH's securities. Yet another article recommended purchases of HKC securities. As it cannot be mere coincidence that eleven newspapers would run roughly similar articles, it would appear that somebody was leaking news to the press that a restructuring of HKCBH was a possibility.

On the same day (30 April) HKCBH's share price closed 4.19% higher at \$2.975, on

a trading volume of 31.3 million shares. This represented an increase of 30.7% from the closing price of \$2.275 on 15 April. The HSI over the same period rose only 4.5%.

1 May

At 0933 hrs on 1 May, the SEHK published the following statement from HKCBH over the Teletext system. It was dated "30 April 1997":

"HKCB BANK - Exceptional Turnover Movement

The Stock Exchange has received a message from The HKCB Bank Holding Company Limited which is reproduced as follows -

This statement is made at the request of The Stock Exchange of Hong Kong Limited.

We have noted the recent increase in the trading volume of the shares of the Company and wish to state that we are not aware of any reasons for such increase.

We also confirm that there are no negotiations or agreements relating to intended acquisition or realisations which are discloseable under paragraph 3 of the Listing Agreement, neither is the Board aware of any matter discloseable under the general obligation imposed by paragraph 2 of the Listing Agreement, which is or may be of a price-sensitive nature..."

At 1634 hrs on the same day (1 May), the SEHK published another statement from HKCBH over the Teletext system. It was to the same effect as that published in the morning.

Also on 1 May, at least two newspapers reported market rumours about HKCBH saying that it was undergoing a reorganisation and its banking business would be spun-off.

HKCBH's share price closed another 10% higher at \$3.275, on a trading volume of 50.7 million shares. The closing price of HKC's shares was 5.8% higher at \$3.175. The HSI rose 0.9%.

2 May

At 09:36 on 2 May 1997, the SEHK repeated the statements from HKCBH published the day before. And four newspapers reported that CRH wished to get a share of the banking business and that HKCBH was its target.

HKCBH's share price moved up another 1.53% to \$3.325, on a trading volume of 36 million shares. HKC's share price rose 4.7% to \$3.325. The HSI rose 0.47%.

3 May

On 3 May, two newspaper articles reported that the 32% rise in HKCBH's share price and trading volume over the past week was due to rumours that CRH was planning to buy a 20% stake in the company. One of the articles reported that John Lee, Lippo's Managing Director had said that he was not aware of such proposal. The article in the South China Morning Post had the headline "*China Resources Targets HKCB.*"

5 May

There appear to have been no press articles about HKCBH, HKC, Lippo, or CRE on 5 May. That day HKCBH's share price eased 1.5% to \$3.275. Trading volume decreased to 18.9 million shares, which is about half of the previous trading volume of 36 million shares. HKC's share price also dropped by 1.5% to \$3.275. The HSI rose 2.43%.

6 May

On 6 May 1997, HKC's final results for the year ended 31 December 1996 were published. Net profit rose 24.9% to \$545 million. Earnings per share and the proposed final dividend per share were \$0.42 and \$0.05 respectively. Despite these relatively good results, HKC's share price fell 3.05% to \$3.175. However, HKCBH's share price rose 0.76% to \$3.3. The HSI rose 1.34%.

7 May

On 7 May, Lippo announced its final results for the year ended 31 December 1996. Net profit fell 4.1% to \$355.8 million. Fully diluted earnings per share and proposed final dividend per share were \$0.71 and \$0.13 respectively. Although there appear to have been no newspaper articles concerning HKCBH, its share price rose another 11.36% to \$3.675 and its trading volume increased 29% to 19.4 million shares.

HKC's share price rose 4.72% to \$3.325. The HSI rose by 0.2%.

8 May

On 8 May, one newspaper reported that the next target price for HKCBH's shares would be \$5 amid rumours of the increase of CRH's interest in HKCBH and its reorganisation.

At 0949 hrs, the SEHK published a further 'standard denial' statement from HKCBH.

Also on 8 May, Sun Hung Kai Research published a research report containing the following information about HKCBH:

"Market rumours a big move in HKCB Holding

Recently, market rumours that China Resource Corporation may have a deal with the HKCB Holding. If the rumour comes true, the resultant effect may turn the HKCB Holding from an investment holding into a red-chip investment holding company. The rumours expected that after the deal, the Hongkong Chinese Bank will be wholly owned by HKCB Holding and CRC would sell its stake in the bank in return of share in the HKCB Holding or partially by cash. Assuming the rumour be realized in the near future that HKCB Holding would take over Hongkong Chinese Bank from CRC by issuing shares to CRC at current price of HK\$4.275. (The scenario based on one of the possible outcomes of the deal only, other scenarios may include the transaction by pure cash or a mixed)

Scenario

Background: Before the deal, HKCB Holding and CRC each held 50% stake in the bank

Assuming (1) the total no. of shares in HKCB is 843.3mn

(2) the total no. of shares in HKCB Holding is 593.7mn

(3) HKCB Holding would purchase HKCB at 10X PER

(4) HKCB Holding would issue its new shares at HK\$4.275

... ..

The calculation of shares distribution after shares swapping shown that

1) Hongkong Chinese Bank will be fully owned by HKCB Holding

- 2) CRC would become one of the major shareholders with 38.1% stake in HKCB Holding
- 3) Lippo Limited would eventually reduce its stake from 59% to 36.5%

The impact of earning per share due to shares swap are

- 1) *The prospective EPS would increase to \$0.4 and \$0.5 in 1997 and 1998*
- 2) *The prospective PER would be reduced according to the change of EPS*
- 3) *The prospective EPS growth would change from 32% and 30.2% to 60% and 25% in 1997 and 1998 respectively after shares swapping*

*The main trick of the shares swapping coming from the increasing stake of Hongkong Chinese Bank by HKCB Holding. As the earning effect of the Hongkong Chinese Bank contributed to HKCB Holding is larger than the dilution effect of issuing new shares after shares swapping, we expect the EPS would improve after the deal. After considering the strong earning growth of the company, in addition to the possible restructuring in the near future, we rated the counter a **Trading Buy**."*

Presumably this report was circulated to clients of Sun Hung Kai Research and Sun Hung Kai Securities and, as there has been no suggestion that its authors were in possession of inside information, was based on rumours circulating in the market in the few days before its publication.

HKCBH's share price rose 16.33% to \$4.275 and its trading volume also quadrupled to 83.9 million shares. HKC's share price rose 8.27% to \$3.600. The HSI rose 1.37%.

Between 8 May and 23 May there were around 49 articles in the press speculating on the possibility of a reorganisation of HKCBH and HKC.

9 May

On 9 May, a number of newspapers reported rumours about a reorganisation of the Lippo Group involving CRH, speculating that CRH would inject its interest in HKCB into CRE.

There was a further 'standard denial' SEHK Teletext from HKCBH at 0950 hrs on 9 May 1997. However, this time the board announced that, although there were no plans for a group reorganisation, the company kept its overall group structure under review.

HKCBH's share price rose 9.36% to \$4.675. Trading volume remained at a high level of 55 million shares. HKC's share price rose 6.25% to \$3.825. The HSI rose 1.37%.

12 May

On 12 May, one newspaper reported that although HKCBH's profitability for 1996 was not exceptionally outstanding, the rising trend of its share price was reasonable due to the rumours of its reorganisation and the involvement of CRH in the reorganisation. Another newspaper article said that HKCBH's share price would continue to rise and the next target price was \$6.0.

HKCBH's share price rose another 9.09% to \$5.1. Trading volume remained at a high level of 51 million shares. HKC's share price rose 6.54% to \$4.025. The HSI rose 0.41%.

13 May

On 13 May, after a two-week surge of 96%, HKCBH's share price fell 7.35% to \$4.725. HKC's share also fell 1.23% to \$4.025. The HSI fell 0.58%.

14 May

On 14 May, one newspaper commented that HKC's share price had reached a record high of \$4.3 amid rumours about a group reorganisation and the introduction of new shareholders with a PRC background. It was suggested that the share price would rise to around \$6. Also on 14 May, the Express Daily, the Tin Tin Daily and the Hong Kong Daily News reported Carlton Poon as recommending the purchase of HKCBH shares. The Hong Kong Daily News article, under the headline "Hong Kong China is still a hot pick" said that the newspaper had

"...recommended Hong Kong China (156) to our readers on April 30 when it was trading at \$2.975. When the resistance level of \$3.4 was broken through, there was an explosive upsurge. Days ago it reached

the year high of \$4.3...Apart from Hong Kong China, the price of the shares within the group also rocketed recently. News in the market was that a series of restructuring plans were being contemplated by the group and new shareholders which included PRC funded companies might be drawn in, something which the market is looking forward to”.

HKCBH's share price rose 3.7% to \$4.900 and HKC's share price rose 1.86% to \$4.100. The HSI rose 1.78%.

16 May

On 16 May, one newspaper commented that the recent increase of almost 100% in HKCBH's share price was the highest among similar stocks and was not in accordance with a fundamental analysis of its strength. The article attributed the rise to rumours concerning CRH's involvement and its past successful experience in acquiring Cosmos Machinery Enterprises Ltd and Logic International Holdings Ltd.

HKCBH's share price fell to \$4.775 and HKC's share price fell to \$4.000. The HSI fell 0.6%.

Week 19 to 23 May

During the week 19 to 23 May a number of press articles commented on the reorganisation rumours and the likely involvement of CRH in that reorganisation. In that week HKCBH's closing share price stabilised at around the \$4.875 to \$5.05 level and the daily trading volume ran at a much lower level of an average of 7.72 million shares.

21 May

On 21 May 1997 the SFC and the SEHK issued a joint announcement regarding unusual share price movements. Both bodies expressed their concern over the recent unusual price and volume movements in the shares of some listed companies, which appeared to bear little relation to the assets, profitability or prospects of the companies concerned. The SFC and the SEHK said that they were determined to take all necessary action against the creation of a false, unfair and disorderly market and/or insider dealing in the shares of any companies, and would require a greater level of disclosure by companies' boards in relation to rumours of prospects of future transactions. Investors were reminded to study the fundamentals of the companies which were the subject of market rumours and to exercise caution when dealing in

those companies' shares.

Despite that joint announcement, HKC's share price rose 15.6% to \$4.625, with an average trading volume of 12.2 million shares. The main price rise occurred on 23 May, which was the last trading day. The share price rose that day by 12.8% on a trading volume of 33 million shares. The HSI rose 1.9%.

24 May

On 24 May (a Saturday) one newspaper reported that there were rumours that CRH would become HKC's shareholder. The article went on to say that, if the deal was successful, Lippo's share price might rise to \$10. The progress of CRH's purchase of HKCBH was reported to be satisfactory. Another article in the same newspaper said there were other rumours that CRH would join the Bank of China group to purchase an interest in HKC.

26 May

On 26 May, one newspaper reported rumours of different reorganisation plans for the Lippo Group which were to be financed by Mainland capital and estimated the target price of HKC shares to be \$5.2.

HKCBH's share price rose to a record high of \$5.55, a surge of 13.85%. Trading volume also increased from previous 7.3 million to 37.7 million shares. The share price of HKChina, Lippo and CRE all rose by 7.03%, 10.77% and 7.06% respectively. The HSI however rose 1.7%.

27 May

The share price rises on 27 May were much smaller. HKCBH's share price rose by 0.9% and HKC's by 4.04%. The HSI fell 0.24%.

28 May

On 28 May, HKCBH, HKC and Lippo's share price fell by 4.46%, 1.94% and 3.27% respectively. CRE's share price however rose 1.48%. The HSI rose 0.11%.

29 May

On 29 May, five newspapers quoted comments made by Frank Ning, CRE's Managing Director, that the company had no intention of acquiring HKCBH and HKC, and that the recent market reports were just rumours. Frank Nong did not comment

on whether or not CRH had a series of acquisition plans.

HKC's share price rose another 7.92% to \$5.45 on a trading volume of 51 million shares. Lippo's share price rose 0.68%. HKCBH and CRE's share price fell 4.67% and 4.74% respectively. The HSI fell 0.96%.

30 May

On 30 May, many newspapers reported the announcement that Zhu You Lan had been appointed as a director of HKC on 29 May. One article referred to comments made by Lee Jark Pui, a director of HKCB, on whether Zhu's appointment implied that CRH would become the shareholder of HKC. He was reported as saying that these were two totally different matters, but that Zhu's appointment further strengthened the relationship between the Lippo Group and CRH.

HKC's share price closed 1.83% lower at \$5.35, but trading volume reached a record of 63 million shares. HKCBH's share price recovered 5.88% to \$5.4 on a trading volume of 23.7 million shares. CRE's share price rose 4.02%, Lippo's share price remained unchanged. The HSI rose 2.37% to 14,757.

Week 2 to 6 June

Rumours in the market about an impending reorganisation of the Lippo Group and the CRH's involvement that reorganisation caused the SEHK to suspend trading in HKCBH, HKC, CRE and Lippo shares at 1430 hrs on 6 June, pending a formal announcement.

During that week the rises in the share prices of HKCBH, HKC, Lippo and CRE were as follows:

	Closing price on 30 May	Closing price on 6 June	Percentage rise
HKCB	5.4	6.9	27.7%
HKC	5.35	6.25	16.8%
Lippo	7.45	7.55	1.34%
CRE	27.2	26.8	-1.47%

The three weeks 6 to 23 June - the suspension period

During the suspension period, which lasted from 6 to 23 June, rumours about the reorganisation and CRH's possible acquisition of interests in the Lippo Group were

rife. For example, on 13 June one newspaper reported that the people behind HKCBH and HKC were confident that their share prices would keep on rising after resumption of trading to as high as \$10 and \$15 respectively.

Between 10 June to 17 June, CRE's share price traded within a range of \$26.6 to \$27.7. The HSI fell about 1% during the same period.

19 June - announcement by CRE

Trading in CRE's shares was suspended on 18 June. On 19 June it was announced that CRE had entered into two conditional agreements whereby CRE, through its wholly-owned subsidiaries, was to acquire an 80% interest in Redland Holdings Ltd from CRH, which would hold 100% in Redland Concrete Ltd and a 50% equity in HKCB.

On 19 June CRE entered into a conditional agreement with Lippo and HKCBH under which CRE was to sell the 50% equity interest in HKCB that it would acquire under the HKCB Acquisition to HKCBH and in return CRE (or its nominee) would receive 444,444,444 new shares of \$1 each in the capital of HKCBH at a price of \$4.5 per share together with a cash payment from Lippo of around \$212.5 million.

As a result of the announcement, CRE's share price rose 8.66% to \$30.10 from the pre-suspension closing price of \$27.70 and its trading volume rose 3.8 times to 28.5 million shares. On the next day, 20 June, CRE's share price moved up a further 1.33% to \$30.5, with 15 million shares traded.

Most red chips at that time also performed strongly. The HSCCI rose 5.9% in the two days 18 & 19 June and 2.3% on 20 June.

Week 23 to 27 June - announcement of the reorganisation

The Reorganisation was announced on 23 June and trading in HKCBH, HKC and Lippo shares resumed on that day. The share prices of the three companies all rose in reaction to the announcement. The trading volumes of HKCBH and HKC shares reached new records of 112 million and 100 million shares respectively. The HSI stood at 15,021 on 23 June, 2.49% up on its close of 14,655 on 6 June 1997.

On 24 June, HKCBH's share price eased 5.2% to \$8.2 with 35.8 million shares traded. HKC's share price rose 16.4% to \$8.5 with 119.2 million shares traded.

Lippo's share price remained the same at \$8.15 with 4.6 million shares traded. The HSI eased 0.87% to 14,890.

Evidence of rumours

Various witnesses before us spoke of rumours concerning a Lippo Group reorganisation that were circulating in April, May and June 1997.

Patrick Wong of Sun Hung Kai Securities Services, told us that in early May the market was bullish about 'red chips' and that some of his clients were interested in purchasing red chip securities, as well as securities in the smaller sized banks such as HKCB was. In his SFC interview on 25 May 1998, Patrick Wong had said that:

"I was responsible for approaching...Lippo Securities for my clients, to see if they could place some HKCB Bank Holding shares to us (because there were apparently favorable market demands for such HKCBH securities ... The other dealers of our company had also approached other brokers to request for some shares (of HKCBH related securities)".

Patrick Wong also told the SFC that he "*probably*" had heard of the 'reddening' of HKCBH and its transformation into a red chip. He also told the SFC that the market was quiet in the first quarter of 1997, but in the second quarter there was more news about restructurings, and that people were bullish about second and third liners such as HKCBH, and HKC.

Bethany Chan told us that she was aware of rumours about either HKCBH or CRC and that: "*Hong Kong was in the middle of this red chip fever type of thing*" which had a favorable response from the stock market.

Tim Ferdinand, who specializes in the analysis of bank stocks, told us that he recalled that:

"...at that time there was a lot of rumour about any company that was connected with China, because red chip fever was at its height."

Other evidence

Stephen Riady and Kelvin Lo, the only two executives within Lippo who were privy to information about the Restructuring during the material time, told us that they treated

the information as if it were price sensitive and expected others, market professionals especially, to regard it as such. We would have particularly liked to have heard Tony Hidajat's evidence on this matter had he been available to testify before us.

Dioscoros Ramos of Goldman Sachs told us that he too regarded what Stephen Riady had told him on 23 April as price sensitive. As did Hubert Chak of ING Barings who met Stephen Riady on 2 May.

Conclusions

There is no doubt that the share price and trading volume of HKCBH and HKC shares enjoyed significant rises ahead of the 23 June announcement, which can be attributed to the following factors:

1. The deliberate leaking (from various unidentified sources) to the market of information concerning a possible reorganisation of the Lippo Group and the involvement of CRH in that reorganisation;
2. Numerous press reports and articles reporting rumours of a CRH related reorganisation of the Lippo Group; and
3. HKCBH's 'standard denial' SEHK Teletext announcement at 0950 hrs on 9 May, with the cryptic message that, although there were no plans for a group reorganisation, the company kept its overall group structure under review.

So far as the rumours are concerned, they were not restricted to HKCBH and HKC and in many instances they were either untrue or unreliable (or both) and not such that investors would automatically rely upon them. Further they were only rumours, and did not amount to the specific information which Carlton Poon and a few others had.

Although the Sun Hung Kai Research report of 8 May came close to revealing the reorganisation's structure, its emphasis was on HKCBH and the significant purchases of HKCBH securities in Jenny Kong's accounts had taken place by then. From 8 May onwards all significant purchases made in her name were of HKC securities.

All Lippo executives to whom it was put (Andrew Hau, Corporate Secretary of HKCBH, Davy Lee, Company Secretary of Lippo, John Lee, Managing Director of Lippo and Director of HKC, Lee Jark Pui, a director of Lippo and the head of public relations at HKCB, and Kelvin Lo) denied suggestions that the Reorganisation was generally known within Lippo.

In final analysis, however, there can be no doubt that Carlton Poon knew more than the investing public did and he had the advantage of having what he knew confirmed by the people in the Lippo Group who would be responsible for authorising the Reorganisation to go forward.

As we said earlier on when he met Stephen Riady and Kelvin Lo on 1 May, Carlton Poon became aware that the senior management of the Lippo Group were giving serious consideration to a restructuring of the group which would include a 'reddening' of HKCBH. And at the meeting with Kelvin Lo on 7 May, where the information relating to HKCBH was confirmed to him, Carlton Poon also came to know that HKC would be transformed from a property stock to a financial stock and the mechanism by which this was to be achieved. Further details on these matters were given to him in the correspondence that passed between Kelvin Lo, Richards Butler and Carlton Poon in May 1997, details of which we set out in Chapter 4.

Put in very colloquial terms, from the time of the 1 May meeting, Carlton Poon ceased to be a spectator at the circus. By offering Worldsec's services as financial advisor to the restructuring to Stephen Riady and from then on entering into further discussions with Riady and Kelvin Lo, and dealing with the correspondence to and from Richards Butler concerning the restructuring, he crossed into the circus ring and became one of the performers. By reason of that he had an advantage that the rest of the market generally did not, he knew the details of what was being proposed and how it was to be effected, and when it was to be effected.

Had the specific information been known to the market would it have been likely to have a material effect on the price of HKCBH and HKC's securities?

As we said in Chapter 2, the test of price sensitivity has to be applied at the time the transactions took place. In the context of this enquiry those are the days of Jenny Kong's trades on 2,7,8,12 & 20 May and the days of the trades on Edmund Kung's Worldsec account carried out by Carlton Poon of 16 & 23 May (all within the material time). The question we had to ask ourselves was: had the information Carlton Poon

possessed been generally known to the investing public on the days Jenny Kong traded and the days he (Poon) used Edmund Kung's account to trade would it, at those times, have been likely to have had a material impact on HKCBH and HKC's share price?

In answering that question we had regard to the evidence of how the market reacted once the information was stripped of its confidentiality and became public knowledge as a result of the 23 June announcement. In assessing that evidence we had to decide whether the market's response was attributable to the information released, or if it was wholly, or in part, attributable to other extraneous events or considerations. We also had to decide whether the information that Carlton Poon possessed at the time of Jenny Kong's trades, along with other matters already known to the market, would have been likely to affect the price of HKCBH and HKC's securities on those days to a material degree; for, as we said in Chapter 2, had the information been such that it would have only been likely to cause a mere fluctuation, or a slight change, in the price of those securities that would not be sufficient to make it relevant information.

The market response following the 23 June announcement

In summary, the rises in the average share price of HKCBH and HKC over the two-day period 23 and 24 June, compared with the closing price on 6 June when the suspension started, are as follows:

	Closing price on 6 June (\$)	Closing price on 23 June (\$)	Closing price on 24 June (\$)	Average closing price (\$)	Percentage rise
HKCBH	6.9	8.65	8.2	8.425	22.1
HKC	6.25	7.3	8.5	7.9	26.4

The rises in Lippo's share price over the same period were as follows:

Closing price on 6 June (\$)	Closing price on 23 June (\$)	Closing price on 24 June (\$)	Average closing price (\$)	Percentage rise
7.55	8.15	8.15	8.15	7.9

The changes in the HSI over the same period were as follows:

Closing on 6 June	Closing on 23 June	Closing on 24 June	Average closing over the period

14,655 15,021 14,890 14,955

If 16 April, the date when HKCBH's share price started its rise, is used as a reference point, the percentage increases in the share price of HKCBH and HKC immediately after the 23 June announcement are as follows:

	15 April closing price (\$)	Re-rated price following the announcement (\$)	% rise
HKCBH	2.275	8.425	270%
HKC	2.800	7.900	182%

Over the same period Lippo's share price rose 61%; CRE's share price rose 56%; the HSI rose 21.7% and the HSCCI rose 40%.

Over the same period, the prices of HKCBH and HKC warrants followed a similar trend to those of the underlying shares. However, the percentages of rises in the prices of the two warrants were larger than those of the underlying shares due to the leverage effect of warrants. For example, the price of HKCBH warrants rose 11 times from \$0.52 on 15 April to \$5.8 on 23 June, while the price of HKC warrants rose 15 times from \$0.2 on 15 April to \$3.025 on 23 June 1997. The graphs at Appendices 10 and 11 give comparisons of the price of HKCBH and HKC warrants and shares over that period.

Were the price rises wholly, or in part, attributable to other extraneous events or considerations?

There is no evidence of other corporate news in the market, or any other significant corporate activities relating to HKCBH and HKC, other than the Reorganisation, which may have contributed to the surge in HKCBH and HKC's share price on confirmation of the rumours of the Reorganisation in the 23 June announcement.

