



THE STOCK EXCHANGE OF HONG KONG LIMITED

(A wholly-owned subsidiary of Hong Kong Exchanges and Clearing Limited)
(the “Exchange”)

26 August 2010

The Listing Committee of The Stock Exchange of Hong Kong Limited (the “Listing Committee”) censures the following parties for breaching the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Exchange Listing Rules”):

- (1) See Corporation Limited (the “Company”) (stock code: 491);**
- (2) Mr Wong Yat Cheung, executive director of the Company (“Mr Wong”); and**
- (3) Mr Yu Kam Kee Lawrence, former executive director of the Company, resigned effective 1 October 2009 (“Mr Yu”).**

Further, the Listing Committee criticises the following parties for breaching the Exchange Listing Rules:

- (1) Mr Yu Kam Yuen Lincoln, former executive director of the Company, resigned effective 13 December 2007 (“Mr Lincoln Yu”); and**
- (2) Mr Tong Chin Shing, former executive director of the Company, resigned effective 7 December 2007 (“Mr Tong”).**

On 27 July 2010, the Listing Committee conducted a hearing into the conduct of, among others, the Company and the above-mentioned director and former directors in relation to their obligations under the Exchange Listing Rules.

Facts

The Acquisitions

From August to November 2007, the Company, through a subsidiary, acquired shares in Wonson International Holdings Limited (“**Wonson**”) as follows (collectively the “**Acquisitions**”):

- **First Acquisition:** On 28 August 2007, the Company acquired 50 million Wonson shares on market for approximately \$7.7 million.
- **Second Acquisition:** On 17 October 2007, the Company acquired 100 million Wonson shares on market for approximately \$18.8 million.

- Third Acquisition: On 9 November 2007, the Company acquired 580 million Wonson shares off market for approximately \$137.5 million pursuant to a written agreement of even date.

At the material time of the Acquisitions, investment in securities was not included in the principal activities or business segment of the Company and its subsidiaries.

The Acquisitions were funded by internal resources of the Group. During early 2007, the Company conducted a rights issue and raised approximately \$103.4 million to be used as general working capital of the Company principally for its existing business. The Company subsequently disclosed in October 2008 that there was a lack of suitable investment opportunities in the entertainment related business (i.e. Company's existing business) and the Directors considered that the Acquisitions, which formed part of the treasury management of the Group, would enable the Company to invest its cash resources and generate a better return from investing in liquid stock.

Mr Wong, appointed as executive director and managing director on 13 February 2007, was responsible for treasury management and short-term investment strategy.

Prior to each of the First and Second Acquisitions, Mr Wong informed Mr Yu of his proposal that the Company acquired shares in Wonson for short-term investment. Mr Yu gave in-principle verbal agreement on the basis that it would be a short-term investment and reminded Mr Wong to comply with applicable laws and regulations. Mr Wong subsequently recommended the Third Acquisition to Mr Yu for approval and presented the relevant agreement for Mr Yu to sign. Mr Yu signed the agreement. Mr Wong acknowledges that each time he spoke to Mr Yu about the proposed respective First, Second and Third Acquisitions, Mr Yu reminded him to ensure compliance with all relevant laws and regulations regarding the relevant Acquisition.

No information as to what has become of the investment in Wonson shares and how the investment has been performing was provided to Mr Yu and other board members at any time since the Acquisitions were made. It transpired that the investment had a significant adverse impact on the Company's 2007 interim results (for the six months ended 31 December 2007): of the net loss \$76.78 million, approximately 67.7 per cent of i.e. approximately \$52 million loss was attributable to "*change in fair value of financial assets at fair value through profit of loss*".

It was only in March 2008 upon receipt of the draft 2007 interim results that Mr Yu and three independent non-executive directors became aware of the details of the Acquisitions and their adverse impact on the results. Mr Lincoln Yu and Mr Tong were not aware of Acquisitions prior to their respective resignations from the board in December 2007.

On 16 October 2008, the Company published an announcement disclosing the Acquisitions following enquiries raised by the Listing Division in relation to the fair value loss on financial assets in the 2007 interim results.

Applicable Rules and breaches

The First and Second Acquisitions together (a) constituted a major transaction – as the aggregate consideration was equivalent to 7.51 per cent of the Company’s total assets and 27.52 per cent of its market capitalisation; and (b) were subject to announcement, circular and shareholder approval requirements under Rules 14.34, 14.38 and 14.40.

The Third Acquisition, both on its own and when aggregated with the First and Second Acquisitions, (a) constituted a very substantial acquisition – as the consideration (and aggregate consideration) was equivalent to approximately 38.95 per cent (and 46.46 per cent) of the Company’s total assets and 115.63 per cent (and 137.92 per cent) of its market capitalisation; and (b) was subject to announcement, circular and shareholders’ approval requirements under Rules 14.34, 14.38 and 14.49.