In Chapter 3 we referred to the phenomenon in the market in the first three quarters of 1997 known as the "red chip frenzy" or the "red chip fever", in which the HSI rose from a close on 2 January of 13,203.44 to an all time high of 16,673 on 7 August (an 26% increase). There is no doubt that the investing public's infatuation with red chip shares was one of the reasons why the share price of HKCBH and HKC surged on confirmation of the rumours of the Reorganisation. Indeed, the fact that both the trading volume and share price of HKCBH and HKC had risen ahead of the 23 June

announcement indicates that the market had started re-rating the share price of HKCBH and HKC, as well as Lippo, before those rumours were confirmed. The “*red chip frenzy*,” however, is not an extraneous factor. Rather, the involvement CRH and CRE, both of which are Mainland related companies, in the Reorganisation was one of the reasons why the investing public were keen to buy HKCBH and HKC shares once details of the Reorganisation became public knowledge.

Was the information such that it would have only been likely to cause a mere fluctuation, or a slight change, in the price of HKCBH and HKC’s securities?

Given the magnitude of the surge in HKCBH and HKC’s share price (22.1% and 26.4% respectively) on confirmation of the rumours of the Reorganisation in the 23 June announcement the answer to this question must be: No.

Did Carlton Poon and Jenny Kong know that the information Carlton Poon had was relevant information?

The fact that he was in possession of relevant information about HKCBH and HKC could not have escaped the seasoned market professional that Carlton Poon is.

We have no doubt that Jenny Kong (who for many years before 1997 had been a very active and successful investor in the market) was as equally aware that this information, which she must have received from her husband, Carlton Poon, was relevant information.

Chapter 9

In this chapter we set out our findings against each implicated person.

Carlton Poon - trades in Jenny Kong's name

There is no evidence that Carlton Poon was in possession of relevant information prior to his meeting with Stephen Riady on 1 May, at 1600 hrs, although he must at that time have been aware of the rumours that were prompting interest in the stocks. The trades in HKCBH warrants on 30 April and on the morning of 1 May do not constitute insider dealing.

There is however ample convincing evidence to support a finding that after the 1 May meeting Carlton Poon engaged in insider dealing in respect of the trades in HKCBH and HKC securities on 2, 7, 8, 12 & 20 May, all of which were within the material time.

Such a finding is warranted by virtue of the provisions of either of sections 9(1)(a), (c) or (e) of the Ordinance.

Carlton Poon was in possession of relevant information and knew it to be relevant information. As we said in Chapter 8, such knowledge could not have escaped the seasoned market professional that Carlton Poon is.

In the context of section 9(1)(a) and (c) of the Ordinance, we are satisfied that Carlton Poon was a connected person by virtue of the provisions of section 4(1)(c)(i) of the Ordinance as there was a professional or business relationship in existence between himself and Worldsec, and the Lippo Group of which the corporations were part from the time he attended the first meeting with Stephen Riady on 1 May. Whatever the nature of that relationship was, research or the provision of corporate finance services, it was a relationship which may reasonably have been expected to give him access to relevant information concerning the corporations.

As the 'guiding hand' behind Jenny Kong's trades, Carlton Poon himself dealt in the securities. Alternatively, he both counselled and procured (for we are satisfied that he did both) his wife Jenny Kong so to do, knowing or having reasonable cause to believe that she would so deal (section 9(1)(a)). Alternatively still, he disclosed the information to Jenny Kong knowing or having reasonable cause for believing that she would make use of the information for dealing (section 9(1)(c)).

Even if we had not been satisfied that Carlton Poon was a connected person he would nevertheless fall foul of section 9(1)(e) of the Ordinance by reason of his counselling and procuring (for we are satisfied that he did both) his wife Jenny Kong to deal in the securities, he having information about the corporations, which he knew to be relevant information, and which he had received from a person (Stephen Riady and Kelvin Lo) whom knew to be connected with the corporations.

Carlton Poon - trades in Edmund Kung's name

As we are satisfied that the trades in Edmund Kung's name were Carlton Poon's and not Edmund Kung's, there is ample evidence that Carlton Poon engaged in insider dealing in purchasing HKC warrants via Edmund Kung's Worldsec account on 16 & 23 May, both of which were within the material time. As they were Carlton Poon's trades, he dealt contrary to the provisions of section 9(1)(a) of the Ordinance.

Jenny Kong

We are satisfied that Jenny Kong systematically implemented her husband's suggestions and traded in HKCBH and HKC securities in huge amounts over the material time. These trades involved the family assets and would have necessitated frequent communication between Carlton Poon and Jenny Kong. We are satisfied that Carlton Poon informed Jenny Kong of the reasons for suddenly investing in such large amounts in HKCBH and HKC in May 1997.

We are satisfied that Jenny Kong acted in breach of section 9(1)(e) of the Ordinance and engaged in insider dealing in conducting the trades on 2, 7, 8, 12 & 20 May (all of which were within the material time) in that she had received information from Carlton Poon which she knew (from him) to be relevant information; and that when she received such information from him she knew that he had come by it by virtue of his contacts arising out of the professional or business relationship he had with the Lippo Group.

Edmund Kung

As we accept Edmund Kung's evidence in substance, the trades carried out in his account were not his and were carried out without any of the information needed to constitute insider dealing on his part.

Even had we believed and accepted Carlton Poon's evidence of what happened between Edmund Kung and himself; that would not provide evidence that Edmund

Kung had the necessary knowledge of relevant information for him to have acted in contravention of section 9(1) (e) of the Ordinance.

Stephen Riady

We dealt with the allegations against Stephen Riady in Chapter 7. There is insufficient evidence to justify a finding that Stephen Riady engaged in insider dealing.

Chapter 10

In this chapter we make observations on certain trades in HKCBH and HKC securities by other persons and on other aspects of the evidence.

Trades by Chia Siong Lim and Tong Yun Kai

We heard evidence of certain other trades over the material time in HKCBH and HKC securities, notably those of Chia Siong Lim and Tong Yun Kai. That evidence was of little assistance to us in determining the crucial issues in this Inquiry. It was not put to any of the implicated parties that he or she was acting in concert with either of these two men.

Evidence of Jenny Kong's friends & relatives

A significant amount of time was also spent hearing evidence from relatives and friends of Jenny Kong who sought to establish that moneys invested in the discretionary accounts opened in their names at Worldsec was their own and that she had advised them to make those investments. Quite why this evidence was lead before us is unclear. The object appears to have been to persuade us that Jenny Kong made investment decisions independently of Carlton Poon. Suffice it to say that we found these persons' evidence thoroughly unconvincing.

Correspondence between Lippo Group and SEHK

Over the material time 41 items of correspondence and related documents regarding the restructuring passed between Lippo Group and SEHK. We have read them and heard the evidence relating to them. Although of limited relevance to the crucial issues before us, the following observations may be of some interest.

We question how seriously the Directors of HKCBH and HKC took their obligations under the respective Listing Agreements and clause 39 of those agreements in particular, (regarding responses to enquiries from the SEHK) given the following matters:

1. Although announcements were invariably stated to be "*By order of the Board*" they were frequently made without all Board members being given the opportunity of considering the announcement. Although it was contended by John Lee, the Lippo Group's Managing Director, that it was the "*invariable practice*" that SEHK enquires and draft responses would be circulated to directors "*for comment.*" Davy Lee, Lippo's Company Secretary, conceded

that this might not have happened, the Corporate Secretarial department being “*busy*” at the time.

2. Although Davy Lee claimed in evidence that he spoke with Stephen Riady and John Lee from time to time about the relevant SEHK enquiries, John Lee denied that this had happened.
3. There were obvious defects in the communication process within Lippo’s senior management. Kelvin Lo, as he was not a director, was not consulted about the SEHK queries, even though he was one of only two executives at the core of the restructuring proposals. Lee Jark Pui, although one of Lippo’s directors and the head of public relations at HKCB, appeared to have been particularly clueless about what was going on within the companies of which he was a senior officer over the material time.
4. Andrew Hau, HKCBH’s Company Secretary, remained unaware of any restructuring proposal until 31 May. And Davy Lee only became aware of the Reorganisation after 26 May. His only knowledge before this that something was under consideration came from an informal conversation he had with Stephen Riady sometime after 8 May.
5. It would seem that Christopher Williams, the Lippo Group’s solicitor, who was asked to comment on and draft certain responses to the SEHK, was not kept fully apprised, particularly with regard to developments with CRH and the HKMA.

We consider that, apart from the systemic deficiencies, some of the communications from the Lippo Group to the SEHK were less than frank. We have spoken about this in Chapter 7. The ‘standard denial’ statement made on 9 May particularly concerns us. Both Christopher Williams and Stephen Riady stood by the accuracy of the ‘standard denials’ in that as well as the other SEHK Teletext announcements, maintaining that in early May the proposed restructuring did not call for disclosure under the Listing Rules. We believe that it did. The queries from the SEHK called for a significantly different response. Christopher Williams and Stephen Riady’s interpretation of the requirements of the Listing Rules was no doubt part of the game that listed companies play with the SEHK to avoid disclosing their hand until it is absolutely necessary for them to do so. This is not the first time that this Tribunal has

commented adversely upon listed companies and their legal advisors apparent cavalier disregard for the requirements of the Listing Rules. Similar comments were made in the Siu Fung Ceramics Holdings report¹. The time has come for the SEHK to give serious consideration to strengthening the Listing Rules and enforcing a more strict compliance with them on the part of senior officers of companies listed on the Exchange as well as their advisors. The shenanigans in this regard revealed in this Inquiry (and others) do not reflect well upon Hong Kong's image as a well-organised and policed market in which to do business.

This matter is however of no consequence to the resolution of the crucial issues before the Tribunal and is beyond our mandate. The fact that the officers of neither of the Corporations chose to make fuller and franker responses to the SEHK's enquiries cannot be determinative of the issue as to whether or not relevant information existed at the material time.

¹ See Siu Fung Report Chapter 6, page 52.

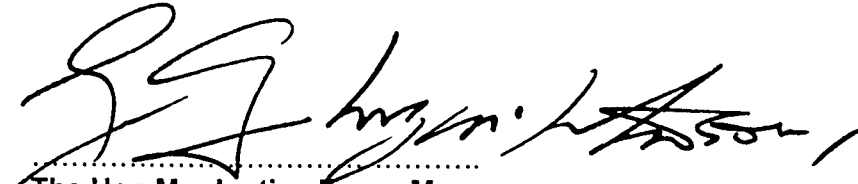
Acknowledgements

The Chairman places on record his appreciation of the assistance given to him by the two members of the Tribunal, Mr. Dickson Lee and Mr. Ian Robinson, both for their contribution during the hearings and their methodical, patient and highly professional approach to their consideration of the evidence. Tribunal members play a vital role in insider dealing inquiries and Hong Kong is fortunate to have the services of people of such high calibre.

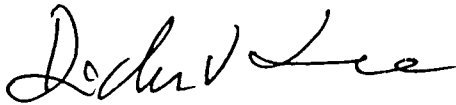
We are grateful for the assistance given to us by all the counsel and solicitors involved in the inquiry. Without exception, they carried out their respective duties with professionalism, vigour and courtesy. Their level of assistance, especially in the submission of detailed, written arguments, made our work a good deal easier.

We are grateful also for the reliable and efficient support rendered by the Tribunal's staff, Lindy Williams Ltd (the court reporters) and Abraham, Wong, Hoffman & Associates (the interpreters).

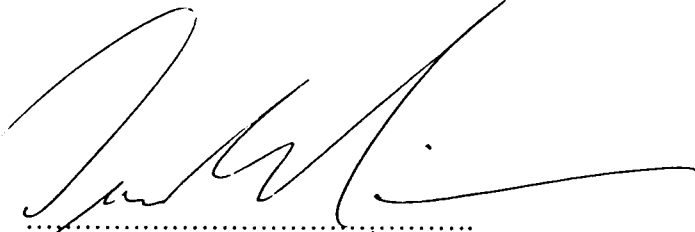
Signed



.....
The Hon Mr. Justice Ligar-Mawson
Chairman



.....
Mr. Dickson Lee
Member



.....
Mr. Ian Grant Robinson
Member

Dated: *10th* March 2005

Introduction

We have pleasure in submitting the second part of the report of our findings in relation to question (c) of the Financial Secretary's notice pursuant to section 16 of Securities (Insider Dealing) Ordinance Cap. 395 (the Ordinance) dated 2 November 2000, requesting the Insider Dealing Tribunal to conduct an inquiry into certain dealings by Carlton Poon Kam Tao (Carlton Poon), Edmund Kung Chiu Nam (Edmund Kung) and Jenny Kong Yuen Kwan (Jenny Kong) in the listed securities of HKCB Bank Holding Co Ltd and the Hong Kong China Ltd (now renamed as Lippo China Resources Ltd) between 1 and 23 May 1997 (the section 16 notice).

With this second part of the report are the orders we have made under sections 23, 26, 26A & 27 of the Ordinance.

The first part of the report, comprising of chapters 1-10 inclusive, of our findings in relation to questions (a) & (b) of the section 16 notice was submitted to the Financial Secretary on 10 March 2005. The same chapters were also sent to the Department of Justice and the solicitors representing the implicated persons and made available to the public.

By paragraph (c) of the section 16 notice we are required to inquire into and determine the amount of any profit gained or loss avoided by those persons we identified as insider dealers.

As subsection 23(2) of the Ordinance provides that the Tribunal shall not make an order in respect of any person under subsection 23(1) without first giving that person the opportunity of being heard, we sat on 30 and 31 May 2005 to hear submissions from the implicated persons and Counsel to the Tribunal relating to:

1. the calculation of the amount of any profit gained or loss avoided as a result of the insider dealings we found proved;

2. the appropriate financial penalties and orders under section 23 of the Ordinance consequent on our findings of insider dealing;
3. what witness expenses should be granted under section 26 of the Ordinance;
4. what cost should be awarded to the implicated persons under section 26A of the Ordinance; and
5. what orders, if any, should be made under section 27 of the Ordinance.

Of the four implicated persons, Stephen Riady chose not to make submissions to us. Carlton Poon, Edmund Kung and Jenny Kong did. The same counsel as those who represented them at the earlier hearings represented them at these hearings.

Save where the context otherwise requires it, the same terms and abbreviations used in the first part of the report are used in this second part and, unless otherwise stated, references to dates are to the year 1997. Where sums of money are referred to cents are ignored and the figures are rounded up or down to the nearest dollar.

Chapter 11

In this chapter we calculate the profits made by Carlton Poon and Jenny Kong.

By paragraph (c) of the section 16 notice we are required to inquire into and determine the amount of any profit gained or loss avoided by those persons we identified as insider dealers. Both Carlton Poon and Jenny Kong made a profit from their dealing, they avoided no losses.

As all the shares and warrants in HKCBH and HKC purchased by Carlton Poon and Jenny Kong during the relevant period were sold before the publication of the relevant information (23 June), the insider dealing profits gained by Carlton Poon and Jenny Kong comprises the difference between the cost of purchase of those securities and the net sale price received¹.

Jenny Kong's trades

We have found that Carlton Poon and Jenny Kong engaged in insider dealing via Jenny Kong's accounts at Worldsec, Wocom and Prudential, the details are as follows.

Worldsec

On 2 May, Jenny Kong bought 1,570,000 HKCBH warrants (stock code 922) through the accounts she maintained at Worldsec. On 7 May, she bought a further 200,000 HKCBH warrants through the same accounts.

On 12 May, these HKCBH warrants were re-booked to the accounts of Edmund Kung (1,000,000 units), Yuen Siu Fung (570,000 units) and Lau Chiu Ping (200,000 units), and were all sold on the same day at the same price. The net profit realised on these sales amounted to \$3,424,441.

Wocom

On 2 May, Jenny Kong bought 1,500,000 HKCBH warrants (stock code 922) through her account at Wocom. On 8 May she bought 644,000 HKC shares (stock code 156) through the same account. The warrants were sold on 12 May and the shares were sold on 20 May. The net profit realised on these sales amounted to \$3,289,490.

¹ See the Court of Final Appeal's decision in *Insider Dealing Tribunal v. Shek Mei Ling* [1999] 2 HKCFAR 205.

Prudential

On 2 May, Jenny Kong bought 1,500,000 HKCBH shares (stock code 655) through her account at Prudential. On 12 May she bought 2,000,000 HKC warrants (stock code 754) through the same account. The shares were sold on 12 May and the warrants were sold on 4 & 5 June. The net profit realised on these sales amounted to \$5,084,008.

The following table summarises the profits gained by Carlton Poon and Jenny Kong as a result of their insider dealing via Jenny Kong's accounts.

Account	Profit realised (\$)	Total (\$)
Worldsec (rebooked to other accounts)	3,424,441	
Wocom	3,289,490	
Prudential	5,084,008	
Total profit gained		11,797,939

Trades in Edmund Kung's name

We have found that Carlton Poon engaged in purchasing HKC warrants (stock code 754) through Edmund Kung's account at Worldsec on 16 and 23 May. On these two days, Carlton Poon purchased a total of 2,620,000 units of HKC warrants. These warrants were sold between 30 May and 5 June, realising a net profit of **\$3,422,158**, which is the profit Carlton Poon gained as a result of his insider dealing through Edmund Kung's account.

Schedules setting out the calculation of the profits made by Carlton Poon and Jenny Kong are at appendix 12.

Chapter 12

In this chapter we deal with the penalties and consequential orders against Carlton Poon and Jenny Kong.

The penalties

Section 23(1) of the Ordinance sets out the penalties we may impose. It reads as follows:

“(1) At the conclusion of an inquiry or as soon as is reasonably practicable thereafter, where a person has been identified in a determination under section 16(3) or in a written report prepared under section 22(1) as an insider dealer, the Tribunal may in respect of such person make any or all of the following orders -

- (a) an order that that person shall not, without the leave of the Court of First Instance, be a director or a liquidator or a receiver or manager of the property of a listed company or any other specified company or in any way, whether directly or indirectly, be concerned or take part in the management of a listed company or any other specified company for such period (not exceeding 5 years) as may be specified in the order;*
- (b) an order that that person pay to the Government an amount not exceeding the amount of any profit gained or loss avoided by that person as a result of the insider dealing;*
- (c) an order imposing on that person a penalty of an amount not exceeding three times the amount of any profit gained or loss avoided by any person as a result of the insider dealing.”*

Financial orders

We deal with the orders under subsections 23(1)(b) & (c) first. For ease of reference we refer to orders under subsection 23(1)(b) as ‘disgorgement orders’ and orders under subsection 23(1)(c) as ‘penalty orders’.

To be within the scope of either, or both orders, there must be a 'profit' that is 'gained' by the person in question, or a 'loss' that is 'avoided' by that person, whether he be the insider dealer or someone else, as a result of the insider dealing. Carlton Poon and Jenny Kong gained a profit of \$15,220,097 from their insider dealing; they avoided no losses.

A disgorgement order made need not necessarily be for the same amount as the amount of profit gained, or loss avoided; it could be less for the subsection says an amount "...not exceeding the amount of any profit gained or loss avoided".

A disgorgement order cannot be made against an insider dealer who counsels or procures others to deal, but does not do so himself and therefore neither makes a gain, nor avoids a loss. However, a penalty order of up to three times the amount of any profit gained or loss avoided by the person, or persons, whose dealing he counselled or procured can be made against him. As stated in Chapter 9, we are satisfied that Carlton Poon himself dealt in the securities involved in both Jenny Kong and Edmund Kung's trading and a disgorgement order may be made against him.

Although not so described in the Ordinance a penalty order is comparable to a fine. Its purpose is to deter insider dealing by leaving a person who engages in insider dealing substantially out of pocket.

Principles of assessment

The Court of Appeal in **Shek Mei Ling v. Insider Dealing Tribunal** [1998] 4 HKC 37 (C.A.) outlined the principles to be adopted in assessing the financial penalties under section 23(1) of the Ordinance, saying at page 51D to 52B:

- "(1) The fact that the insider dealer presented to the SFC investigators a false story does not go in aggravation of the penalties which would otherwise be posed. It is merely that he who admits fraud at the very outset will be credited for that fact.*

- (2) The effect of an admission before the Insider Dealing Tribunal especially at an early stage is a fact which goes in mitigation of the penalty, though in a strong case that will carry less weight than in a case where the evidence is not strong.*

- (3) *Where an admission is put forward on a basis which is not believed, the credit for the admission will be less than it would otherwise be.*
- (4) *Financial penalties are to accord with the gravity of the wrongdoing, and are to be increased by reason of the substantial wealth of the insider dealer.*
- (5) *The Tribunal should not impose a financial penalty on an assumption that someone else will pay.*
- (6) *In determining whether to disqualify an insider dealer from holding offices as a director of a listed company, or of listed companies, there come into play a number of considerations. The determination will take into account the need to ensure the integrity of the securities market; to protect the public from further abuse by that person of the privileged position of trust which the office carries; to deter others from breaching that trust and to mark the disapproval of the investment community with the conduct of the insider dealer.*
- (7) *In determining whether to disqualify an insider dealer from holding offices as a director of a private company, one should have regard to the connection, if any, of the company with the insider dealing, and any relationship between the insider dealer and the private company; and the impact upon the individual of such a disqualification.*
- (8) *Where an incident in, or in connection with, the inquiry, gives rise to a justified sense of grievance, the Tribunal should recognize this and take that fact into account in determining the appropriate penalties.*
- (9) *In making its orders under section 23(1)(b) and (c) and section 27, the Tribunal should have regard to the totality of the financial burden imposed by these orders."*

The Court of Appeal went on to say that these principles are particularly appropriate to penalty orders, where it is more open to the Tribunal to look at the overall picture and attach such weight as it considers appropriate to the wider mitigating, or, indeed, aggravating features in each insider's case. The Court of Appeal also said that in

addition, and where applicable, the general sentencing principles applied in criminal cases should also be taken into consideration for guidance.

None of these remarks were doubted in the subsequent Court of Final Appeal decision in that case and we have taken those principles into account in assessing the financial penalties.

Disgorgement orders

We take the view that, as the purpose of a disgorgement order is to strip the insider dealer of the amount of the profit gained, or loss avoided, by him as a result of his insider dealing, it is only in very exceptional circumstances, such as his patent lack of means, that it will be appropriate to award a lesser sum than the profit gained, or loss avoided. We are satisfied that there are no exceptional circumstances which would justify our making no, or a lower, disgorgement order against either Carlton Poon or Jenny Kong.

The amount that Carlton Poon and Jenny Kong will pay jointly to the Government by way of disgorgement of profit under section 23(1)(b) of the Ordinance in respect of their insider dealing via Jenny Kong's accounts is the profit of \$11,797,939 they gained from that dealing.

The amount that Carlton Poon will pay to the Government by way of disgorgement of profit under section 23(1)(b) of the Ordinance in respect of his insider dealing through Edmund Kung's account at Worldsec is the profit of \$3,422,158 he gained from that dealing.

Penalty orders

We do not propose to set out in this report all matters advanced by way of mitigation. Counsel made helpful submissions in this respect and these can be found in the transcript of proceedings.

We are not persuaded that we should mitigate the penalty because the powers granted to the Market Misconduct Tribunal under part XIII of the Securities & Futures ordinance, Cap 571 do not include a power analogous to a penalty order. The fact is that the Ordinance gives this Tribunal such a power and we are expected to exercise it in all cases where we consider it just and appropriate for us to do so.

We accept that the Poon family's wealth has diminished since 1997, however by no stretch of the imagination can it be said that they are destitute. Carlton Poon and Jenny Kong still stand possessed of very considerable assets.

We are aware that Carlton Poon is a self made man who has made very good use of his intellect and that our finding that he is an insider dealer will have an adverse effect upon his career as a well respected securities market analyst and pundit. All we can say to that is that it is a pity that, with his obvious knowledge of the high standing he enjoyed in the financial community, he chose to resort to insider dealing on this occasion. He has only himself to blame for his loss of reputation.

We are told that Jenny Kong has suffered from clinical depression ever since the SFC inquiry started. Obviously we sympathise with her, but the fact cannot be avoided that it was her own actions that brought her to the SFC's notice and led to the unfortunate medical condition she now suffers from.

We are not persuaded that Jenny Kong had only a vague uninformed idea of what she was doing or its consequences. The evidence we heard indicates that she has a very good working knowledge of the stock market and had used that both for her family's and her own great advantage in the past.

We are aware that both Carlton Poon and Jenny Kong are of previous good character. We take the view that previous good character counts for little. Those who have engaged in previous acts of insider dealing are very rarely placed in positions of authority within listed companies or put in to positions where they are able to commit further insider dealing.

We are of the view that this was a bad case of insider dealing committed by two wealthy people who wanted only to increase their wealth by taking advantage of information that one of them had come by in the course of his profession. Whatever may have been the position in the past, it was well known in 1997 (as it is now) that insider dealing is prohibited in Hong Kong and that heavy penalties are imposed on those who engage in that activity. Carlton Poon, as a market-professional, must have been especially aware of that. He must also have been aware that others had come by the same knowledge as he had and yet were abiding by the law and not seeking to use it for their own advantage. Heavy penalties are required not only to punish the offenders, but also to make it clear to the global financial community that the

market place in Hong Kong is clean and affords all investors a level-playing field. Hong Kong's reputation as one of the world's leading financial centres has been hard won and won against many adversities. That reputation could be very easily lost if Hong Kong is perceived as a jurisdiction that is soft on insider dealers.

The amount of the penalty order that we consider appropriate in Carlton Poon and Jenny Kong's case in respect of their insider dealing via Jenny Kong's accounts is twice the profit of \$11,797,939 they gained from that dealing, namely the sum of \$23,595,878.

The amount of the penalty order that we consider appropriate in Carlton Poon's case in respect of his insider dealing through Edmund Kung's account at Worldsec is twice the profit of \$3,422,158 he gained from that dealing, namely the sum of \$6,844,316.

Disqualification orders

We now deal with the orders under subsection 23(1)(a), which we refer to as 'disqualification orders'.

A disqualification order can take many forms. For example, it can relate to a listed company or a private company or both; it can prohibit a person from being a director, a liquidator, a receiver and a manager or any combination of these. It can also prohibit indirect management of companies. The maximum period of disqualification we can order is five years.

Given the serious nature of insider dealing, it would be exceptional for us to make no disqualification order and we are of the view that there are no exceptional circumstances in this Inquiry arising from either the nature of the insider dealing committed, or from Carlton Poon and Jenny Kong's personal circumstances, that would justify us not making one.

In arriving at our decision we have taken into account the need to ensure the integrity of the securities market; protect the public from further abuse by the insider of the privileged position of trust which that office carries; deter others from breaching that trust; and mark the disapproval of the investment community of insider dealing generally. We gave individual consideration to Carlton Poon and Jenny Kong's circumstances and the likely the impact upon each of them of a disqualification order. We are aware that there is no evidence that Jenny Kong has ever held a senior

position in a listed company and that Carlton Poon's involvement has been very limited. The source of his wealth has come from his success as a securities market analyst and pundit covering the whole of the Hong Kong market. Currently they both hold directorships in private companies only.

We consider it proper that both Carlton Poon and Jenny Kong should be disqualified for the maximum permitted period of five years from being a director or a liquidator or a receiver or a manager of the property of a listed company, or in any way whether directly or indirectly concerned or taking part in the management of a listed company without leave of the Court of First Instance of the High Court. We do not consider it necessary, however, to extend their disqualification to private companies.

Chapter 13

In this chapter we deal with issues of costs and witness expenses.

Witness expenses

Section 26 of the Ordinance empowers the Tribunal, in its discretion, to pay to a witness appearing before it, out of funds provided for that purpose by the Legislative Council, such sum for his expenses and loss of time as the Tribunal may determine. Details of the witness expenses we paid are at appendix 13.

Cost of the implicated persons against whom no finding of insider dealing was made

Section 26A(1) of the Ordinance gives the Tribunal a discretion to award to a person whose conduct has been the subject of an inquiry the costs reasonably incurred by that person. The costs so awarded constitute a charge on the general revenue and may be taxed under the provisions of Order 62 of the Rules of the High Court.

The exercise of the discretion to award costs is subject to the provisions of subsection 26A(5), which provides (among other things which are inapplicable in the Inquiry) that the section shall not apply to a person who has been identified as an insider dealer in a determination (section 26A(5)(a)) and to any other person who has by his own acts or omissions caused or brought about (whether wholly or in part) the institution of the inquiry (section 26A(5)(d)). The inquiry referred to is the inquiry instituted by the Financial Secretary under section 16 of the Ordinance - this Inquiry - and not the SFC's investigation.

The Court of Final Appeal in **Financial Secretary v. Wong** (2003) 6 HKCFAR 476, said that the section "*...seeks to provide a complete code concerning such entitlement.*"

In this Inquiry we did not identify Edmund Kung and Stephen Riady as insider dealers. Stephen Riady has made no application for costs under section 26A, Edmund Kung has. Two questions arise, namely:

1. Do the provisions of subsection 26A(5)(d) apply in his case?
2. If they do not, should we exercise our discretion to award him his costs?

Mr. Barlow submitted that the words of section 26A(5)(d) require that in order for the subsection to apply and deny Edmund Kung the right to have his application for costs considered by the Tribunal it must be shown that his acts either wholly or in part caused the Inquiry, or more particularly that part of it relating to him, to be instituted.

It was Mr. Barlow's submission that it cannot be said that Edmund Kung did anything to cause the institution of this Inquiry because it cannot reasonably be suggested that it was Edmund Kung's false statements to the SFC investigators when they interviewed him on 13 May 1998 that he had instructed Carlton Poon to purchase HKCBH and HKC warrants on his behalf in May 1997, did anything to bring it into being. Even if Edmund Kung had told the truth in that interview, rather than harbour it in his breast until 26 March 2001 once he learnt he was an implicated person, the Inquiry would still have been instituted because one of the objects of the Inquiry would have been the circumstances under which his Worldsec account was used to trade in those warrants in May 1997.

Mr. Barlow said that Edmund Kung's position is analogous to that of Leung Chee Hon in the **Chee Shing Holdings Ltd Inquiry**, where the Tribunal, chaired by Mr. Justice Burrell, said:

"The first issue to determine therefore is whether s. 26A(5)(d) applies to Leung Chee Hon. The major criticism of his conduct which is relevant to the issue of costs is the fact that, in 1993, he made two conflicting statements to the SFC. In our report we have determined that his second statement reflected the truth. It was Leung Chee Hon's evidence before us that the first statement was false and the second one was true. The first question to be answered therefore is this - was the fact that Leung Chee Hon made conflicting statements to the SFC. one of which must have been dishonest, an "act which caused or brought about (whether wholly or in part) the institution of the inquiry ..."?

We are of the opinion that it was not. The inquiry would have surely been instituted anyway. We are also of the opinion that, for the purposes of this costs application, the reality is that the investigation was caused or brought about because of Francis Cheung's desire to acquire Robert Law's shares. Bearing in mind the Tribunal's findings as to his state of mind and state of knowledge at the material time, the role played by

Leung Chee Hon was not such as to bring him within s. 26A(5)(d). We therefore conclude that this section does not apply to him so as to disentitle him from any costs order to be made in his favour. We therefore revert to s. 26A(1) which confers on the court a discretionary power to award "such sums as (we) think fit..."

(Chee Shing Holdings Report page 98)

We believe that Mr. Barlow's arguments are correct and that section 26A(5)(d) does not apply in Edmund Kung's favour and we have the power to consider making a section 26A costs order in his favour.

That decision leads to the second question, which is: should we?

It was Mr. Barlow's argument, relying on the Court of Final Appeal's words in **Financial Secretary v. Wong**, (above) that section 26A provides a complete code concerning such entitlement, that we should exclude from our consideration the principle applied in criminal cases that an acquitted defendant may, as a matter of discretion, be deprived of his costs if he brought suspicion upon himself and/or misled the investigating authorities into thinking that the case against him is stronger than it is. Previous Tribunals have followed this principle in deciding this question.

Mr. Barlow developed his argument by saying that we should follow the principle enshrined in Order 62 Rule (3)(2) of the Rules of the High Court that, unless there are good reasons to the contrary, costs should follow the event (the event here being our finding that Edmund Kung did not engage in insider dealing) and award Edmund Kung his costs in full.

We do not accept Mr. Barlow's argument that the Court of Final Appeal, in saying that section 26A provides a "...complete code," were saying that we are precluded from applying the principles applied in criminal cases in exercising the discretion given to us to award costs to a person whose conduct has been the subject of an inquiry. The Court of Final Appeal's comments were made in the context of whether or not it had jurisdiction to award an implicated person his costs under section 26A when the inquiry had neither ended by the publication of a report, or by the Financial Secretary terminating it, and not in the context of what principles should guide the Tribunal in exercise of its discretion to do so.

As we have said it is an accepted principle that costs will be denied to an acquitted defendant where his conduct has brought suspicion on himself and/or misled the investigating authorities into thinking that the case against him is stronger than it is. Both features do not have to be present, in **R v. Kwok Moon Yan** [1989] 2 HKLR 396, the Court of Appeal held, at page 401, that:

“We do not view this (the test) as meaning that there must be both a bringing of suspicion and a misleading before a successful (party) will (be) deprived of his costs. If it is the view of the Court that a man has brought suspicion on himself, or having done that, he has also misled the prosecution, either by the very bringing of that suspicion, or some other matter, into thinking the case against him is stronger than it is then these, either separately or combined, are factors which lie for the consideration ...”

As to how the discretion should be applied, the Court of Final Appeal in **Tong Kun Lin v. HKSAR** [1999] 2 HKCFAR 531, at page 535, said:

“When a defendant has been brought to trial upon particular charges and is then found not guilty it is clearly right that he should normally be compensated out of public revenue for the costs incurred in defending those charges. In considering whether, despite this general rule, he should be deprived of all or part of his costs, the judge exercising the discretion must obviously look to his conduct generally, so long as such conduct is relevant to the charges he faced. This cannot be confined to any particular period of time. Since, however, the discretion is being exercised in the context of an acquittal - the averments constituting the charges having been found by the jury as not amounting to the crimes alleged - it follows that, generally speaking, the conduct most relevant to the matters under consideration must be the defendant's conduct during the investigation and at the trial: How he first responded to the investigators, the answers he gave when confronted with the accusations, the consistency of those answers with his subsequent defence, etc. Wrapped up with this is the strength of the case against the defendant and the circumstances under which he came to be acquitted: These too are relevant to the exercise of the discretion to deprive him of his costs, so long as the judge is not, indirectly, thereby punishing him by taking a

view of the facts palpably different from that taken by the jury and reflected in the not-guilty verdict. The person in the best position to weigh those matters is clearly the judge himself."

It is our view that Edmund Kung should be denied his costs. We have two reasons for saying that. The first is that Edmund Kung lied. We set out what those lies were in Chapter 6 and we now repeat them. In May 1998, while the SFC investigation was in progress and after Carlton Poon had been interviewed by the SFC and in anticipation of the SFC interviewing Edmund Kung, Poon went to see Kung and persuaded him to mislead the SFC about the May purchases of HKCBH and HKC warrants through the Worldsec account by falsely to telling the investigators that he (Kung) had given specific instructions for these purchases. He agreed to do so, and gave this false account to the SFC when they interviewed him on 13 May 1998. He did nothing to rescind those lies until nearly three years later once he learnt that he was to be an implicated person in this Inquiry and after he took legal advice that he should tell the truth to the SFC, which he did on 26 March 2001.

The fact that Edmund Kung told lies in the first place is completely unacceptable. The fact that he did nothing to rescind them until they drew him into the Inquiry and that he only did that after legal advice, when his own conscience as market professional should have told him where his duty lay, make his conduct all the more unacceptable. Were we to grant Edmund Kung his costs we would only be rewarding deceit and mendacity.

The second reason is that Edmund Kung allowed Carlton Poon to use his Worldsec account without exercising any form of control over how Carlton Poon used it. At the very least he was grossly negligent in that regard. At the worst it could be said that he was condoning or hiding possible inappropriate or illegal transactions on Carlton Poon's part.

Expenses of investigation & the Inquiry

Section 27 empowers the Tribunal to make an award of costs against persons it has identified as insider dealers. The section provides:

'At the conclusion of an inquiry or as soon as is reasonably practicable thereafter, the Tribunal may order any person who has been identified as an insider dealer in a determination under section 16(3) or as an officer of

a corporation in a determination under section 16(4), as the case may be, to pay to the Government such sums as it thinks fit in respect of the expenses of and incidental to the inquiry and any investigation of his conduct or affairs made for the purposes of the inquiry.'

The costs of this inquiry have been assessed at \$10,543,546. They include:

- the witnesses' expenses;
- the SFC's costs;
- the Department of Justice's costs; and
- the Tribunal's costs, that is the fees and salaries of the Tribunal members and staff and expenses such as interpretation services, court reporting services and photocopying directly attributable to the inquiry itself. In keeping with the practice in previous inquiries, establishment expenses are not included.

Appendix 14 gives details of these costs.

We order Carlton Poon and Jenny Kong to pay these costs amounting to \$10,543,546; their liability to pay them is joint and several.

Chapter 14

In this chapter we set out our orders under sections 23 and 27 of the Ordinance.

We order that:

Carlton Poon shall:

1. not without leave of the Court of First Instance of the High Court of the Hong Kong Special Administrative Region be a director or a liquidator or a receiver or a manager of the property of a listed company or in any way whether directly or indirectly be concerned or take part in the management of a listed company for a period of five years;
2. pay to the Government of the Hong Kong Special Administrative Region under section 23(1)(b) of the Ordinance the sum of \$3,422,158, being the profit gained in respect of his insider dealing through Edmund Kung's account at Worldsec; and
3. pay to the Government of the Hong Kong Special Administrative Region under section 23(1)(c) of the Ordinance a penalty of \$6,844,316 in respect of his insider dealing through Edmund Kung's account at Worldsec.

Jenny Kong shall not without leave of the Court of First Instance of the High Court of the Hong Kong Special Administrative Region be a director or a liquidator or a receiver or a manager of the property of a listed company or in any way whether directly or indirectly be concerned or take part in the management of a listed company for a period of five years.

Carlton Poon and Jenny Kong shall between them:

1. pay to the Government of the Hong Kong Special Administrative Region under section 23(1)(b) of the Ordinance the sum of \$11,797,939, being the profit the two of them gained in respect of their insider dealing via Jenny Kong's accounts;

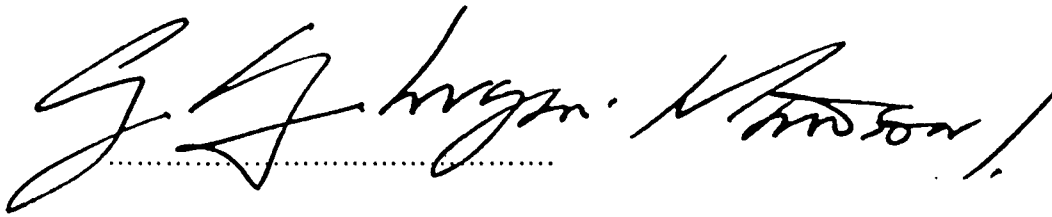
2. pay to the Government of the Hong Kong Special Administrative Region under section 23(1)(c) of the Ordinance a penalty of \$23,595,878 in respect of their insider dealing via Jenny Kong's accounts; and
3. pay to the Government of the Hong Kong Special Administrative Region \$10,543,546 in respect of the costs of the Inquiry under section 27 of the Ordinance.

Carlton Poon and Jenny Kong's liability to pay the amounts awarded against the two of them is joint and several.

All the orders for financial penalties and costs shall be paid on or before 31 December 2005. If not paid on or before that date the payment will bear interest at the judgment rate until payment.

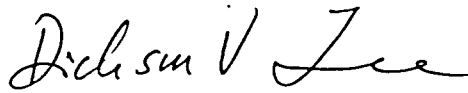
Pursuant to section 29 of the Ordinance, this Order will be registered with the Court of First Instance of the High Court of the Hong Kong Special Administrative Region and become for all purposes an order of the Court of First Instance made within the jurisdiction of that court.

Signed

A handwritten signature in black ink, appearing to read "G. Ligar-Mawson". The signature is written in a cursive style and is positioned above a horizontal dotted line.

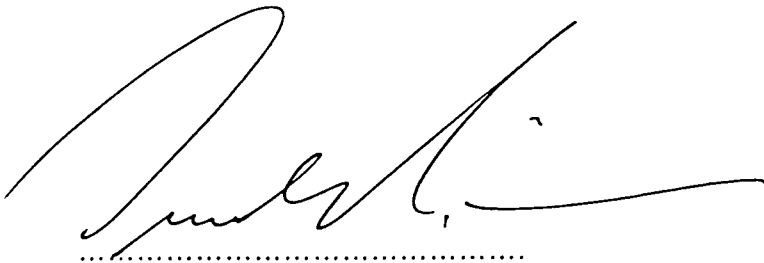
The Hon Mr. Justice Ligar-Mawson

Chairman

A handwritten signature in black ink, appearing to read "Dickson Lee". The signature is written in a cursive style and is positioned above a horizontal dotted line.

Mr. Dickson Lee

Member

A handwritten signature in black ink, appearing to read "Ian Grant Robinson". The signature is written in a cursive style and is positioned above a horizontal dotted line.

Mr. Ian Grant Robinson

Member

Dated:  August 2005

Insider Dealing Tribunal Inquiry into HKCB Bank Holding Company Ltd & Hong Kong China Ltd

Appendix 1

Details of legal representation at the Inquiry

Appendix 1

Legal representation at the Inquiry

Counsel to the Tribunal

Peter Duncan SC
Winnie Ho

(Peter Davies in 2001)

Implicated Person	Counsel	Instructing Solicitors
Carlton Poon	Graham Harris	Herbert Smith
Jenny Kong	Michael Delaney	Weir & Associates
Edmund Kung	Barrie Barlow	Minter Ellison
Stephen Riady	Lawrence Lok SC with Bernard Mak & Edwin Choy	T. S. Tong & Co

**Insider Dealing Tribunal Inquiry into HKCB Bank Holding Company Ltd &
Hong Kong China Ltd**

Appendix 2

List of witnesses

Appendix 2

Witnesses heard from in the course of the Inquiry

Name	Position	Date Heard
CHAK Hubert	Banker ING Baring	12 Dec 2003
CHAN Mee Yee Bethany	Director Worldsec	5 Jan 2004
CHAN Hok Leung Larry	Senior Manager Corporate Finance Division SFC	30 Jan 2004
CHAN Wing Fat Eric	Director Sofaer Capital Management	4 Feb 2004
CHEUNG Kwok Kin Paul	Director Worldsec	28 June 2004
CHESTERFIELD Peter	Abbey Unit Trust Managers Limited	22 April 2004
CHIA Siong Lim	Executive Chairman Pine Asset Management	23 April 2004
CHIU Pui Man Janet	Assistant Vice President SEHK	10 Dec 2003
CHOW Mei Fung Claudia	Housewife	19 Feb 2004
CHOY Cho Kwong Christy	Broker Wocom	7 & 8 Jan 2004
EU Yee Han Conroy	Sales Manager Worldsec	17 Dec 2003
Ferdinand Timothy Mark Fletcher	Head of Corporate Finance Credit Lyonnais	11 Dec 2003
HAU Tat Kwong Andrew	Corporate Secretary HKCBH	13 & 14 Jan 2004
HONGCHOY George	Director Corporate Finance & Capital Market Dept Jardine Fleming	12 Dec 2003

Name	Position	Date Heard
JIM Pak Oi Cora	Stephen Riady's secretary	28 Jan 2004
KAN Oi Shang Grace	Manager Listing Division SEHK	10 Dec 2003
KINMONTH George Frederick	Managing Director Peregrine Capital	31 May 2004
KONG Yuen Kwan Jenny	Implicated person	3,4,7 & 8 June 2004
KUNG Chiu Nam Edmund	Implicated person	31 May & 1 June 2004
KWONG Fung Hee	KONG Yuen Kwan's elder sister	16-18 Feb 2004
LAM Wing Hong Hilda	Dealer's Representative Worldsec	5-7 Jan & 3-4 Feb 2004
LAU Chiu Ping Francis	Hilda Lam's husband	4 February 2004
LAU Kwong Hon Kenneth	Senior Structural Engineer Architectural Services Dept Government of the HKSAR	11 & 13 Feb 2004
LAU Shing Ngon	Broker Prudential	8 & 9 Jan 2004
LEE Kwok Fai Davy	Company Secretary Lippo	14 & 15 Jan 2004
LEE Jark Pui	Executive Director Lippo & HKCBH	6 Feb 2004
LEE Kar Lok Jacqueline	Law student at City University	27 Jan 2004
LEE Lai Yin	Supervisor of a seafood shop	13 & 16 Feb 2004
LEE Luen Wai John	Managing Director Lippo Group & Director HKC	26 & 27 Jan 2004

Name	Position	Date Heard
LO Kee Wai Kelvin	Financial Controller Lippo	19,20 & 21 April 2004
MAGUIRE John Martin	Director Worldsec	16 & 17 Dec 2003
MARZO Stephen Jeffrey	Executive Director Credit Dept Goldman Sachs	16 Dec 2003
NG Wai Ling Cecilia	Senior Manager Worldsec Corporate	17 & 18 Dec 2003
NING Gao Ning Frank	Managing Director CRE	28 Jan & 3 Feb 2004
POON Kam Tao Carlton	Implicated person	17,24,25,27,28 & 31 May 2004
PRICE Richard Sumner	Managing Director College Retirement Equity Fund New York USA	17 Feb 2004
RAMOS Dioscoro	Executive Director Asia Investment Research Dept Goldman Sachs	10 & 11 Dec 2003
RIADY Stephen Tjondro	Implicated person	11,14 & 16 June 2004
TONG Yun Kai	Chairman of Carlson Dyestuffs & Kan Chung Investments & Mortgage	6, 9 & 10 Feb 2004
WILLIAMS Christopher James	Partner Richards Butler	9, 12 & 13 Jan 2004
WONG Kwok Hing Patrick	Executive Director & Head of Institutional Clients Sun Hung Kai Investment Services	30 Jan 2004
YAN Biao	Director CRE	5 Feb 2004

**Insider Dealing Tribunal Inquiry into HKCB Bank Holding Company Ltd &
Hong Kong China Ltd**

Appendix 3

An extract from the Tribunal's report into Siu Fung Ceramic Holdings Ltd
dealing with the duties of an expert witness

Appendix 3

Extract from the Tribunal's report in *Siu Fung Ceramic Holdings Ltd*

"Expert evidence

We had the assistance of three experts in the persons of (three named persons) to assist us address the issues set out in the first two paragraphs of the section 16 notice. We make two observations on their evidence

Firstly, expert evidence is permitted in an inquiry under the Ordinance (as it is in a criminal or civil trial) to provide the Tribunal with information and opinion on matters relating to securities trading that is within the witness' expertise, but which is likely to be outside the Chairman and Members' experience and knowledge. Although in Insider Dealing Tribunal Inquiries the Members' knowledge of these matters may rival that of the expert. Although a witness called as an expert is entitled to express an opinion in respect of his findings, or the matters put to him, the Tribunal is entitled to come to its own conclusion on these matters based on the whole of the evidence put before it. Put shortly, we did not have to accept the evidence of any of the three expert witnesses; neither were we bound to act upon their evidence or opinions, in fact we came to our own conclusions in respect of many of the matters they dealt.

Secondly, subject to specific obligations imposed by particular ordinances (none of which apply in inquiries before the Insider Dealing Tribunal, it is well recognised that the overriding duty of an expert witness is to help the court on the matters within his expertise and that this duty overrides any obligation to the person from whom he has received instructions or by whom he is paid. Authority holds that the duties of an expert witness are as follows¹:

1. Expert evidence presented to the Court should be, and should be seen to be, the independent product of the expert uninfluenced as to form or content by the exigencies of litigation.
2. An expert witness should provide independent assistance to the Court by way of objective unbiased opinion in relation to matters within his expertise. An

¹ See *National Justice Compania Naviera SA v. Prudential Insurance Co Ltd* [1993] 2 Lloyd's Rep 68)

expert witness should never assume the role of an advocate.

3. An expert witness should state the facts or assumption upon which his opinion is based. He should not omit to consider material facts which could detract from his concluded opinion.
4. An expert witness should make it clear when a particular question or issue falls outside his expertise.
5. If an expert's opinion is not properly researched because he considers that insufficient data is available, then this must be stated with an indication that the opinion is no more than a provisional one.
6. In cases where an expert witness who has prepared a report could not assert that the report contained the truth, the whole truth and nothing but the truth without some qualification, that qualification should be stated in the report.
7. If, after exchange of reports, an expert witness changes his view on a material matter having read the other side's expert's report or for any other reason, such change of view should be communicated (through legal representatives) to the other side without delay and when appropriate to the Court.
8. Where expert evidence refers to photographs, plans, calculations, analyses, measurements, survey reports or other similar documents, these must be provided to the opposite party at the same time as the exchange of reports.

We accept that the first proposition cannot be read too literally. Nothing is more useless than undirected evidence. An expert witness whose views were not conditioned by the shape of the litigation in which his report was required would be unable to provide a report of any use whatever.

We stress these duties, however, because in this Inquiry we believe that all three expert witnesses failed to consider the evidence placed before them impartially and crossed the border from opinion to advocacy in arguing for a particular position. Advocacy is for counsel, not expert witnesses.”

**Insider Dealing Tribunal Inquiry into HKCB Bank Holding Company Ltd &
Hong Kong China Ltd**

Appendix 4

The 23 June announcement

The Stock Exchange of Hong Kong Limited takes no responsibility for the contents of this announcement, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



HONGKONG CHINA LIMITED 華地有限公司

(Incorporated in Hong Kong with limited liability)

LIPPO LIMITED 力寶有限公司

(Incorporated in Hong Kong with limited liability)

THE HKCB BANK HOLDING COMPANY LIMITED

(Incorporated in Bermuda with limited liability)

JOINT ANNOUNCEMENT GROUP REORGANISATION CONSTITUTING DISCLOSEABLE AND CONNECTED TRANSACTION FOR LIPPO LIMITED, VERY SUBSTANTIAL ACQUISITION AND CONNECTED TRANSACTION FOR THE HKCB BANK HOLDING COMPANY LIMITED AND MAJOR AND CONNECTED TRANSACTION FOR HONGKONG CHINA LIMITED AND AND A PROPOSED NAME CHANGE TO LIPPO CHINA RESOURCES LIMITED 力寶華潤有限公司

CHINA RESOURCES GROUP'S PARTICIPATION IN HONGKONG CHINA LIMITED

INTRODUCTION

The respective boards of directors of Lippo Limited ("Lippo"), The HKCB Bank Holding Company Limited ("HKCB Holding") and Hongkong China Limited ("HK China"), each of which is a company whose securities are listed on The Stock Exchange of Hong Kong Limited ("Stock Exchange"), are pleased to announce that the following agreements have been entered into on 18th June, 1997 in relation to a reorganisation ("Group Reorganisation") of Lippo and its subsidiaries ("Lippo Group").

- (i) a conditional agreement ("Skyscraper Agreement") between Skyscraper Realty Limited ("Skyscraper"), a wholly-owned subsidiary of Lippo, and China Resources (Holdings) Company Limited ("CRH") relating to the disposal of certain shares in HK China. The name of HK China will be changed to: **LIPPO CHINA RESOURCES LIMITED 力寶華潤有限公司**;
- (ii) an agreement ("Composite Agreement") between Lippo, HKCB Holding, Lippo CRE (Financial Services) Limited ("JV Co"), China Resources Enterprise, Limited ("CRE") and CRH relating to (a) the sale and purchase of the entire issued share capital of ABAsia 88 Limited ("Newco") which will at completion be owned entirely by CRE, and will at completion of the Composite Agreement own 421,670,588 shares of HK\$1.00 each in the share capital of The Hongkong Chinese Bank, Limited ("HKCB"), representing 50 per cent. of the issued share capital of HKCB, and (b) the allotment and the issue of 25,000 shares of US\$1.00 each in the share capital of JV Co to CRE and a cash payment by Lippo; and
- (iii) an agreement ("JV Co Agreement") between Lippo and HK China relating to the acquisition of Lippo's entire shareholding interest in JV Co.

As at 16th June, 1997, Lippo owned 349,983,986 shares of HK\$1.00 each in the share capital of HKCB Holding, representing approximately 56 per cent. of the issued share capital of HKCB Holding. HKCB Holding is thus a subsidiary of Lippo. HKCB Holding in turn owned 421,670,588 shares of HK\$1.00 each in the share capital of HKCB ("HKCB Shares"), representing 50 per cent. of the issued share capital of HKCB with a casting vote at directors' and shareholders' meetings. Consequently HKCB is a subsidiary of HKCB Holding and Lippo respectively. The balance of HKCB's issued share capital is owned by CRH.

As at 16th June, 1997, Lippo also owned shares representing approximately 70 per cent. of the issued share capital of HK China. HK China is accordingly a subsidiary of Lippo.

As at 16th June, 1997, CRH owned shares representing 50 per cent. of the issued share capital of HKCB and shares representing approximately 1 per cent. of the issued share capital of HKCB Holding respectively. These and other CRH's interests in members of the Lippo Group are shown on the chart below.

EFFECT ON GROUP STRUCTURE

Charts summarising the structure of the Lippo Group before and after the Group Reorganisation are set out below.

Based on the chart below, as at 16th June, 1997, Lippo owned approximately 70 per cent. of HK China and approximately 56 per cent. of HKCB Holding, which in turn held 50 per cent. of HKCB and the other 50 per cent. of HKCB was held by CRH, which also owned approximately 2 per cent. of HK China.

The main changes which occur pursuant to the Group Reorganisation are as follows:-

- (i) Lippo will transfer its approximate 56 per cent. holding in HKCB Holding to a new company, referred to as JV Co;
- (ii) CRH will first transfer its 50 per cent. interest in HKCB to Newco and then transfer its interest in Newco to CRE immediately before completion. CRE which owns the 50 per cent. interest in HKCB via Newco will then sell Newco to HKCB Holding (which will then own 100 per cent. of HKCB) in exchange for new shares in HKCB Holding; these new shares will be issued to JV Co in such a way that, as described below, JV Co will be owned 50/50 by Lippo and CRH and JV Co will own approximately 74 per cent. of the enlarged share capital of HKCB Holding.

CHINA RESOURCES GROUP'S PARTICIPATION IN HONGKONG CHINA LIMITED

SKYSCRAPER AGREEMENT

Pursuant to the Skyscraper Agreement, Skyscraper has agreed to sell 110,000,000 existing shares ("HK China Sale Shares") of HK\$0.50 each in the issued share capital of HK China ("HK China Shares") to CRH, representing approximately 8.1 per cent. of HK China's issued share capital as at 16th June, 1997, for an aggregate consideration of HK\$55,000,000 (being HK\$5.50 per HK China Sale Share) payable in cash on completion of the Skyscraper Agreement which is expected to be on or before 30th September, 1997. The price at which HK China Sale Shares are being sold represents a discount of approximately 1 per cent. to the ten day average closing price of HK China Shares of HK\$5.35 and a discount of approximately 15 per cent. to the closing price of HK China Shares of HK\$6.25 on 6th June, 1997, being the last day on which HK China Shares were traded prior to the release of this announcement. The HK China Sale Shares together with those HK China Shares already held by CRH represent approximately 9.6 per cent. of HK China's issued share capital as at 16th June, 1997.

As at 16th June, 1997, Skyscraper owned approximately 944,275,000 HK China Shares, representing approximately 69.8 per cent. of HK China's issued share capital and 141,804,348 warrants entitling Skyscraper to subscribe approximately HK\$658,120,000 for new HK China Shares at HK\$3.50 per share (subject to adjustment), representing approximately 68.1 per cent. of warrants outstanding. Following completion of the Skyscraper Agreement, Skyscraper will hold the HK China Shares referred to above together with approximately 954,275,000 HK China Shares representing approximately 61.7 per cent. of HK China's issued share capital.

To effect the participation and close co-operation of CRH in HK China, it is intended that the name of HK China will be changed to "LIPPO CHINA RESOURCES LIMITED 力寶華潤有限公司". Consequently HK China will dispatch to its shareholders and warrant holders as soon as practicable a circular containing, inter alia, a notice of extraordinary general meeting conveying a general meeting at which a special resolution will be considered and, if thought appropriate, passed, to change the name of HK China to "LIPPO CHINA RESOURCES LIMITED 力寶華潤有限公司".

CRH currently holds 50 per cent. of the issued share capital of HKCB, a subsidiary of Lippo. Consequently, the transaction envisaged by the Skyscraper Agreement constitutes a connected transaction for Lippo for the purposes of the Rules Governing the Listing of Securities on the Stock Exchange ("Listing Rules").

JV CO

JV Co is a company newly incorporated with limited liability in the Cayman Islands and is a wholly-owned subsidiary of Lippo. As part of the Group Reorganisation, Lippo will transfer to JV Co its entire approximate 56 per cent. interest in HKCB Holding, at book cost to be satisfied by an issue of 24,998 new shares of US\$1.00 each by JV Co, which interest will, pursuant to the Composite Agreement, increase to approximately 74 per cent. As a result, JV Co will become the intermediate holding company for Lippo's interest in HKCB Holding. As a result of completion of the Composite Agreement, JV Co's interest in HKCB Holding will increase to approximately 74 per cent.

COMPOSITE AGREEMENT

Under the terms of the Composite Agreement, CRE has agreed to sell and HKCB Holding has agreed to acquire the entire issued share capital of Newco. Newco Shares at completion beneficially own 421,670,588 HKCB Shares at an aggregate consideration of HK\$4,743 per HKCB Share (including HKCB Shares in the "HKCB Share Consideration"), which includes the HKCB Shares of HK\$4,743 per HKCB Share held by CRH. This consideration represents a premium of approximately 123 per cent. and represents a price approximately HK\$2.1 as at 31st December, 1996, represents a premium of approximately 123 per cent. and represents a price earnings ratio of approximately 13 times the audited consolidated profit attributable to the shareholders for HKCB for the year ended 31st December, 1996. The HKCB Shares that will be held by Newco represent 50 per cent. of the existing issued share capital of HKCB. The HKCB Share Consideration will be satisfied by the allotment and issue (credited as fully paid up) of 444,444,444 new shares of HK\$1.00 each ("HKCB Holding Shares") in the share capital of HKCB Holding at HK\$4.50 per HKCB Holding Share to JV Co ("HKCB Holding Share Issue"). Such price represents a discount of approximately 20.7 per cent. to the average closing

price of HKCB Holding Shares of HK\$5.64 and a discount of approximately 34.8 per cent for the closing price of HKCB Holding Shares of HK\$6.90 on 6th June, 1997, being the last day on which HKCB Holding Shares were traded prior to the release of this announcement. In consideration of the allotment of the HKCB Holding Shares having a face value of approximately HK\$3.5 billion, JV Co has agreed to allot and issue (credited as fully paid up) (the "Allotment Shares") to the holders of the Composite Agreement approximately 10 per cent of the share capital of the JV Co (Allotment Shares), as enlarged by the Allotment and Lippo has agreed to make a cash payment of approximately HK\$11,536,000 to CRE (the "Lippo Payment") to satisfy the balance of the 100 per cent of the Allotment Shares which will be funded from Lippo's internal resources.

Pursuant to the terms of the Composite Agreement, CRE is entitled to carry out a due diligence review in respect of HKCB Holding and its subsidiaries ("HKCB Holding Group"). If as a result of such review it is shown by CRE to the reasonable satisfaction of HKCB Holding that the net asset value of the HKCB Holding Group, as at the date of completion of the Composite Agreement is (calculated on the same basis as that which was used for the preparation of the audited accounts of HKCB Holding for the year ended 31st December, 1996 ("Accounts")) lower by 3 per cent, or more from the level of the net asset value of the HKCB Holding Group as stated in the Accounts due to some matter, act or admission which has (or is likely to have) a material adverse effect on the profits, losses, turnover, assets, obligation or liabilities (contingent or otherwise) of the HKCB Holding Group, CRE shall be entitled to serve a written notice within 14 business days of signing the Composite Agreement on HKCB Holding the effect of which shall be to terminate the Composite Agreement. In which case the transactions envisaged by the Composite Agreement and the JV Co Agreement detailed in this announcement will not proceed.

The transaction envisaged by the Composite Agreement constitutes a very substantial acquisition for HKCB Holding and a discloseable transaction for Lippo for the purposes of the Listing Rules. However, HKCB Holding can satisfy all the conditions set out in paragraph 14.07(3) of the Listing Rules so that the transaction will not be treated as if it were an application for listing for a new applicant for HKCB Holding.

Being a purchase by HKCB Holding from CRE, which is an associate of a substantial shareholder (as defined in the Listing Rules) of HKCB and thus a connected person of HKCB Holding (as defined in the Listing Rules), the transaction envisaged by the Composite Agreement constitutes a connected transaction for HKCB Holding for the purposes of the Listing Rules.

Since HKCB Holding is a subsidiary of Lippo, the transaction envisaged by the Composite Agreement also constitutes a connected transaction for Lippo for the purposes of the Listing Rules.

The HKCB Share Purchase, the HKCB Holding Share Issue, the Allotment and the Lippo Payment shall take place simultaneously upon completion of the Composite Agreement. Accordingly, the parties shall not be obliged to complete any one of these transactions unless all of them are so completed.

The principal activities of CRE are property investment and investment holding of food and beverage and infrastructure business.

CONDITIONS OF THE COMPOSITE AGREEMENT

Completion of the Composite Agreement is conditional upon the following conditions precedent and shall take place on the third business day following the day on which the following conditions precedent are satisfied (or such other date(s) as the parties thereto may agree):—

- (i) the Hong Kong Monetary Authority ("HKMA") giving its approval within the prescribed time period to the transactions contemplated under the Composite Agreement and, if relevant, the Allotment pursuant to Part XIII of the Banking Ordinance;
- (ii) the Insurance Authority of Hong Kong giving its approval and/or not objecting within the prescribed time period (as the case may be) to CRE becoming a controller (as that term is defined in the Insurance Companies Ordinance) of each of the Hongkong Chinese Insurance Company Limited (a wholly-owned subsidiary of HKCB) and Lippo Protection and Life Insurance Company Limited (an associated company of HKCB Holding) pursuant to Part II of the Insurance Companies Ordinance;
- (iii) if required by the Stock Exchange, the transactions envisaged by, and the performance of the obligations by each of Lippo, JV Co, HKCB Holding and the Composite Agreement being approved by a simple majority of shareholders of Lippo and HKCB Holding (excluding those shareholders (if any) prohibited by the Listing Rules or the Stock Exchange from voting on the relevant resolution) voting at an extraordinary general meeting of Lippo and a special general meeting of HKCB Holding convened for the aforementioned purpose;
- (iv) the Stock Exchange agreeing to grant a listing of and permission to deal in the HKCB Holding Shares on the Stock Exchange;
- (v) the Executive (as defined in the Hong Kong Code on Takeovers and Mergers (the "Code")) confirming that the transaction envisaged by the Composite Agreement will not give rise to a general offer by CRE, or parties acting in concert with it, for the outstanding issued share capital of HKCB Holding under Rule 26 of the Code;
- (vi) the People's Bank of China approving the direct or indirect sale and purchase of equity of HKCB and Chinese Mercantile Bank (an associated company of HKCB) contemplated by the Composite Agreement;
- (vii) all consents and authorisations which are necessary or required to implement the Composite Agreement under any existing contractual arrangements, or under loan or finance documentation of HKCB Holding, Lippo or any other member of the Lippo Group, having been obtained;
- (viii) all authorisations, consents and approvals of all governmental or regulatory authorities, agencies or bodies which are necessary or required for the purposes of the transactions contemplated by the Composite Agreement having been obtained;
- (ix) HKCB Holding not having been served with a notice terminating the Composite Agreement by CRE as a result of the due diligence exercise referred to above in accordance with the Composite Agreement prior to the fourteenth business day, following signing of the Composite Agreement terminating the Composite Agreement; and
- (x) the conditional agreement dated 18th June, 1997 between CRE and CRH in relation to the transfer of certain HKCB Shares ("CRE Agreement") becoming unconditional in accordance with its terms.

In the event of any of the above conditions not being fulfilled or waived by the parties by 30th September, 1997 (or such later date(s) as may be agreed between the parties thereto), the Composite Agreement will be terminated and completion thereof will not proceed. The Composite Agreement is not conditional upon the JV Co Agreement.

Details of the CRE Agreement are described in an announcement of CRE dated 18th June, 1997.

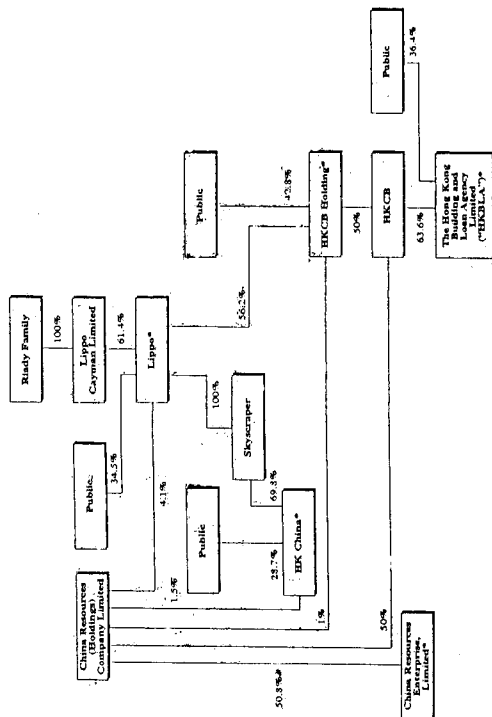
The HKMA has indicated that in principle it has no objection to the transactions envisaged by the Composite Agreement.

In the event that the CRE Agreement does not become unconditional, the Composite Agreement provides that CRH will perform the obligations under the Composite Agreement in substitution for CRE.

(iii) Lippo will sell its 50 per cent interest in JV Co to HK China, so that JV Co becomes owned 50/50 by HK China and CRE. The consideration is satisfied by HK China by cash and the issue of convertible loan notes and does not immediately affect Lippo's shareholding in BK China; and

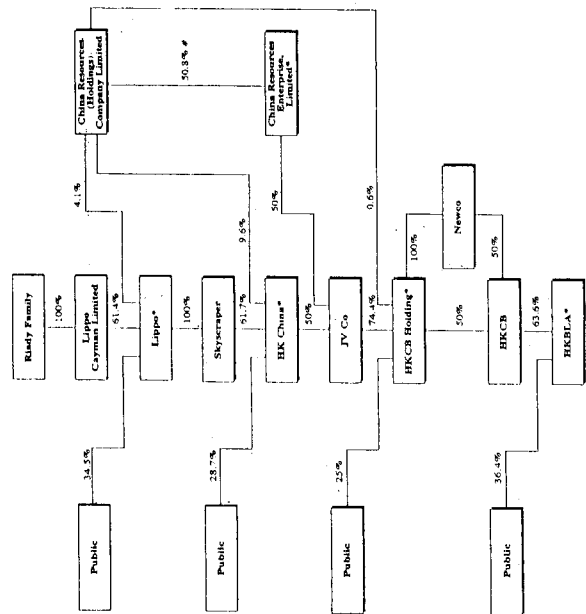
(iv) Lippo will sell shares representing approximately 8 per cent of the issued share capital of HK China held by Skyscraper to CRH for cash, bringing CRH's holding in HK China to approximately 10 per cent, and reducing Lippo's holding to approximately 62 per cent.

(a) Corporate chart of the Lippo Group as at 16th June, 1997:—



* The securities of these companies are listed on the Stock Exchange.
This figure has been taken from the announcement released by CRE on 18th June, 1997.

(b) Corporate chart of the Lippo Group after the Group Reorganisation:—



* The securities of these companies are listed on the Stock Exchange.
This figure has been taken from the announcement released by CRE on 18th June, 1997.

JV CO AGREEMENT

Pursuant to the JV Co Agreement, HK China has agreed to acquire from Lippo its entire shareholding of 25,000 shares of US\$1.00 each in JV Co after completion of the Composite Agreement at a consideration of HK\$1,787,463,990 which is payable by HK China on completion as follows:

- (i) as to HK\$327,463,990 in cash, and
 (ii) as to the balance by the issue to Lippo of convertible loan notes due 1999 in the aggregate principal amount of HK\$1,460,000,000 ("Loan Notes").

The cash consideration payable by HK China will be financed from its internal resources.

The consideration payable under the JV Co Agreement is equivalent to HK\$4.50 per HKCB Holding Share which is based upon a price earnings ratio of approximately 14.4 times the pro forma earnings for HKCB Holding Group for the year ended 31st December, 1996 assuming the transactions envisaged by the Composite Agreement and JV Co Agreement had been completed as at 1st January, 1996 and after adjusting for exceptional item in 1996. Such price is the same as that attributed to each HKCB Holding Share under the Composite Agreement.

The JV Co Agreement constitutes a discloseable transaction for Lippo and a major transaction for HK China for the purposes of the Listing Rules.

The transaction envisaged by the JV Co Agreement constitutes a connected transaction for each of Lippo and HK China for the purposes of the Listing Rules.

The Loan Notes carry the right to convert either in whole or any integral multiples of HK\$10,000,000 into fully paid shares of HK\$0.50 each in the share capital of HK China ("HK China Shares") at an initial conversion price of HK\$5.6175 per HK China Share, subject to adjustment. The conversion price represents a premium of 5 per cent. to the ten day average closing price of HK China Shares of HK\$5.35 and a discount of approximately 10 per cent. to the closing price of HK China Shares of HK\$6.25 on 6th June, 1997, being the last day on which HK China Shares were traded prior to the release of this announcement. This price compares to a consolidated net asset value per HK China Share of approximately HK\$5.9 as at 31st December, 1996 and represents a price earnings ratio of approximately 13 times the audited consolidated profit attributable to shareholders for HK China for the year ended 31st December, 1996. The holders of the Loan Notes shall be entitled to exercise the rights of conversion at any time on or after the date of issue of the Loan Notes and prior to the close of business of the fourteenth business day immediately preceding the maturity date, being two years from the date of issue. Fractions of HK China Shares will not be issued upon conversion. Details of the terms of the Loan Notes and in particular the conversion price adjustment will be set out in the circular of HK China referred to below.

HK China may on receipt of a written notice of conversion pursuant to the terms of the Loan Notes redeem the Loan Notes or such part thereof the subject of the conversion rather than issue the relevant HK China Shares at an amount equal to the then market price of the HK China Shares multiplied by the number of HK China Shares the subject of the relevant conversion. HK China may redeem the Loan Notes at their face value at any time by giving between 10 and 20 days notice.

The Loan Notes bear interest at a rate of 11 per cent. per annum on the principal amount of the Loan Notes outstanding from time to time payable by HK China annually in arrears on 31st December in each year. The rate of interest was fixed after commercial negotiations and reflects the terms of conversion of the Loan Notes.

The Loan Notes are freely transferable in whole or in amounts or multiples of HK\$10,000,000 (save for any Loan Note not issued in the denomination of HK\$10,000,000 in which case in the full amount of such Loan Note) to any person other than to any connected person of HK China (as defined in the Listing Rules) (save that they can be transferred to a holder of the Loan Notes or its associates). Provided that prior approval of Stock Exchange shall be required for any transfer which is a connected person of HK China and is not a subsidiary or an associate of a holder of the Loan Notes.

Based on the existing issued share capital of HK China and assuming immediately full exercise of the rights of conversion as entitled under the Loan Notes, at the initial conversion price of HK\$5.6175 per HK China Share (subject to adjustment), approximately 260 million HK China Shares would fall to be issued which based on the issued share capital of HK China as at 16th June, 1997 would represent approximately 16 per cent. of HK China's enlarged issued share capital. In the event Lippo exercises the conversion rights attaching to the Loan Notes it will increase its shareholding interest in HK China. However, in making the decision to exercise the conversion rights attaching to the Loan Notes and retaining any HK China Share issued on such exercise, Lippo will take account of the necessity for HK China to maintain 25 per cent. of its issued share capital in the hands of the public.

The Stock Exchange has stated that, in the event that less than 25 per cent. of the HK China Shares are in public hands following the exercise of conversion rights attaching to the Loan Notes, it will closely monitor trading in the HK China Shares. If the Stock Exchange believes that a false market exists or may exist in the HK China Shares, or that there are insufficient HK China Shares in public hands to maintain an orderly market, then it will give consideration to exercising its discretion to suspend dealings in the HK China Shares.

CONDITIONS OF THE JV CO AGREEMENT

In addition to being subject to the same conditions as those set out in paragraphs (i), (ii), (iii), (vii) and (viii) under the heading "Conditions of the Composite Agreement" above, but in such cases applying to Lippo and HK China, completion of the JV Co Agreement is conditional upon the following conditions precedent and shall take place on the third business day following the day on which the following conditions precedent are satisfied (or such other date(s) as the parties thereto may agree):—

- (i) the Executive (as defined in the Code) granting HK China and parties acting in concert with it (as that term is defined in the Code) a waiver (as envisaged by paragraph (a) (i) of Note 6 to Rule 26.1 of the Code) from any obligation to make a mandatory general offer for the outstanding securities of HKCB Holding or HKBLA under Rule 26.1 of the Code arising as a result of completion of the transaction contemplated by the JV Co Agreement;
- (ii) the Listing Committee of the Stock Exchange granting or agreeing to grant approval for the listing of and permission to deal in any shares of HK China falling to be issued upon conversion of the Loan Notes; and
- (iii) the Composite Agreement becoming in all respects unconditional and completed.

Accordingly, in the event of the conditions above not being fulfilled by 30th September, 1997 (or such later date(s) as may be agreed between the parties thereto), the JV Co Agreement will be terminated and completion thereof will not proceed.

HKCB

	Year ended 31st December, 1995	1996
	HK\$ million	HK\$ million
Profit before taxation and extraordinary item	328	386
Profit after taxation and extraordinary item	273	321
Profit attributable to shareholders	257	305
Basic earnings per share	HK\$0.362	HK\$0.362
Net asset value	1,568	1,793
NAV per share	HK\$1.9	HK\$2.1

Lippo

	Year ended 31st December, 1995	1996
	HK\$ million	HK\$ million
Profit before taxation and extraordinary item	735	826
Profit after taxation and extraordinary item	676	740
Profit attributable to shareholders	370	356
Basic earnings per share	HK\$0.85	HK\$0.82
Net asset value	4,383	5,544
NAV per share	HK\$10.1	HK\$12.8

CONNECTED TRANSACTIONS

The Composite Agreement and the JV Co Agreement constitute connected transactions for Lippo, HKCB Holding and HK China and are thus subject to approval by independent shareholders in general meetings of Lippo, HKCB Holding and HK China respectively in which connected persons interested in the relevant transactions shall not be entitled to vote. Accordingly, Lippo, CRH and JV Co and their respective associates shall abstain from voting in the shareholders' meeting of HKCB Holding at which the Composite Agreement will be approved. Lippo and CRH and their respective associates shall abstain from voting in the shareholders' meeting of HK China approving the JV Co Agreement. CRH and its associates will abstain from voting at the general meeting of Lippo in respect of the Composite Agreement and the JV Co Agreement.

CRH currently holds 50 per cent. of the issued share capital of HKCB and CRH is therefore regarded as a substantial shareholder of a subsidiary of Lippo. Consequently, the transaction envisaged by the Skyscraper Agreement constitutes a connected transaction for Lippo for the purposes of Listing Rules and in accordance with the Listing Rules will be subject to the approval of those shareholders of Lippo who are not interested in the Skyscraper Agreement in an extraordinary general meeting of Lippo convened for such purpose. CRH currently owns approximately 17,770,000 shares of HK\$1.00 each in Lippo representing approximately 4 per cent. of Lippo's issued share capital. CRH and its associates will not vote such shares at such extraordinary general meeting.

BUSINESSES OF LIPO GROUP

The principal activities of the Lippo Group are the provision of banking, mortgage finance, financial, insurance and other related services, property investment, property development, estate management, corporate finance, underwriting, fund management, securities trading and treasury investments.

In particular, the principal activities of HK China and its subsidiaries are investment holding, property investment, property development, estate management, securities trading and treasury investments. HKCB Holding's principal activity is investment holding. Its subsidiaries are principally engaged in the provision of commercial banking, mortgage finance, merchant banking, securities broking, insurance and other related services. HKCB's principal activities are retail banking, mortgage finance, trade finance, corporate banking and other related financial services.

REASONS FOR THE GROUP REORGANISATION

The transactions envisaged by the Composite Agreement will enable Lippo and China Resources Group to build on their existing relationship and expand that relationship and cooperation into other areas of financial services. By becoming a direct partner with Lippo in the company controlling HKCB Holding (instead of just HKCB), CRH will participate in the broader range of financial services businesses, including securities and insurance, which are carried on by HKCB Holding. In addition, it will enable HKCB Holding to consolidate the entire profits of HKCB. Accordingly, the respective boards of directors of Lippo and HKCB Holding consider that the transactions envisaged by the Composite Agreement are in the best interests of Lippo and HKCB Holding.

The board of directors of HK China and Lippo consider that the acquisition of the JV Co Shares by HK China under the JV Co Agreement will strengthen the asset base and diversify the business of HK China. After the Group Reorganisation, HK China will become the holding vehicle of a diverse financial services group in addition to its property holdings. This should increase the recurrent earnings of HK China. The JV Co Agreement is perceived as an excellent opportunity to enable HK China to expand its financial services business. Lippo will continue to have indirect control, through its interest in HK China, of HKCB Holding.

The sale of the HK China Sale Shares to CRH will enable Lippo and CRH to strengthen further their existing relationship. With a substantial shareholding in HK China, it is expected that CRH will be able to make a significant contribution to the future development and expansion of HK China and its business. It is anticipated that through their joint interests in HK China, Lippo and CRH will cooperate to undertake new projects and explore new business opportunities, particularly in Hong Kong and the People's Republic of China. Accordingly, the board of directors of Lippo consider that the sale of the HK China Sale Shares is in the best interests of Lippo and HK China as a whole.

BENEFITS AND IMPACT ON LIPO GROUP FROM THE TRANSACTIONS ENVISAGED BY THE SKYSCRAPER AGREEMENT, THE COMPOSITE AGREEMENT AND THE JV CO AGREEMENT

Lippo

Impact

Lippo receives from HK China approximately HK\$327 million and Loan Notes convertible into approximately 260 million HK China Shares at an initial conversion price of HK\$5.6175 per share.

Lippo receives HK\$583 million from the disposal of approximately 8.1 per cent. of issued share capital of HK China to CRH.

SHAREHOLDERS' AGREEMENT

As a result of the Group Reorganisation, Lippo or, in the event the JV Co Agreement is completed, HK China and CRE will each hold 50 per cent. of the issued share capital of JV Co. In the circumstances, the parties have considered it appropriate to enter into a shareholders' agreement (the "Shareholders' Agreement") regulating the future operation of JV Co and its subsidiaries including, inter alia, HKCB Holding, HKCB and HKBLA. The Shareholders' Agreement will be entered into on completion of the Composite Agreement and/or the JV Co Agreement. Although the Shareholders' Agreement provides that Lippo or HK China (as the case may be) and CRE will have equal representation on the board of directors of JV Co, Lippo or HK China (as the case may be) will, through its entitlement to appoint a chairman, have a casting vote at shareholders' and directors' meetings. In the event the CRE Agreement is not completed, CRH will enter into the Shareholders' Agreement in place of CRE. HKCB Holding will continue to be a subsidiary of Lippo and its results will be consolidated with those of the Lippo Group.

The Shareholders' Agreement provides that neither Lippo or HK China (as the case may be) nor CRE shall sell, transfer or otherwise dispose of its respective holding of shares in JV Co without the prior written consent of the other and the HKCMA.

CRE will also undertake and covenant in the Shareholders' Agreement that it will use its best endeavours to procure that it and its subsidiaries will refer to the HKCB Holding Group their banking business, mortgage finance, merchant banking, securities and future broking, insurance, fund management and other related business in Hong Kong.

APPLICATION FOR WAIVER UNDER THE CODE

The transfer of Lippo's entire interest in HKCB Holding to JV Co will trigger a mandatory offer under Rule 26.1 of the Code. In addition, the transfer of statutory control of JV Co from Lippo to HK China will also trigger a mandatory offer for HKCB Holding and/or HKBLA under Rule 26.1 of the Code as a result of the chain principle referred to in Note 8 to Rule 26.1 of the Code.

However, both JV Co and HK China are members of the Lippo Group and in each case are acquiring (either directly or indirectly) the voting rights in HKCB Holding from its holding company, Lippo. Consequently there is no change in the ultimate control of HKCB Holding and HKBLA. Lippo, JV Co and HK China, among others, are parties acting in concert with each other in relation to the control of HKCB Holding and HKBLA for the purposes of the Code ("Lippo Concert Group").

Accordingly, JV Co and HK China are applying to the Executive for a waiver to exempt (i) JV Co and parties acting in concert with it from any obligation to make a general offer for the outstanding securities of HKCB Holding (or of HKBLA under the chain principle) and (ii) HK China and parties acting in concert with it from any obligation to make a general offer for the outstanding securities of HKCB Holding (or of HKBLA under the chain principle) in each case pursuant to Note 6 to Rule 26.1 of the Code, arising as a result of completion of the transfer of the voting rights in HKCB Holding from Lippo to JV Co and the transfer of statutory control of JV Co to HK China respectively. The ultimate controlling shareholder of HKCB Holding does not change as a result of the proposals described in this announcement. The Lippo Concert Group will continue to maintain control.

COMMERCIAL TERMS OF THE COMPOSITE AGREEMENT AND THE JV CO AGREEMENT

The terms of the Composite Agreement have been arrived at after arm's length normal commercial negotiations between HKCB Holding, Lippo, CRH and CRE. In the opinion of the respective boards of directors, including the independent non-executive directors, of Lippo and HKCB Holding, such terms, including the purchase price, are fair and reasonable.

The purchase consideration for the shares of JV Co and the terms of the Loan Notes under the JV Co Agreement have been arrived at on an arm's length basis upon normal commercial terms. The consideration payable by HK China under the JV Co Agreement is equivalent to, and has been arrived at, on the same basis as the consideration payable under the Composite Agreement. The board of directors of each of Lippo and HK China including the independent non-executive directors are of the opinion that such purchase consideration and the terms of the Loan Notes are fair and reasonable.

The terms of the Skyscraper Agreement have been arrived at after arm's length commercial negotiations between Lippo and CRH. The sale price of the HK China Sale Shares represents a discount of approximately 15 per cent. to the closing price of HK China Shares as quoted on the Stock Exchange on 6th June, 1997 and a discount of approximately 1 per cent. to the average closing price for the last ten trading days. In the opinion of the board of directors of Lippo including the independent non-executive directors, such terms are fair and reasonable given CRH's contribution to the future development and expansion of HK China and its businesses. The proceeds realised by Lippo as a result of completion of the Skyscraper Agreement will be used as additional working capital.

Set out below are summaries of the audited consolidated results of HKCB Holding, HK China, HKCB and Lippo for the two years ended 31st December, 1996 and their respective audited net asset value as at the balance sheet dates:-

HKCB Holding

	Year ended 31st December, 1995	1996
	HK\$ million	
Profit before taxation and extraordinary item	336	391
Profit after taxation and extraordinary item	317	378
Profit attributable to shareholders	133	147
Basic earnings per share	HK\$0.222	HK\$0.248
Net asset value ("NAV")	1,247	1,305
NAV per share	HK\$2.1	HK\$2.2

HK China

	Year ended 31st December, 1995	1996
	HK\$ million	
Profit before taxation and extraordinary item	440	565
Profit after taxation and extraordinary item	439	554
Profit attributable to shareholders	443	545
Basic earnings per share	HK\$0.36	HK\$0.42
Net asset value	5,854	7,632
NAV per share	HK\$4.5	HK\$5.9

- Lippo pays out approximately HK\$213 million to CRE.

- Lippo realises a profit of approximately HK\$1.45 million on group basis and a profit of approximately HK\$855 million on company basis from the transactions.

- There will be no material impact on the net asset value of Lippo Group whereas the net asset value of Lippo will be increased by approximately HK\$855 million.

- The public interest in Lippo remains unchanged.

Benefit

- Lippo increases cash resources by approximately HK\$697 million.

HK China**Impact**

- HK China's consolidated total assets will increase by approximately HK\$2.4 billion as a result of the consolidation of HKCB Holding and its subsidiaries after the acquisition of 50 per cent. of HKCB from CRE.

- Consolidated net asset value of HK China will be reduced by approximately HK\$397 million which is supported by the increase in quasi capital of HK\$1,460 million convertible notes issued to Lippo.

- HK China pays out approximately HK\$327 million.

- The public interest in HK China remains unchanged although there is a potential for dilution if the conversion rights attaching to the Loan Notes are exercised.

Benefit

- HK China will obtain a strong, stable and recurrent earnings from HKCB Holding Group and rely less on the volatility of the property market for rental income and property disposals.

HKCB Holding**Impact**

- HKCB Holding issues 444,444,444 new HKCB Holding Shares at HK\$4.50 per share, which increases its paid up capital by approximately HK\$3.2 billion and the public interest is reduced from approximately 45 per cent. to approximately 25 per cent.

- Consolidated net asset value of HKCB Holding will be increased by approximately HK\$900 million.

Benefit

- HKCB Holding's capital base increases by approximately HK\$900 million.

- The entire profits of HKCB are consolidated.

- Cooperation between Lippo Group and China Resources Group will be strengthened at HKCB Holding level in financial services related businesses.

The impact and benefits referred to above are worked out on the basis of the audited financial position and capital structure of Lippo Group as at 31st December, 1996 and goodwill arising on acquisition of subsidiaries are calculated based on their respective consolidated net asset value as at 31st December, 1996.

CIRCULARS

Each of Lippo, HKCB Holding and HK China will despatch to their respective shareholders as soon as possible circulars containing details of the terms and conditions of the Composite Agreement, the JV Co Agreement and the Shareholders' Agreement and the Skyscraper Agreement and other details of the Group Reorganisation and notices convening general meetings of each of Lippo, HK China and HKCB Holding. Warrant holders of HKCB Holding and HK China will also receive such circulars for information. Each of Lippo, HK China and HKCB Holding will appoint an independent financial adviser to advise its shareholders (other than shareholders who are interested in the transactions and shall abstain from voting in the relevant shareholders' meeting under the Listing Rules) on the fairness and reasonableness of the Group Reorganisation, including the Composite Agreement, the JV Co Agreement and the Skyscraper Agreement.

TRADING

Trading in the securities of each of Lippo, HK China and HKCB Holding was suspended on 6th June, 1997 at the request of the Stock Exchange. Applications have been submitted for the resumption of trading and it is anticipated trading in the securities of Lippo, HK China and HKCB Holding will resume on Monday, 23rd June, 1997.

By Order of the Board
LIPPO LIMITED
Stephen Riady
Chairman

By Order of the Board
THE HKCB BANK
HOLDING COMPANY LIMITED
Stephen Riady
Executive Director

By Order of the Board
HONGKONG CHINA LIMITED
Stephen Riady
Deputy Chairman
and Managing Director

Hong Kong, 21st June, 1997

The information in this announcement has been supplied by the directors of Lippo, HK China and HKCB Holding respectively. The directors of Lippo, HK China and HKCB Holding jointly and severally accept full responsibility for the accuracy of the information contained in this announcement and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this announcement have been arrived at after due and careful consideration and there are no other facts not contained in this announcement, the omission of which would make any statement in this announcement misleading.

Insider Dealing Tribunal Inquiry into HKCB Bank Holding Company Ltd & Hong Kong China Ltd

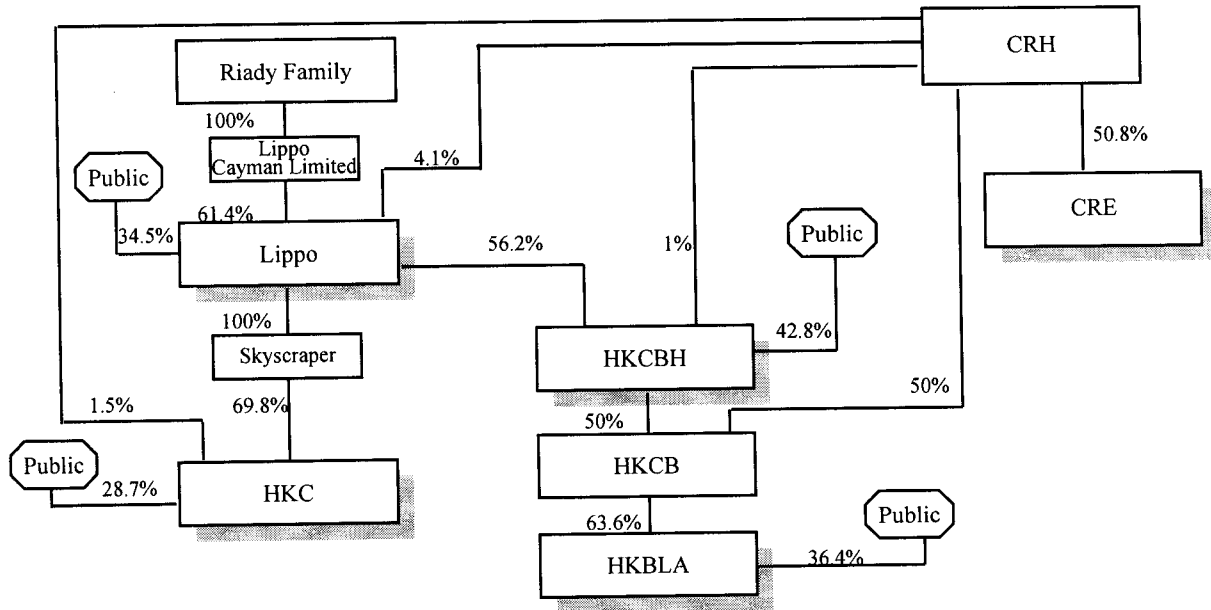
Appendix 5

The relevant corporate structure of the Lippo Group before and after the reorganisation

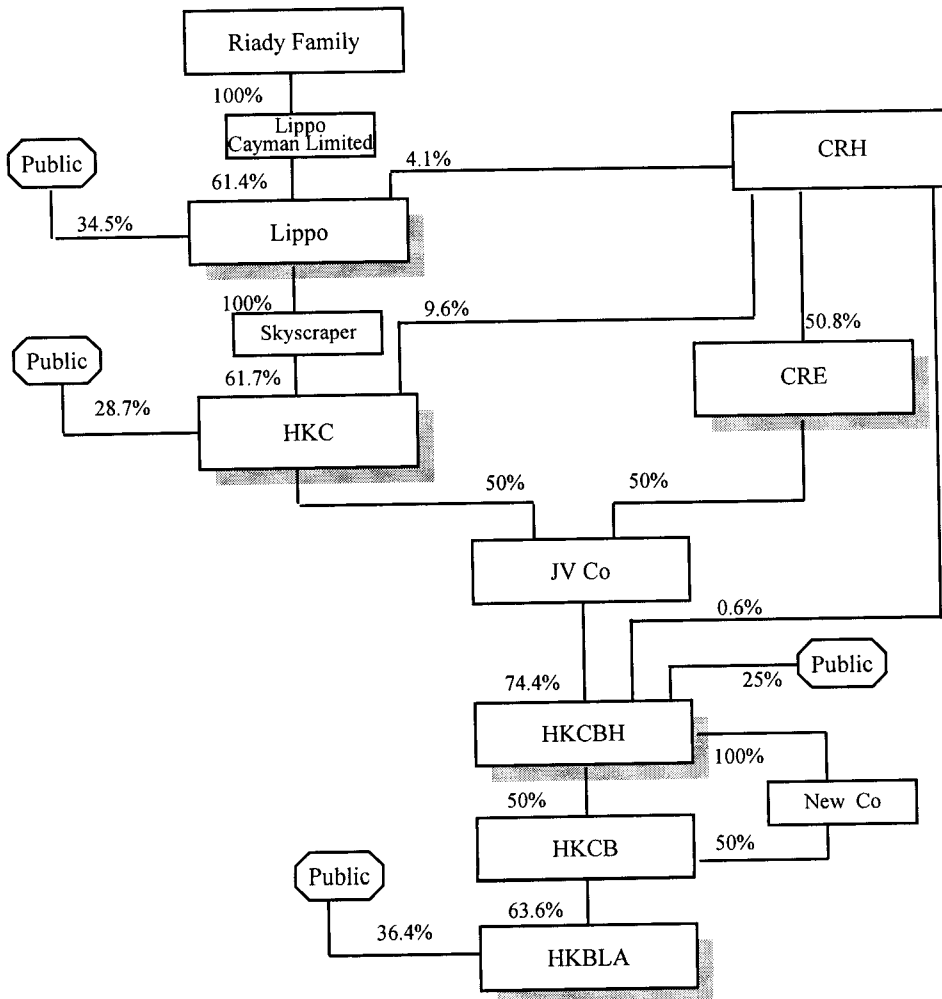
Appendix 5

Corporate chart of the Lippo Group before and after the reorganisation

Before the reorganisation



After the reorganisation



Companies in shaded boxes are companies listed on the Stock Exchange of Hong Kong

Insider Dealing Tribunal Inquiry into HKCB Bank Holding Company Ltd & Hong Kong China Ltd

Appendix 6

A table showing the :

- daily high/low price of HKCBH shares (Stock Code 655)
- daily closing price of HKCBH shares
- daily turnover of HKCBH shares; and
- the HSI

for the period 2 January to 31 December 1997

TRADING STATISTIC

Stock Code : 0655 - HKCB BANK			
Date Range : Jan 97 - Dec 97		Total :	3,276,413,399 shares
Min Price : 2.175		Daily Average :	13,373,116 shares
Max Price : 15.250		Average Price :	5.533

DATE	NO. OF SHARES	HIGH	LOW	CLOSE	% CHANGE	HSI
02/01/97	1,118,000	2.625	2.550	2.575	-1.90	13,203.440
03/01/97	1,028,000	2.600	2.550	2.575	0.00	13,222.790
06/01/97	1,232,816	2.600	2.575	2.575	0.00	13,443.930
07/01/97	994,400	2.625	2.575	2.575	0.00	13,420.160
08/01/97	1,230,000	2.600	2.550	2.575	0.00	13,454.930
09/01/97	992,000	2.600	2.550	2.550	-0.97	13,198.110
10/01/97	648,150	2.575	2.550	2.550	0.00	13,191.500
13/01/97	1,740,000	2.650	2.550	2.650	3.92	13,289.210
14/01/97	3,131,202	2.700	2.650	2.650	0.00	13,293.870
15/01/97	5,542,000	2.750	2.700	2.750	3.77	13,766.650
16/01/97	8,792,682	2.825	2.700	2.750	0.00	13,830.680
17/01/97	4,575,001	2.800	2.750	2.775	0.91	13,856.400
20/01/97	3,018,000	2.800	2.700	2.725	-1.80	13,868.240
21/01/97	1,348,227	2.700	2.650	2.675	-1.83	13,732.790
22/01/97	1,226,000	2.700	2.625	2.625	-1.87	13,692.790
23/01/97	680,000	2.650	2.625	2.625	0.00	13,610.330
24/01/97	1,750,000	2.650	2.600	2.600	-0.95	13,379.550
27/01/97	580,000	2.625	2.600	2.600	0.00	13,294.900
28/01/97	470,000	2.650	2.600	2.600	0.00	13,403.290
29/01/97	1,084,200	2.625	2.600	2.600	0.00	13,285.430
30/01/97	954,000	2.625	2.600	2.625	0.96	13,288.400
31/01/97	750,000	2.625	2.600	2.600	-0.95	13,321.790
03/02/97	375,768	2.650	2.600	2.625	0.96	13,451.070
04/02/97	576,000	2.625	2.600	2.625	0.00	13,548.430
05/02/97	620,000	2.625	2.600	2.625	0.00	13,660.500
10/02/97	740,000	2.650	2.600	2.600	-0.95	13,643.540
11/02/97	684,400	2.625	2.500	2.550	-1.92	13,454.210
12/02/97	806,336	2.575	2.550	2.575	0.98	13,462.610
13/02/97	950,000	2.575	2.525	2.525	-1.94	13,239.950
14/02/97	1,186,000	2.550	2.475	2.475	-1.98	13,113.260
17/02/97	734,000	2.550	2.500	2.500	1.01	13,144.620
18/02/97	600,000	2.475	2.450	2.475	-1.00	13,102.940
19/02/97	850,000	2.525	2.450	2.475	0.00	13,106.320
20/02/97	846,200	2.550	2.475	2.550	3.03	13,411.330
21/02/97	414,400	2.550	2.500	2.500	-1.96	13,444.850

TRADING STATISTIC

Appendix 6 (Page 2)

Stock Code : 0655 - HKCB BANK	Total : 3,276,413,399 shares
Date Range : Jan 97 - Dec 97	Daily Average : 13,373,116 shares
Min Price : 2.175	Average Price : 5.533
Max Price : 15.250	

DATE	NO. OF SHARES	HIGH	LOW	CLOSE	% CHANGE	HSI
24/02/97	1,133,000	2.550	2.475	2.550	2.00	13,375.690
25/02/97	1,766,000	2.625	2.525	2.600	1.96	13,520.260
26/02/97	1,228,000	2.650	2.600	2.600	0.00	13,541.830
27/02/97	794,000	2.625	2.575	2.625	0.96	13,546.600
28/02/97	1,558,000	2.625	2.575	2.600	-0.95	13,398.720
03/03/97	910,000	2.625	2.600	2.600	0.00	13,507.280
04/03/97	830,256	2.575	2.550	2.575	-0.96	13,450.080
05/03/97	724,000	2.600	2.550	2.550	-0.97	13,410.760
06/03/97	682,202	2.600	2.525	2.550	0.00	13,416.360
07/03/97	610,000	2.550	2.525	2.550	0.00	13,337.350
10/03/97	682,000	2.550	2.500	2.500	-1.96	13,268.760
11/03/97	1,538,000	2.550	2.475	2.500	0.00	13,252.200
12/03/97	938,000	2.500	2.450	2.450	-2.00	13,119.130
13/03/97	655,000	2.475	2.425	2.475	1.02	12,917.090
14/03/97	1,408,000	2.425	2.375	2.400	-3.03	12,736.530
17/03/97	1,084,000	2.450	2.425	2.425	1.04	12,838.530
18/03/97	782,000	2.425	2.375	2.375	-2.06	12,748.910
19/03/97	974,000	2.375	2.300	2.350	-1.05	12,651.420
20/03/97	1,208,000	2.400	2.300	2.300	-2.13	12,472.330
21/03/97	292,000	2.350	2.250	2.350	2.17	12,489.300
24/03/97	324,000	2.350	2.300	2.350	0.00	12,749.140
25/03/97	706,000	2.350	2.325	2.325	-1.06	12,832.530
26/03/97	934,000	2.350	2.325	2.325	0.00	12,776.390
27/03/97	948,000	2.300	2.275	2.300	-1.08	12,534.320
01/04/97	773,000	2.250	2.200	2.225	-3.26	12,074.190
02/04/97	634,000	2.250	2.175	2.250	1.12	12,136.320
03/04/97	322,000	2.250	2.200	2.225	-1.11	12,055.170
04/04/97	252,000	2.275	2.250	2.250	1.12	12,204.590
07/04/97	80,000	2.300	2.300	2.300	2.22	12,287.840
08/04/97	188,000	2.300	2.275	2.300	0.00	12,398.570
09/04/97	420,000	2.325	2.300	2.325	1.09	12,426.680
10/04/97	128,000	2.300	2.275	2.300	-1.08	12,358.700
11/04/97	418,000	2.350	2.300	2.300	0.00	12,516.600
14/04/97	264,000	2.275	2.200	2.275	-1.09	12,295.970
15/04/97	280,000	2.275	2.250	2.275	0.00	12,342.020

Stock Code : 0655 - HKCB BANK		Total :	3,276,413,399 shares
Date Range : Jan 97 - Dec 97		Daily Average :	13,373,116 shares
Min Price :	2.175	Average Price :	5.533
Max Price :	15.250		

DATE	NO. OF SHARES	HIGH	LOW	CLOSE	% CHANGE	HSI
16/04/97	933,760	2.300	2.275	2.300	1.10	12,581.310
17/04/97	300,000	2.325	2.275	2.325	1.09	12,516.230
18/04/97	840,000	2.500	2.300	2.500	7.53	12,541.180
21/04/97	812,000	2.500	2.450	2.450	-2.00	12,626.040
22/04/97	913,272	2.450	2.400	2.400	-2.04	12,580.850
23/04/97	1,960,000	2.475	2.400	2.425	1.04	12,707.040
24/04/97	1,142,000	2.475	2.400	2.450	1.03	12,726.830
25/04/97	2,562,000	2.525	2.425	2.525	3.06	12,645.760
28/04/97	7,782,000	2.600	2.525	2.600	2.97	12,610.170
29/04/97	39,773,000	2.875	2.625	2.850	9.62	12,600.420
30/04/97	31,370,000	3.025	2.900	2.975	4.39	12,903.300
01/05/97	50,763,000	3.350	3.000	3.275	10.08	13,020.780
02/05/97	36,023,000	3.425	3.200	3.325	1.53	13,081.700
05/05/97	18,917,000	3.425	3.250	3.275	-1.50	13,399.340
06/05/97	15,093,000	3.375	3.250	3.300	0.76	13,579.340
07/05/97	19,470,000	3.725	3.250	3.675	11.36	13,605.910
08/05/97	83,933,000	4.550	3.675	4.275	16.33	13,740.300
09/05/97	55,065,000	4.700	4.350	4.675	9.36	13,930.800
12/05/97	51,359,000	5.250	4.750	5.100	9.09	13,987.800
13/05/97	33,918,000	5.350	4.700	4.725	-7.35	13,906.460
14/05/97	20,673,000	5.100	4.750	4.900	3.70	14,153.580
15/05/97	13,006,000	4.975	4.575	4.725	-3.57	14,041.900
16/05/97	14,339,000	4.950	4.700	4.775	1.06	14,062.370
19/05/97	10,448,000	4.950	4.775	4.925	3.14	14,108.820
20/05/97	9,354,800	5.150	4.950	5.050	2.54	14,236.200
21/05/97	7,532,448	5.150	4.900	5.000	-0.99	14,235.520
22/05/97	4,192,554	5.000	4.900	4.925	-1.50	14,212.000
23/05/97	7,367,559	5.050	4.875	4.875	-1.02	14,331.680
26/05/97	37,749,000	5.600	4.975	5.550	13.85	14,574.640
27/05/97	22,434,000	5.850	5.400	5.600	0.90	14,540.160
28/05/97	12,217,000	5.650	5.300	5.350	-4.46	14,556.480
29/05/97	22,763,000	5.350	4.700	5.100	-4.67	14,416.570
30/05/97	23,789,000	5.450	5.100	5.400	5.88	14,757.810
02/06/97	12,119,000	5.500	5.200	5.250	-2.78	14,990.900
03/06/97	9,490,200	5.300	5.150	5.250	0.00	14,760.170

TRADING STATISTIC

Appendix 6 (Page 4)

Stock Code : 0655 - HKCB BANK		Total :	3,276,413,399 shares
Date Range : Jan 97 - Dec 97		Daily Average :	13,373,116 shares
Min Price :	2.175	Average Price :	5.533
Max Price :	15.250		

DATE	NO. OF SHARES	HIGH	LOW	CLOSE	% CHANGE	HSI
04/06/97	9,320,000	5.400	5.250	5.250	0.00	14,831.580
05/06/97	61,835,000	6.800	5.300	6.750	28.57	14,795.520
06/06/97	53,410,000	7.550	6.700	6.900	2.22	14,655.130
10/06/97	0	6.900	6.900	6.900	0.00	14,439.710
11/06/97	0	6.900	6.900	6.900	0.00	14,421.520
12/06/97	0	6.900	6.900	6.900	0.00	13,924.340
13/06/97	0	6.800	6.800	6.800	-1.45	14,112.550
16/06/97	0	6.800	6.800	6.800	0.00	14,394.600
17/06/97	0	6.800	6.800	6.800	0.00	14,307.150
18/06/97	0	6.800	6.800	6.800	0.00	14,203.890
19/06/97	0	6.800	6.800	6.800	0.00	14,506.490
20/06/97	0	6.800	6.800	6.800	0.00	15,154.360
23/06/97	112,850,000	9.900	7.650	8.650	27.21	15,021.230
24/06/97	35,828,000	8.700	8.100	8.200	-5.20	14,890.960
25/06/97	33,300,000	8.500	7.750	7.850	-4.27	15,065.020
26/06/97	18,485,000	8.200	7.550	7.800	-0.64	15,128.020
27/06/97	19,213,000	7.950	7.450	7.500	-3.85	15,196.790
03/07/97	11,983,000	7.750	7.150	7.150	-4.67	15,055.740
04/07/97	12,626,000	7.400	6.800	6.850	-4.20	14,822.970
07/07/97	23,007,000	7.600	6.400	7.200	5.11	14,858.580
08/07/97	15,860,000	7.500	6.900	7.000	-2.78	14,792.170
09/07/97	13,330,000	7.300	6.650	6.650	-5.00	14,703.730
10/07/97	9,464,400	6.850	6.350	6.800	2.26	14,839.230
11/07/97	12,072,000	7.100	6.800	6.950	2.21	15,225.290
14/07/97	11,351,000	7.300	6.950	7.000	0.72	15,370.940
15/07/97	4,488,326	7.100	6.900	6.900	-1.43	15,487.240
16/07/97	6,546,395	7.000	6.700	6.750	-2.17	15,446.020
17/07/97	6,855,030	7.050	6.650	6.700	-0.74	15,706.290
18/07/97	4,742,000	6.900	6.600	6.750	0.75	15,570.400
21/07/97	13,051,000	7.300	6.700	7.050	4.44	15,536.300
22/07/97	7,863,200	7.300	6.850	7.050	0.00	15,446.780
23/07/97	16,495,000	7.150	6.850	6.900	-2.13	15,738.810
24/07/97	8,785,564	7.050	6.800	6.900	0.00	15,709.230
25/07/97	4,063,400	6.950	6.700	6.800	-1.45	15,658.120
28/07/97	3,988,000	6.950	6.700	6.700	-1.47	15,666.590

TRADING STATISTIC

Appendix 6 (Page 5)

Stock Code : 0655 - HKCB BANK		Total :	3,276,413,399 shares
Date Range : Jan 97 - Dec 97		Daily Average :	13,373,116 shares
Min Price :	2.175	Average Price :	5.533
Max Price :	15.250		

DATE	NO. OF SHARES	HIGH	LOW	CLOSE	% CHANGE	HSI
29/07/97	9,254,000	7.150	6.700	7.000	4.48	15,772.060
30/07/97	10,660,000	7.200	6.900	7.000	0.00	15,983.180
31/07/97	29,467,000	7.650	7.000	7.550	7.86	16,365.710
01/08/97	49,486,000	8.150	7.700	7.900	4.64	16,379.220
04/08/97	16,658,000	8.100	7.750	7.850	-0.63	16,259.590
05/08/97	10,286,000	8.100	7.800	7.950	1.27	16,371.520
06/08/97	16,336,000	8.300	7.950	8.150	2.52	16,541.600
07/08/97	12,163,000	8.300	7.700	7.700	-5.52	16,673.270
08/08/97	6,500,400	7.900	7.550	7.750	0.65	16,647.540
11/08/97	6,983,920	7.900	7.600	7.800	0.65	16,460.470
12/08/97	9,052,000	8.000	7.800	7.800	0.00	16,383.410
13/08/97	17,167,000	8.500	7.800	8.150	4.49	16,482.930
14/08/97	25,022,000	8.550	8.200	8.400	3.07	16,497.710
15/08/97	58,877,000	9.200	8.500	8.800	4.76	16,096.880
19/08/97	40,220,000	9.000	8.150	8.900	1.14	15,477.260
20/08/97	124,430,000	11.900	9.300	11.850	33.15	15,855.670
21/08/97	74,309,000	13.800	10.500	11.150	-5.91	15,654.030
22/08/97	31,364,000	11.800	10.600	11.600	4.04	15,429.750
25/08/97	25,284,000	12.600	11.650	11.900	2.59	15,598.880
26/08/97	17,343,000	12.500	11.200	11.750	-1.26	15,547.220
27/08/97	10,326,000	12.000	11.300	11.500	-2.13	15,533.950
28/08/97	55,751,000	13.000	11.700	12.500	8.70	14,876.100
29/08/97	61,618,000	14.250	11.600	13.350	6.80	14,135.250
01/09/97	75,934,000	15.250	12.500	12.700	-4.87	13,425.650
02/09/97	56,768,000	14.100	8.800	11.200	-11.81	13,735.330
03/09/97	34,194,000	13.200	11.800	12.300	9.82	14,713.990
04/09/97	20,012,000	12.300	11.100	11.250	-8.54	14,199.170
05/09/97	12,328,000	11.450	10.200	10.950	-2.67	14,563.550
08/09/97	8,858,000	11.550	10.950	11.300	3.20	14,806.490
09/09/97	17,544,000	12.200	11.300	11.950	5.75	14,996.660
10/09/97	46,788,000	13.300	12.200	12.550	5.02	14,805.440
11/09/97	20,531,000	12.650	12.000	12.350	-1.59	14,308.300
12/09/97	14,496,000	12.750	12.000	12.200	-1.21	14,470.460
15/09/97	11,988,000	12.700	12.000	12.050	-1.23	14,630.650
16/09/97	10,432,000	12.050	11.550	11.800	-2.07	14,411.190

TRADING STATISTIC

Stock Code : 0655 - HKCB BANK	Total :	3,276,413,399 shares
Date Range : Jan 97 - Dec 97	Daily Average :	13,373,116 shares
Min Price : 2.175	Average Price :	5.533
Max Price : 15.250		

DATE	NO. OF SHARES	HIGH	LOW	CLOSE	% CHANGE	HSI
18/09/97	8,206,459	11.950	11.350	11.600	-1.69	14,419.450
19/09/97	214,560,000	12.350	11.300	11.450	-1.29	14,384.130
22/09/97	23,526,000	11.600	10.650	10.650	-6.99	14,108.080
23/09/97	21,692,000	10.800	9.800	9.950	-6.57	14,094.380
24/09/97	13,486,000	10.400	9.400	9.850	-1.01	14,205.440
25/09/97	18,870,000	10.950	9.700	10.900	10.66	14,636.590
26/09/97	14,498,000	11.000	10.400	10.500	-3.67	14,710.870
29/09/97	6,936,350	10.900	10.150	10.250	-2.38	14,864.370
30/09/97	6,731,716	10.250	10.000	10.250	0.00	15,049.300
03/10/97	4,616,200	10.600	10.000	10.250	0.00	15,128.020
06/10/97	7,308,000	10.450	9.800	9.900	-3.41	14,776.780
07/10/97	7,377,200	9.950	9.500	9.550	-3.54	14,810.760
08/10/97	8,466,000	9.650	9.000	9.100	-4.71	14,838.520
09/10/97	16,533,000	8.900	7.850	8.200	-9.89	14,273.120
13/10/97	8,838,000	8.500	7.200	7.450	-9.15	14,072.900
14/10/97	11,248,000	7.850	7.000	7.050	-5.37	13,836.560
15/10/97	20,156,000	7.050	5.650	6.200	-12.06	13,384.240
16/10/97	18,498,000	7.200	5.800	7.050	13.71	13,567.260
17/10/97	31,453,000	8.400	6.700	8.050	14.18	13,601.010
20/10/97	25,094,000	8.250	7.200	7.250	-9.94	12,970.880
21/10/97	23,164,000	7.700	6.600	6.700	-7.59	12,403.100
22/10/97	23,679,000	6.950	6.000	6.100	-8.96	11,637.770
23/10/97	29,056,000	6.200	4.300	5.500	-9.84	10,426.300
24/10/97	29,210,000	6.400	4.800	6.050	10.00	11,144.340
27/10/97	17,583,000	6.350	5.750	5.800	-4.13	10,498.200
28/10/97	19,908,000	5.400	4.300	5.000	-13.79	9,059.890
29/10/97	19,994,000	6.400	5.500	5.650	13.00	10,765.300
30/10/97	10,268,000	5.900	5.450	5.650	0.00	10,362.860
31/10/97	19,367,000	6.200	5.400	5.900	4.42	10,623.780
03/11/97	24,794,000	6.600	6.200	6.400	8.47	11,255.110
04/11/97	20,838,000	7.000	6.050	6.150	-3.91	10,780.780
05/11/97	8,354,000	6.250	5.800	6.050	-1.63	10,681.750
06/11/97	7,396,000	6.300	5.750	5.850	-3.31	10,412.560
07/11/97	14,474,000	6.000	5.300	5.600	-4.27	10,104.500
10/11/97	7,303,406	5.450	5.150	5.250	-6.25	9,992.840

Stock Code : 0655 - HKCB BANK

Date Range : Jan 97 - Dec 97

Min Price : 2.175

Max Price : 15.250

Total : 3,276,413,399 shares

Daily Average : 13,373,116 shares

Average Price : 5.533

DATE	NO. OF SHARES	HIGH	LOW	CLOSE	% CHANGE	HSI
11/11/97	7,821,600	5.350	5.000	5.150	-1.90	10,004.130
12/11/97	5,166,000	5.250	4.650	4.725	-8.25	9,607.910
13/11/97	12,164,000	4.975	4.475	4.700	-0.53	9,720.780
14/11/97	9,138,000	4.950	4.700	4.750	1.06	9,957.330
17/11/97	4,262,000	5.000	4.850	4.875	2.63	10,419.750
18/11/97	3,800,000	4.900	4.650	4.675	-4.10	10,245.180
19/11/97	3,226,000	4.725	4.550	4.675	0.00	10,154.360
20/11/97	2,723,000	4.700	4.525	4.550	-2.67	10,050.680
21/11/97	4,592,000	4.700	4.550	4.575	0.55	10,548.200
24/11/97	2,913,000	4.650	4.500	4.525	-1.09	10,586.360
25/11/97	2,479,000	4.525	4.400	4.450	-1.66	10,325.560
26/11/97	2,246,000	4.600	4.375	4.400	-1.12	10,590.110
27/11/97	3,337,000	4.400	4.200	4.275	-2.84	10,583.100
28/11/97	2,036,000	4.250	4.100	4.150	-2.92	10,526.920
01/12/97	3,408,000	4.225	3.900	3.925	-5.42	10,750.880
02/12/97	10,898,000	4.500	3.850	4.475	14.01	11,216.350
03/12/97	15,173,000	4.875	4.350	4.600	2.79	11,207.580
04/12/97	13,970,000	4.975	4.650	4.875	5.98	11,474.940
05/12/97	15,430,000	5.100	4.925	5.050	3.59	11,527.600
08/12/97	12,222,000	5.300	5.000	5.050	0.00	11,722.940
09/12/97	4,998,000	5.050	4.950	5.000	-0.99	11,490.660
10/12/97	4,224,000	4.975	4.700	4.700	-6.00	11,022.410
11/12/97	4,280,000	4.650	4.350	4.600	-2.13	10,420.220
12/12/97	3,218,000	4.775	4.400	4.775	3.80	10,614.660
15/12/97	1,870,000	4.875	4.650	4.675	-2.09	10,435.150
16/12/97	3,170,000	4.700	4.500	4.500	-3.74	10,346.380
17/12/97	2,254,000	4.650	4.425	4.500	0.00	10,692.700
18/12/97	1,916,000	4.525	4.400	4.425	-1.67	10,754.110
19/12/97	2,222,000	4.350	4.275	4.300	-2.82	10,405.810
22/12/97	2,150,000	4.200	4.000	4.050	-5.81	10,172.470
23/12/97	1,774,000	4.175	4.000	4.075	0.62	10,368.100
24/12/97	788,000	4.100	4.050	4.100	0.61	10,342.440
29/12/97	1,174,000	4.200	4.000	4.100	0.00	10,502.990
30/12/97	1,863,000	4.300	4.050	4.300	4.88	10,755.210
31/12/97	1,644,000	4.450	4.175	4.200	-2.33	10,722.760

Insider Dealing Tribunal Inquiry into HKCB Bank Holding Company Ltd & Hong Kong China Ltd

Appendix 7

A table showing the :

- daily high/low price of HKC (Lippo China Resources) shares (Stock Code 156)
- daily closing price of HKC shares
- daily turnover of HKC shares; and
- the HSI

for the period 2 January to 31 December 1997

TRADING STATISTIC

Stock Code : 0156 - HONGKONG CHINA		Total :	2,310,770,994 shares
Date Range : Jan 97 - Aug 97		Daily Average :	14,176,509 shares
Min Price :	2.575	Average Price :	4.854
Max Price :	9.800		

DATE	NO. OF SHARES	HIGH	LOW	CLOSE	% CHANGE	HSI
02/01/97	4,839,000	2.925	2.850	2.850	-1.72	13,203.440
03/01/97	5,137,000	2.875	2.850	2.875	0.88	13,222.790
06/01/97	4,914,114	2.950	2.875	2.900	0.87	13,443.930
07/01/97	2,104,000	2.900	2.850	2.850	-1.72	13,420.160
08/01/97	2,287,000	2.900	2.850	2.900	1.75	13,454.930
09/01/97	2,443,500	2.900	2.800	2.850	-1.72	13,198.110
10/01/97	4,746,000	2.875	2.825	2.825	-0.88	13,191.500
13/01/97	4,769,500	2.850	2.750	2.775	-1.77	13,289.210
14/01/97	4,219,500	2.775	2.700	2.700	-2.70	13,293.870
15/01/97	3,435,824	2.775	2.700	2.700	0.00	13,766.650
16/01/97	3,252,000	2.750	2.650	2.650	-1.85	13,830.680
17/01/97	4,277,500	2.650	2.575	2.600	-1.89	13,856.400
20/01/97	6,016,574	2.825	2.625	2.800	7.69	13,868.240
21/01/97	3,584,500	2.825	2.700	2.700	-3.57	13,732.790
22/01/97	3,440,000	2.775	2.675	2.700	0.00	13,692.790
23/01/97	1,783,000	2.725	2.675	2.700	0.00	13,610.330
24/01/97	1,620,000	2.700	2.625	2.700	0.00	13,379.550
27/01/97	2,773,000	2.750	2.700	2.725	0.93	13,294.900
28/01/97	3,894,000	2.875	2.750	2.850	4.59	13,403.290
29/01/97	5,242,000	2.900	2.800	2.850	0.00	13,285.430
30/01/97	3,909,000	2.900	2.825	2.850	0.00	13,288.400
31/01/97	4,024,500	2.875	2.825	2.850	0.00	13,321.790
03/02/97	2,918,000	2.875	2.775	2.875	0.88	13,451.070
04/02/97	2,490,000	2.875	2.825	2.825	-1.74	13,548.430
05/02/97	1,390,000	2.850	2.825	2.850	0.88	13,660.500
10/02/97	1,002,000	2.850	2.800	2.800	-1.75	13,643.540
11/02/97	790,000	2.775	2.700	2.700	-3.57	13,454.210
12/02/97	1,572,000	2.775	2.725	2.750	1.85	13,462.610
13/02/97	2,104,000	2.775	2.725	2.725	-0.91	13,239.950
14/02/97	1,622,250	2.725	2.650	2.700	-0.92	13,113.260
17/02/97	978,500	2.775	2.725	2.725	0.93	13,144.620
18/02/97	1,106,500	2.725	2.600	2.650	-2.75	13,102.940
19/02/97	942,000	2.675	2.625	2.675	0.94	13,106.320
20/02/97	3,814,500	2.775	2.650	2.725	1.87	13,411.330
21/02/97	2,168,500	2.850	2.725	2.800	2.75	13,444.850

TRADING STATISTIC

Appendix 7 (Page 2)

Stock Code : 0156 - HONGKONG CHINA

Date Range : Jan 97 - Aug 97

Min Price : 2.575

Max Price : 9.800

Total : 2,310,770,994 shares

Daily Average : 14,176,509 shares

Average Price : 4.854

DATE	NO. OF SHARES	HIGH	LOW	CLOSE	% CHANGE	HSI
24/02/97	2,274,500	2.925	2.775	2.800	0.00	13,375.690
25/02/97	2,626,000	2.850	2.800	2.825	0.89	13,520.260
26/02/97	7,489,321	2.975	2.800	2.950	4.42	13,541.830
27/02/97	4,975,750	2.950	2.875	2.900	-1.69	13,546.600
28/02/97	24,867,000	3.125	2.925	3.075	6.03	13,398.720
03/03/97	7,743,500	3.125	3.050	3.100	0.81	13,507.280
04/03/97	4,550,399	3.100	3.025	3.050	-1.61	13,450.080
05/03/97	3,073,000	3.100	3.050	3.050	0.00	13,410.760
06/03/97	8,926,000	3.275	3.050	3.175	4.10	13,416.360
07/03/97	4,300,000	3.200	3.125	3.175	0.00	13,337.350
10/03/97	6,098,000	3.175	3.050	3.050	-3.94	13,268.760
11/03/97	6,332,000	3.150	3.050	3.075	0.82	13,252.200
12/03/97	3,979,500	3.125	2.950	3.050	-0.81	13,119.130
13/03/97	3,183,500	3.050	2.875	3.000	-1.64	12,917.090
14/03/97	2,883,000	2.950	2.875	2.925	-2.50	12,736.530
17/03/97	1,858,500	3.050	2.900	2.925	0.00	12,838.530
18/03/97	1,114,000	2.950	2.875	2.900	-0.85	12,748.910
19/03/97	2,002,927	2.975	2.900	2.975	2.59	12,651.420
20/03/97	2,502,000	2.975	2.900	2.900	-2.52	12,472.330
21/03/97	1,183,000	2.925	2.850	2.900	0.00	12,489.300
24/03/97	782,000	2.950	2.900	2.950	1.72	12,749.140
25/03/97	1,086,000	2.950	2.900	2.925	-0.85	12,832.530
26/03/97	1,742,000	2.975	2.925	2.950	0.85	12,776.390
27/03/97	2,265,500	2.975	2.825	2.850	-3.39	12,534.320
01/04/97	826,000	2.725	2.650	2.675	-6.14	12,074.190
02/04/97	354,000	2.750	2.700	2.725	1.87	12,136.320
03/04/97	600,000	2.775	2.725	2.725	0.00	12,055.170
04/04/97	562,000	2.750	2.725	2.750	0.92	12,204.590
07/04/97	505,000	2.825	2.800	2.825	2.73	12,287.840
08/04/97	859,000	2.850	2.775	2.850	0.88	12,398.570
09/04/97	962,250	2.875	2.850	2.850	0.00	12,426.680
10/04/97	1,288,500	2.850	2.800	2.825	-0.88	12,358.700
11/04/97	1,335,000	2.825	2.800	2.825	0.00	12,516.600
14/04/97	702,000	2.800	2.800	2.800	-0.88	12,295.970
15/04/97	1,558,000	2.800	2.750	2.800	0.00	12,342.020

TRADING STATISTIC

Stock Code : 0156 - HONGKONG CHINA		Total :	2,310,770,994 shares
Date Range : Jan 97 - Aug 97		Daily Average :	14,176,509 shares
Min Price :	2.575	Average Price :	4.854
Max Price :	9.800		

DATE	NO. OF SHARES	HIGH	LOW	CLOSE	% CHANGE	HSI
16/04/97	1,290,000	2.850	2.775	2.800	0.00	12,581.310
17/04/97	744,000	2.825	2.775	2.825	0.89	12,516.230
18/04/97	602,000	2.875	2.800	2.850	0.88	12,541.180
21/04/97	1,014,000	2.875	2.850	2.875	0.88	12,626.040
22/04/97	1,422,500	2.925	2.850	2.900	0.87	12,580.850
23/04/97	1,704,500	2.900	2.875	2.900	0.00	12,707.040
24/04/97	1,022,000	2.925	2.875	2.925	0.86	12,726.830
25/04/97	2,126,569	2.900	2.875	2.875	-1.71	12,645.760
28/04/97	3,802,000	2.950	2.900	2.950	2.61	12,610.170
29/04/97	1,287,340	3.000	2.950	2.975	0.85	12,600.420
30/04/97	6,445,127	3.050	2.950	3.000	0.84	12,903.300
01/05/97	9,325,000	3.275	2.975	3.175	5.83	13,020.780
02/05/97	15,207,000	3.325	3.225	3.325	4.72	13,081.700
05/05/97	10,302,000	3.400	3.225	3.275	-1.50	13,399.340
06/05/97	9,346,500	3.300	3.175	3.175	-3.05	13,579.340
07/05/97	10,707,000	3.350	3.125	3.325	4.72	13,605.910
08/05/97	24,470,000	3.700	3.325	3.600	8.27	13,740.300
09/05/97	25,646,000	3.975	3.700	3.825	6.25	13,930.800
12/05/97	34,222,000	4.275	3.875	4.075	6.54	13,987.800
13/05/97	48,419,000	4.300	4.025	4.025	-1.23	13,906.460
14/05/97	9,455,717	4.150	4.000	4.100	1.86	14,153.580
15/05/97	11,511,000	4.100	3.900	3.900	-4.88	14,041.900
16/05/97	8,871,000	4.150	3.900	4.000	2.56	14,062.370
19/05/97	5,707,000	4.150	4.025	4.050	1.25	14,108.820
20/05/97	8,532,000	4.175	4.050	4.175	3.09	14,236.200
21/05/97	8,978,000	4.250	4.100	4.100	-1.80	14,235.520
22/05/97	5,013,500	4.125	4.050	4.100	0.00	14,212.000
23/05/97	33,084,000	4.650	4.100	4.625	12.80	14,331.680
26/05/97	59,293,000	5.100	4.600	4.950	7.03	14,574.640
27/05/97	37,498,000	5.300	4.975	5.150	4.04	14,540.160
28/05/97	7,954,491	5.200	5.000	5.050	-1.94	14,556.480
29/05/97	51,433,000	5.450	4.925	5.450	7.92	14,416.570
30/05/97	63,208,000	5.750	5.300	5.350	-1.83	14,757.810
02/06/97	20,105,000	5.500	5.100	5.150	-3.74	14,990.900
03/06/97	17,181,000	5.400	5.100	5.200	0.97	14,760.170

TRADING STATISTIC

Appendix 7 (Page 4)

Stock Code : 0156 - HONGKONG CHINA

Date Range : Jan 97 - Aug 97

Min Price : 2.575

Max Price : 9.800

Total : 2,310,770,994 shares

Daily Average : 14,176,509 shares

Average Price : 4.854

DATE	NO. OF SHARES	HIGH	LOW	CLOSE	% CHANGE	HSI
04/06/97	8,418,500	5.350	5.150	5.200	0.00	14,831.580
05/06/97	36,312,000	5.750	5.200	5.750	10.58	14,795.520
06/06/97	52,951,000	6.550	6.000	6.250	8.70	14,655.130
10/06/97	0	6.250	6.250	6.250	0.00	14,439.710
11/06/97	0	6.250	6.250	6.250	0.00	14,421.520
12/06/97	0	6.250	6.250	6.250	0.00	13,924.340
13/06/97	0	6.250	6.250	6.250	0.00	14,112.550
16/06/97	0	6.250	6.250	6.250	0.00	14,394.600
17/06/97	0	6.250	6.250	6.250	0.00	14,307.150
18/06/97	0	6.200	6.200	6.200	-0.80	14,203.890
19/06/97	0	6.200	6.200	6.200	0.00	14,506.490
20/06/97	0	6.200	6.200	6.200	0.00	15,154.360
23/06/97	100,340,000	8.000	6.300	7.300	17.74	15,021.230
24/06/97	119,200,000	8.550	7.250	8.500	16.44	14,890.960
25/06/97	83,155,000	8.950	8.200	8.500	0.00	15,065.020
26/06/97	65,848,000	8.700	8.300	8.400	-1.18	15,128.020
27/06/97	35,741,000	8.600	8.200	8.400	0.00	15,196.790
03/07/97	64,057,000	9.350	8.500	8.850	5.36	15,055.740
04/07/97	41,905,000	9.250	8.300	8.500	-3.95	14,822.970
07/07/97	34,802,000	8.600	8.000	8.200	-3.53	14,858.580
08/07/97	38,760,000	8.250	7.150	7.350	-10.37	14,792.170
09/07/97	36,992,000	7.850	6.900	7.050	-4.08	14,703.730
10/07/97	28,619,000	7.200	6.700	7.050	0.00	14,839.230
11/07/97	27,518,000	7.650	7.250	7.600	7.80	15,225.290
14/07/97	15,939,000	7.950	7.650	7.700	1.32	15,370.940
15/07/97	11,746,000	7.800	7.550	7.750	0.65	15,487.240
16/07/97	11,243,000	7.800	7.250	7.300	-5.81	15,446.020
17/07/97	8,680,768	7.600	7.000	7.250	-0.68	15,706.290
18/07/97	10,892,000	7.450	7.200	7.350	1.38	15,570.400
21/07/97	63,156,000	8.500	7.350	8.450	14.97	15,536.300
22/07/97	47,208,000	8.800	8.200	8.400	-0.59	15,446.780
23/07/97	27,865,000	8.600	8.200	8.250	-1.79	15,738.810
24/07/97	18,310,000	8.500	8.200	8.250	0.00	15,709.230
25/07/97	19,882,000	8.500	8.000	8.250	0.00	15,658.120
28/07/97	14,291,000	8.500	8.250	8.300	0.61	15,666.590

TRADING STATISTIC

Stock Code : 0156 - HONGKONG CHINA		Total :	2,310,770,994 shares
Date Range : Jan 97 - Aug 97		Daily Average :	14,176,509 shares
Min Price :	2.575	Average Price :	4.854
Max Price :	9.800		

DATE	NO. OF SHARES	HIGH	LOW	CLOSE	% CHANGE	HSI
29/07/97	9,430,384	8.400	8.200	8.350	0.60	15,772.060
30/07/97	51,230,000	9.150	8.400	9.100	8.98	15,983.180
31/07/97	42,597,000	9.400	9.000	9.100	0.00	16,365.710
01/08/97	16,354,000	9.200	8.800	8.850	-2.75	16,379.220
04/08/97	14,495,000	9.150	8.750	8.850	0.00	16,259.590
05/08/97	8,077,000	9.050	8.900	8.950	1.13	16,371.520
06/08/97	39,778,000	9.650	8.900	9.400	5.03	16,541.600
07/08/97	20,548,000	9.600	8.800	8.950	-4.79	16,673.270
08/08/97	19,898,000	9.000	8.500	8.700	-2.79	16,647.540
11/08/97	9,443,189	8.700	8.400	8.550	-1.72	16,460.470
12/08/97	10,724,000	8.900	8.500	8.600	0.58	16,383.410
13/08/97	10,853,000	8.750	8.400	8.550	-0.58	16,482.930
14/08/97	14,959,000	8.900	8.500	8.600	0.58	16,497.710
15/08/97	12,130,000	8.800	8.300	8.300	-3.49	16,096.880
19/08/97	15,106,000	8.150	7.200	7.550	-9.04	15,477.260
20/08/97	43,131,000	9.050	7.600	8.900	17.88	15,855.670
21/08/97	39,644,000	9.800	8.400	8.600	-3.37	15,654.030
22/08/97	14,747,000	8.950	8.250	8.850	2.91	15,429.750
25/08/97	48,518,000	9.600	8.850	9.400	6.21	15,598.880
26/08/97	17,475,000	9.700	8.950	9.050	-3.72	15,547.220
27/08/97	15,408,000	9.100	8.850	9.100	0.55	15,533.950
28/08/97	18,935,000	9.450	8.750	8.800	-3.30	14,876.100
29/08/97	13,531,000	9.000	8.300	8.600	-2.27	14,135.250

TRADING STATISTIC

Stock Code : 0156 - LIPPO CHINA RES

Date Range : Sep 97 - Dec 97

Min Price : 1.080

Max Price : 9.500

Total : 938,993,128 shares

Daily Average : 11,451,136 shares

Average Price : 3.721

DATE	NO. OF SHARES	HIGH	LOW	CLOSE	% CHANGE	HSI
01/09/97	25,689,000	9.500	8.250	8.300	-3.49	13,425.650
02/09/97	18,874,000	8.700	5.700	7.050	-15.06	13,735.330
03/09/97	17,780,000	8.100	7.600	8.000	13.48	14,713.990
04/09/97	12,024,000	8.200	7.250	7.600	-5.00	14,199.170
05/09/97	8,695,000	7.700	7.100	7.500	-1.32	14,563.550
08/09/97	5,364,000	7.750	7.500	7.700	2.67	14,806.490
09/09/97	5,150,000	8.000	7.800	7.950	3.25	14,996.660
10/09/97	12,766,000	8.300	7.550	7.900	-0.63	14,805.440
11/09/97	9,994,000	8.200	7.550	7.950	0.63	14,308.300
12/09/97	12,439,000	8.500	7.800	8.050	1.26	14,470.460
15/09/97	7,074,566	8.450	8.050	8.050	0.00	14,630.650
16/09/97	4,335,000	8.150	7.800	7.850	-2.48	14,411.190
18/09/97	3,022,075	7.900	7.600	7.850	0.00	14,419.450
19/09/97	12,872,000	8.250	7.600	7.650	-2.55	14,384.130
22/09/97	5,859,884	7.850	7.150	7.450	-2.61	14,108.080
23/09/97	4,295,000	7.400	6.800	7.200	-3.36	14,094.380
24/09/97	5,016,000	7.200	6.600	6.850	-4.86	14,205.440
25/09/97	5,126,000	7.650	6.850	7.600	10.95	14,636.590
26/09/97	7,036,000	7.800	7.300	7.450	-1.97	14,710.870
29/09/97	0	7.450	7.450	7.450	0.00	14,864.370
30/09/97	125,780,000	7.500	7.000	7.100	-4.70	15,049.300
03/10/97	6,766,000	7.150	6.850	6.950	-2.11	15,128.020
06/10/97	6,562,409	6.950	6.550	6.650	-4.32	14,776.780
07/10/97	6,997,000	6.800	6.200	6.200	-6.77	14,810.760
08/10/97	12,300,000	6.350	5.900	5.950	-4.03	14,838.520
09/10/97	11,440,000	5.850	5.400	5.500	-7.56	14,273.120
13/10/97	12,732,000	5.450	4.800	4.925	-10.45	14,072.900
14/10/97	12,193,000	5.400	4.850	4.850	-1.52	13,836.560
15/10/97	14,581,000	4.850	4.025	4.100	-15.46	13,384.240
16/10/97	10,996,000	4.400	3.850	4.375	6.71	13,567.260
17/10/97	16,171,000	5.050	4.200	4.875	11.43	13,601.010
20/10/97	13,626,000	5.050	4.650	4.750	-2.56	12,970.880
21/10/97	11,333,000	2.550	2.075	2.150	-54.74	12,403.100
22/10/97	12,428,000	2.200	1.980	2.000	-6.98	11,637.770
23/10/97	24,934,000	1.980	1.340	1.460	-27.00	10,426.300

Stock Code : 0156 - LIPPO CHINA RES

Date Range : Sep 97 - Dec 97

Total : 938,993,128 shares

Min Price : 1.080

Daily Average : 11,451,136 shares

Max Price : 9.500

Average Price : 3.721

DATE	NO. OF SHARES	HIGH	LOW	CLOSE	% CHANGE	HSI
24/10/97	30,045,000	1.860	1.460	1.730	18.49	11,144.340
27/10/97	30,690,000	1.980	1.720	1.750	1.16	10,498.200
28/10/97	20,024,000	1.650	1.430	1.550	-11.43	9,059.890
29/10/97	13,995,000	1.800	1.680	1.720	10.97	10,765.300
30/10/97	11,635,000	1.810	1.680	1.790	4.07	10,362.860
31/10/97	27,537,000	2.125	1.740	2.025	13.13	10,623.780
03/11/97	26,200,000	2.375	2.150	2.350	16.05	11,255.110
04/11/97	24,060,000	2.600	2.150	2.150	-8.51	10,780.780
05/11/97	9,684,500	2.300	2.100	2.200	2.33	10,681.750
06/11/97	9,046,000	2.300	2.050	2.075	-5.68	10,412.560
07/11/97	10,736,000	2.050	1.870	2.000	-3.61	10,104.500
10/11/97	6,304,000	1.990	1.870	1.900	-5.00	9,992.840
11/11/97	3,844,000	1.940	1.840	1.880	-1.05	10,004.130
12/11/97	3,966,000	1.830	1.700	1.720	-8.51	9,607.910
13/11/97	6,254,000	1.800	1.610	1.780	3.49	9,720.780
14/11/97	8,358,000	1.890	1.760	1.800	1.12	9,957.330
17/11/97	8,564,000	1.900	1.820	1.860	3.33	10,419.750
18/11/97	6,138,452	1.860	1.750	1.770	-4.84	10,245.180
19/11/97	4,060,000	1.840	1.750	1.840	3.95	10,154.360
20/11/97	3,042,000	1.850	1.760	1.780	-3.26	10,050.680
21/11/97	4,780,000	1.830	1.750	1.760	-1.12	10,548.200
24/11/97	3,838,000	1.760	1.700	1.710	-2.84	10,586.360
25/11/97	5,965,000	1.690	1.600	1.630	-4.68	10,325.560
26/11/97	3,484,000	1.700	1.610	1.640	0.61	10,590.110
27/11/97	2,702,000	1.640	1.560	1.620	-1.22	10,583.100
28/11/97	1,511,750	1.600	1.550	1.560	-3.70	10,526.920
01/12/97	2,014,884	1.620	1.470	1.480	-5.13	10,750.880
02/12/97	5,719,536	1.570	1.400	1.560	5.41	11,216.350
03/12/97	7,593,572	1.650	1.480	1.500	-3.85	11,207.580
04/12/97	6,216,000	1.570	1.480	1.550	3.33	11,474.940
05/12/97	15,256,000	1.680	1.540	1.650	6.45	11,527.600
08/12/97	24,401,000	1.780	1.680	1.710	3.64	11,722.940
09/12/97	10,077,000	1.730	1.650	1.670	-2.34	11,490.660
10/12/97	11,065,000	1.650	1.550	1.550	-7.19	11,022.410
11/12/97	10,758,000	1.520	1.470	1.510	-2.58	10,420.220

TRADING STATISTIC

Stock Code : 0156 - LIPPO CHINA RES			
Date Range : Sep 97 - Dec 97	Total :	938,993,128 shares	
Min Price : 1.080	Daily Average :	11,451,136 shares	
Max Price : 9.500	Average Price :	3.721	

DATE	NO. OF SHARES	HIGH	LOW	CLOSE	% CHANGE	HSI
12/12/97	6,917,000	1.530	1.450	1.510	0.00	10,614.660
15/12/97	7,553,500	1.540	1.430	1.450	-3.97	10,435.150
16/12/97	5,724,000	1.500	1.390	1.400	-3.45	10,346.380
17/12/97	8,236,000	1.440	1.360	1.400	0.00	10,692.700
18/12/97	5,811,000	1.400	1.340	1.350	-3.57	10,754.110
19/12/97	7,072,000	1.310	1.280	1.300	-3.70	10,405.810
22/12/97	9,138,000	1.260	1.080	1.120	-13.85	10,172.470
23/12/97	5,798,000	1.160	1.090	1.120	0.00	10,368.100
24/12/97	6,904,000	1.120	1.080	1.110	-0.89	10,342.440
29/12/97	2,676,000	1.140	1.080	1.090	-1.80	10,502.990
30/12/97	4,544,000	1.170	1.080	1.150	5.50	10,755.210
31/12/97	6,804,000	1.220	1.130	1.140	-0.87	10,722.760

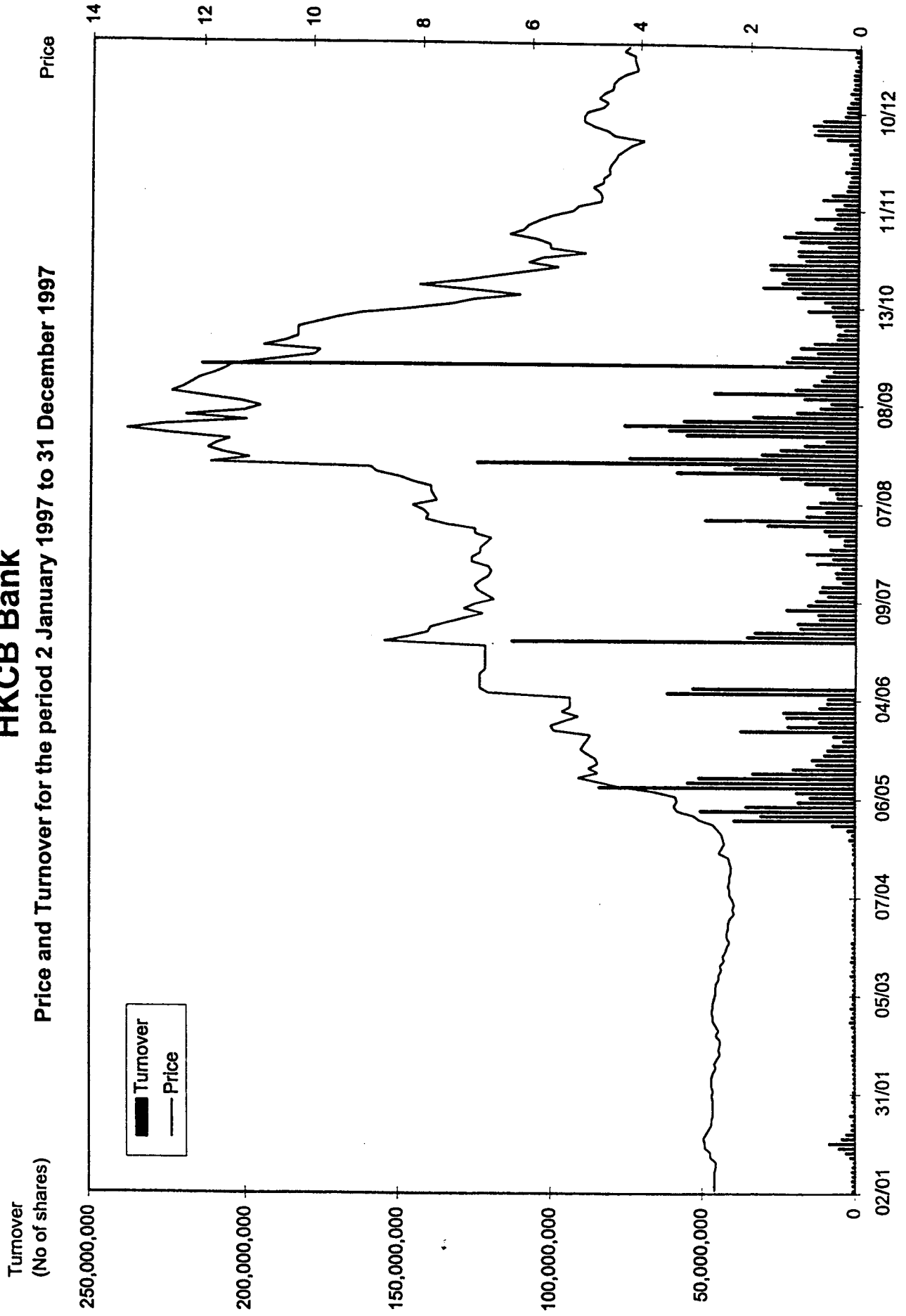
**Insider Dealing Tribunal Inquiry into HKCB Bank Holding Company Ltd &
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Appendix 8

A graph showing the daily closing price and turnover of HKCBH shares (Stock Code 655) and the HSI for the period 2 January to 31 December 1997

HKCB Bank

Price and Turnover for the period 2 January 1997 to 31 December 1997



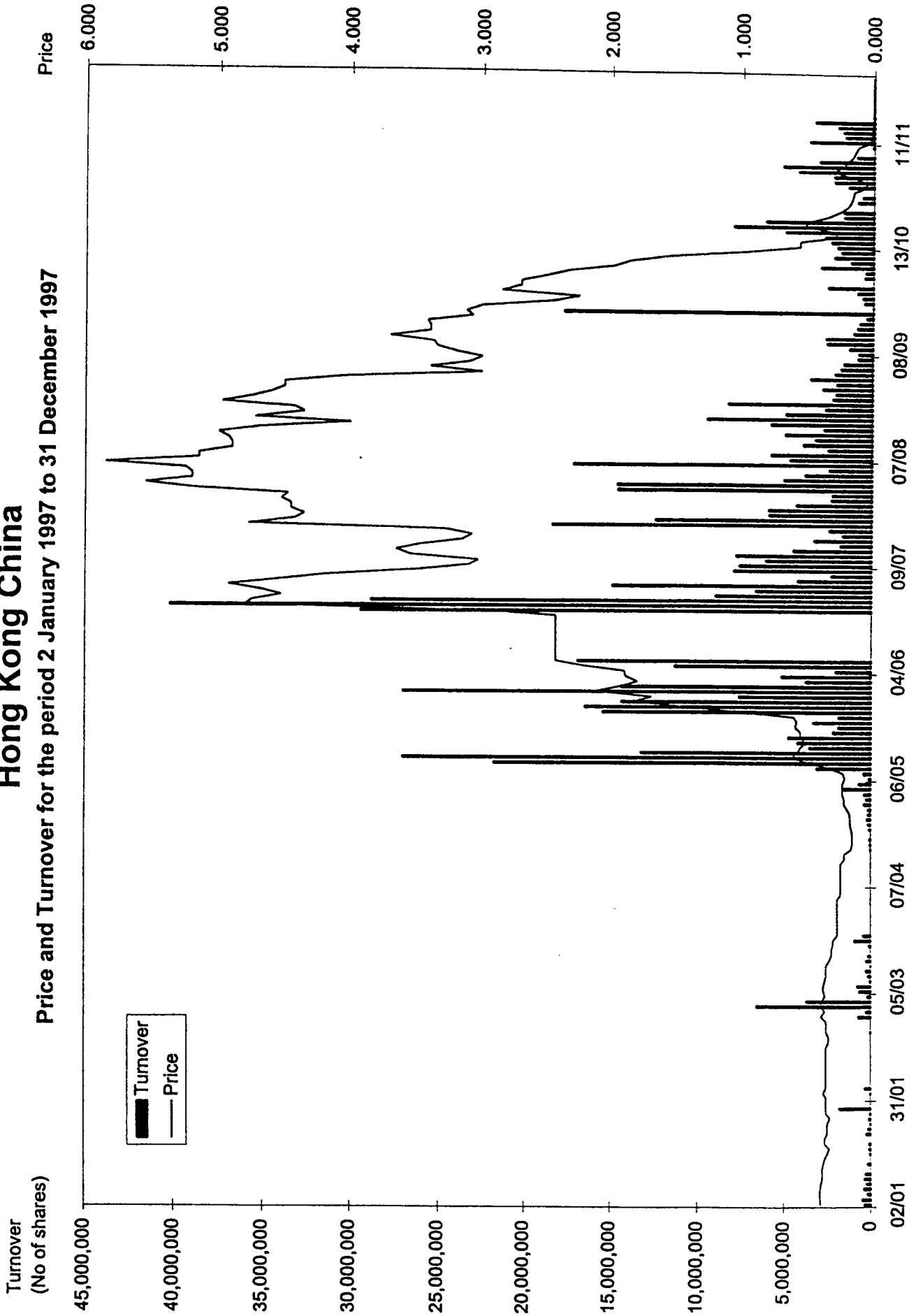
Insider Dealing Tribunal Inquiry into HKCB Bank Holding Company Ltd & Hong Kong China Ltd

Appendix 9

A graph showing the daily closing price and turnover of HKC (Lippo China Resources) shares (Stock Code 156) and the HSI for the period 2 January to 31 December 1997.

Hong Kong China

Price and Turnover for the period 2 January 1997 to 31 December 1997

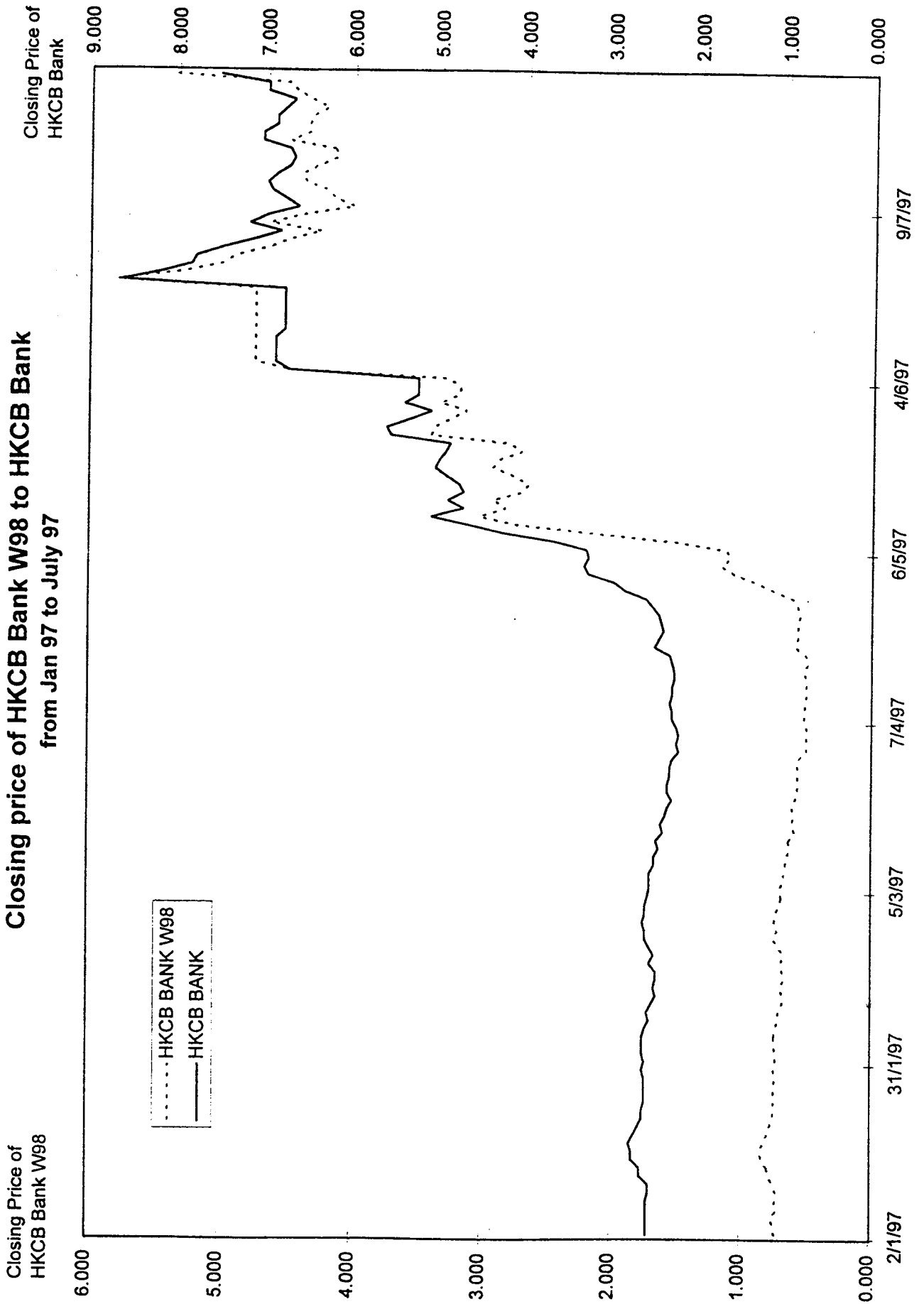


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Appendix 10

A graph comparing the prices of HKCBH warrants and shares over the period
15 April to 23 June 1997

Closing price of HKCB Bank W98 to HKCB Bank from Jan 97 to July 97

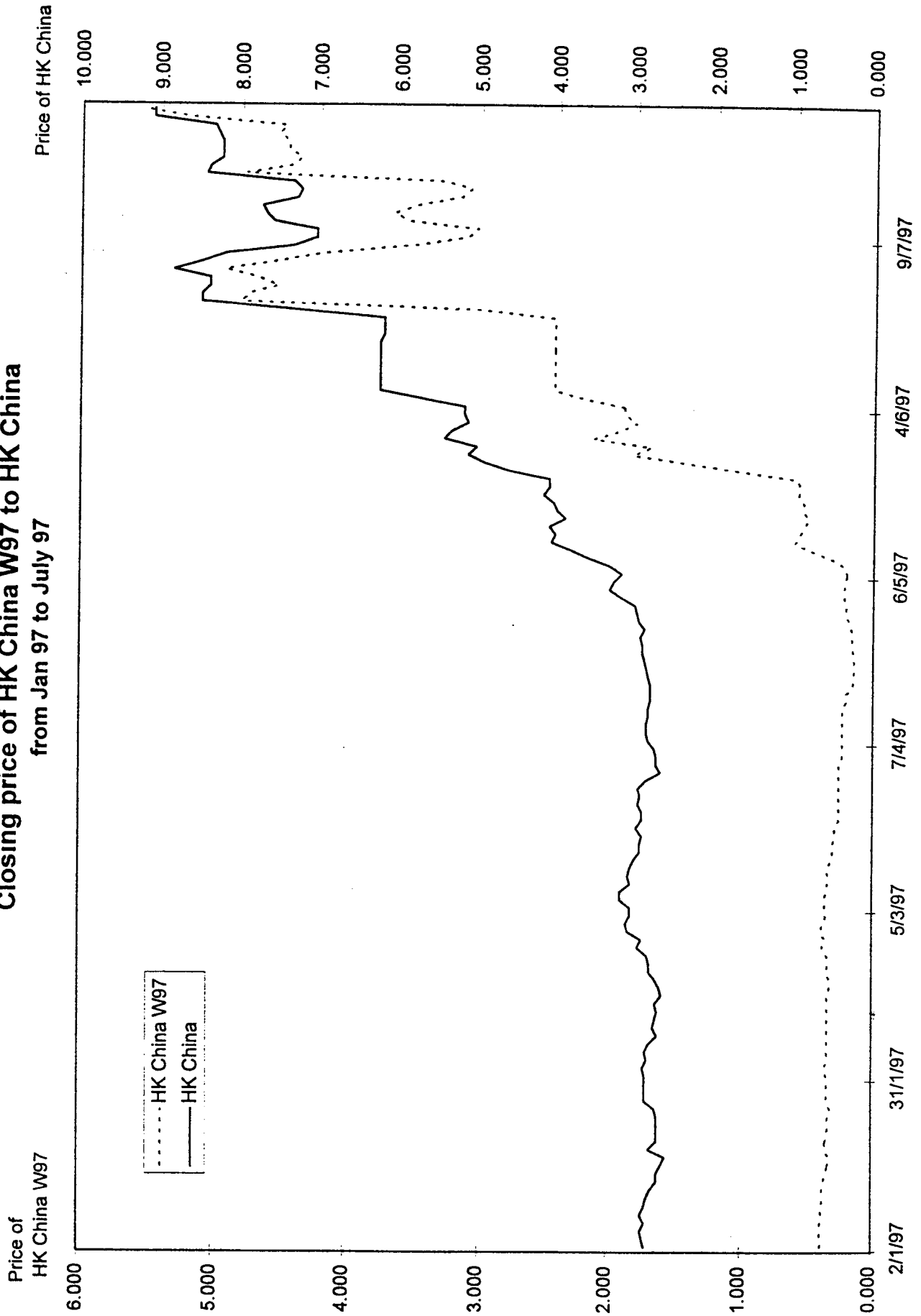


Insider Dealing Tribunal Inquiry into HKCB Bank Holding Company Ltd & Hong Kong China Ltd

Appendix 11

A graph comparing the prices of HKC warrants and shares over the period 15 April to 23 June 1997

Closing price of HK China W97 to HK China from Jan 97 to July 97



**Insider Dealing Tribunal Inquiry into HKCB Bank Holding Company Ltd &
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Appendix 12

Calculation of profits gained

Transactions in Jenny Kong's account

With Worldsec International Limited

Date	Stock Name	Securities (stock code)	Buy Quantity	Sell Quantity	Price (\$)	Amount (\$)
Re-booked under Lau Chiu Ping's name						
07-May-97	922	HKCB W98	200,000	-	1.220	(245,007.72)
12-May-97	922	HKCB W98	-	200,000	3.044	606,285.14 #
			<u>200,000</u>	<u>200,000</u>		<u>361,277.42</u>
Re-booked under Yuen Siu Fung's name						
02-May-97	922	HKCB W98	70,000	-	1.060	(621,758.50)
02-May-97	922	HKCB W98	500,000	-	1.090	
12-May-97	922	HKCB W98	-	570,000	3.044	1,727,912.74
			<u>570,000</u>	<u>570,000</u>		<u>1,106,154.24</u>
Re-booked under Edmund Kung's name						
02-May-97	922	HKCB W98	1,000,000	-	1.070	(1,074,419.10)
12-May-97	922	HKCB W98	-	1,000,000	3.044	3,031,428.28
			<u>1,000,000</u>	<u>1,000,000</u>		<u>1,957,009.18</u>
						<u>3,424,440.84</u>

Other than the rebooking of 200,000 units of HKCB W98 on 7 May 1997 from the account of Jenny Kong to Lau Chiu Ping, Lau Chiu Ping held 150,000 units of HKCB W98 as at 7 May 1997. On 12 May 1997, Lau Chiu Ping sold 350,000 units of HKCB W98 for \$1,060,999. On a pro-rata basis, the disposal of the 200,000 units of HKCB W98 should have generated sale proceeds of $\$1,060,999 \times (200,000 / 350,000) = \$606,285.14$.

Transactions in Jenny Kong's account

With Wocom Securities Ltd

Date	Stock Code	Stock Name	Buy Quantity	Sell Quantity	Price (\$)	Amount (\$)
02-May-97	922	HKCB W98	400,000	-	1.060	(425,751.12)
02-May-97	922	HKCB W98	400,000	-	1.070	(429,767.64)
02-May-97	922	HKCB W98	300,000	-	1.080	(325,338.12)
02-May-97	922	HKCB W98	400,000	-	1.090	(437,800.68)
12-May-97	922	HKCB W98	-	100,000	2.875	286,311.87
12-May-97	922	HKCB W98	-	200,000	2.900	577,604.60
12-May-97	922	HKCB W98	-	200,000	2.950	587,563.30
12-May-97	922	HKCB W98	-	100,000	2.975	296,270.57
12-May-97	922	HKCB W98	-	200,000	3.000	597,522.00
12-May-97	922	HKCB W98	-	200,000	3.025	602,501.35
12-May-97	922	HKCB W98	-	200,000	3.075	612,460.05
12-May-97	922	HKCB W98	-	300,000	3.125	933,627.37
		Total	<u>1,500,000</u>	<u>1,500,000</u>		Net Profit <u>2,875,203.55</u>
08-May-97	156	Hong Kong China	644,000	-	3.500	(2,263,309.02)
20-May-97	156	Hong Kong China	-	644,000	4.175	2,677,595.22
		Total	<u>644,000</u>	<u>644,000</u>		Net Profit <u>414,286.20</u>
		Grand Total				<u>3,289,489.75</u>

With Prudential Brokerage Limited

Date	Stock Code	Stock Name	Buy Quantity	Sell Quantity	Price (\$)	Amount (\$)
02-May-97	655	HKCB Bank	700,000	-	3.275	
02-May-97	655	HKCB Bank	200,000	-	3.300	(4,968,233.98)
02-May-97	655	HKCB Bank	600,000	-	3.325	
12-May-97	655	HKCB Bank	-	200,000	4.800	
12-May-97	655	HKCB Bank	-	200,000	4.850	2,897,690.70
12-May-97	655	HKCB Bank	-	200,000	4.900	
12-May-97	655	HKCB Bank	-	200,000	4.975	
12-May-97	655	HKCB Bank	-	300,000	5.000	4,515,970.45
12-May-97	655	HKCB Bank	-	200,000	5.050	
12-May-97	655	HKCB Bank	-	200,000	5.150	
Total			<u>1,500,000</u>	<u>1,500,000</u>		Net Profit <u>2,445,427.17</u>
12-May-97	754	HK China W97	2,000,000	-	0.630	(1,265,329.80)
04-Jun-97	754	HK China W97	-	80,000	1.890	
04-Jun-97	754	HK China W97	-	30,000	1.910	
04-Jun-97	754	HK China W97	-	320,000	1.920	1,590,141.91
04-Jun-97	754	HK China W97	-	200,000	1.930	
04-Jun-97	754	HK China W97	-	200,000	1.940	
05-Jun-97	754	HK China W97	-	360,000	1.880	
05-Jun-97	754	HK China W97	-	20,000	1.890	
05-Jun-97	754	HK China W97	-	30,000	1.900	1,154,694.30
05-Jun-97	754	HK China W97	-	100,000	1.920	
05-Jun-97	754	HK China W97	-	100,000	1.960	
05-Jun-97	754	HK China W97	-	100,000	2.000	
05-Jun-97	754	HK China W97	-	200,000	2.075	
05-Jun-97	754	HK China W97	-	150,000	2.100	1,159,074.77
05-Jun-97	754	HK China W97	-	100,000	2.125	
05-Jun-97	754	HK China W97	-	10,000	2.150	
Total			<u>2,000,000</u>	<u>2,000,000</u>		Net Profit <u>2,638,581.18</u>
Grand Total						<u>5,084,008.35</u>

Transactions in Edmund Kung's account

With Worldsec International Limited

Date	Stock Code	Stock Name	Buy Quantity	Sell Quantity	Price (\$)	Amount (\$)
16-May-97	754	Hong Kong China W97	1,000,000	-	0.560	(562,212.54)
23-May-97	754	Hong Kong China W97	1,620,000	-	0.802	(1,305,256.71)
30-May-97	754	Hong Kong China W97	-	1,260,000	2.044	2,564,928.26
03-Jun-97	754	Hong Kong China W97	-	100,000	2.025	
03-Jun-97	754	Hong Kong China W97	-	240,000	2.000	679,680.52
05-Jun-97	754	Hong Kong China W97	-	500,000	2.000	
05-Jun-97	754	Hong Kong China W97	-	500,000	2.025	2,045,018.29
05-Jun-97	754	Hong Kong China W97	-	20,000	2.050	
		Total	<u>2,620,000</u>	<u>2,620,000</u>		Net Profit <u>3,422,157.82</u>

**Insider Dealing Tribunal Inquiry into HKCB Bank Holding Company Ltd &
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Appendix 13

Witness expenses paid by the Tribunal

Appendix 13

Witness expenses paid by the Tribunal

Name	Amount (\$)
Mr. Alexander Pang Cheung Hing (expert witness)	126,000
Mr. Derek Murphy (expert witness)	230,735
Total:	356,735

**Insider Dealing Tribunal Inquiry into HKCB Bank Holding Company Ltd &
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Appendix 14

The costs of the Inquiry

Appendix 14

The Costs of the Inquiry

Description	Amount (\$)	Amount (\$)
Expert witness expenses		356,735
Department of Justice costs		7,368,030
SFC costs		252,409
Tribunal costs		
Interpretation Services	187,500	
Court reporting services	417,270	
Fees of the Tribunal Members	762,750	
Cost of the Chairman and Tribunal staff	930,940	
Video conferencing fees	246,099	
Photocopying of transcripts & miscellaneous expenses	21,813	2,566,372
Total		10,543,546