The Acquisitions were also price-sensitive or potentially price-sensitive information required for investors and shareholders to appraise the position of the Group, discloseable by the Company under Rule 13.09(1). In particular, the Acquisitions fell within Note 11(iii) to Rule 13.09(1) which requires notification and disclosure without delay where a listed issuer has committed significant resources to an activity which was non-core business and which has not previously been disclosed. The Listing Division takes the view that the Company had committed significant resources to securities investment which activity the Company had not disclosed previously. Accordingly, under Rule 13.09, the Company was required to disclose the First and Second Acquisitions by 17 October 2007 and in any event, no later than 9 November 2007 when the Third Acquisition occurred.

The Company only published an announcement on 16 October 2008 and a circular on 6 November 2008 disclosing the Acquisitions. The Listing Division alleged that the Company breached Rules 13.09(1), 14.34, 14.38, 14.40 and 14.49 of the Exchange Listing Rules.

Each of Mr Wong, Mr Yu, Mr Lincoln Yu and Mr Tong has undertaken to the Exchange to use his best endeavours to procure the Company’s compliance with the Exchange Listing Rules. The Listing Division alleged that, as executive directors of the Company at the material time of the Acquisitions:

- Mr Wong and Mr Yu, having knowledge of and being involved in the Acquisitions, caused or failed to prevent the Rule breaches by the Company in relation to the Acquisitions; and
- Mr Lincoln Yu and Mr Tong, failed to take any action or make any enquiries with other executive directors regarding investments that the Company had made or was considering making from time to time (particularly given the Company had raised a substantial amount of funds in 2007) which might have enabled them to become aware of the Acquisitions sooner and take steps to procure the Company’s Rule compliance,

and each of them was therefore in breach of his Director’s Undertaking to the Exchange.

Decision

The Listing Committee concluded that:

1. the Company breached Rules 13.09(1), 14.34, 14.38, 14.40 and 14.49 of the Exchange Listing Rules regarding the Acquisitions;
2. Mr Wong breached his Director's Undertaking to use his best endeavours to procure the Company's Listing Rule compliance, in that having direct knowledge and involvement in all three Acquisitions, he failed to ensure that the Company complied with the Exchange Listing Rules applicable to the Acquisitions;
3. Mr Yu breached his Director's Undertaking to use his best endeavours to procure the Company's Listing Rule compliance, in that having prior knowledge of Mr Wong's intended Acquisitions and having approved the Third Acquisition, Mr Yu failed to ensure the Company's Listing Rule compliance regarding the Acquisitions; and
4. Mr Lincoln Yu and Mr Tong breached their Director's Undertakings to use their best endeavours to procure the Company's Listing Rule compliance, in that they failed to require regular reporting or briefing, obtain updates from and/or enquire with other executive directors in relation to investments of the Company.

Sanction

The Listing Committee decided to:

1. censure the Company for its breaches of Rules 13.09(1), 14.34, 14.38, 14.40 and 14.49 of the Exchange Listing Rules;
2. censure Mr Wong and Mr Yu for the respective breaches of the Director's Undertaking for failing to use his best endeavours to procure the Company's compliance with the Exchange Listing Rules, as referred to in the "Decision" section above; and
3. criticise Mr Lincoln Yu and Mr Tong for the respective breaches of the Director's Undertaking for failing to use his best endeavours to procure the Company's compliance with the Exchange Listing Rules, as referred to in the "Decision" section above.

Further, the Listing Committee directed as follows:

- (1) that the Company appoint an independent professional adviser satisfactory to the Listing Division on an ongoing basis for consultation on Listing Rule compliance ("**Compliance Adviser**") for a period of two years, within two weeks from the date this press release is published. The Company is to submit the proposed scope of retainer to the Listing Division for comment before appointment of the Compliance Adviser. The Compliance Adviser shall be accountable to the Company's audit committee;

- (2) that Mr Wong, who is a current executive director of the Company, undergo training on Listing Rule compliance, director's duties, and corporate governance matters for 24 hours to be given by a recognised professional organisation satisfactory to the Listing Division, to be completed within six months from the date this press release is published. The Company is to provide the Listing Division with the training provider(s)' written certification of full compliance of this training requirement by Mr Wong within two weeks upon Mr Wong's completion of training;
- (3) that each of Mr Yu and Mr Lincoln Yu, who is no longer a director of the Company but a director of other companies listed on the Exchange, undergo training on Listing Rule compliance, director's duties, and corporate governance matters for 24 hours to be given by a recognised professional organisation satisfactory to the Listing Division, to be completed within six months from the date this press release is published. Each of Mr Yu and Mr Lincoln Yu is to provide the Listing Division and the Company with the training provider(s)' written certification of his full compliance with this training requirement within two weeks after completion of training;
- (4) as a pre-requisite of any future appointment as a director of any company listed on the Exchange, Mr Tong who is no longer a director of the Company, must first obtain training on Listing Rule compliance, director's duties, and corporate governance matters for 24 hours to be given by a recognised professional organisation satisfactory to the Listing Division, to be completed before the effective date of any such appointment. Mr Tong is to submit evidence satisfactory to the Listing Division as to the full compliance with this training requirement upon the Listing Division's request;
- (5) that the Company publish an announcement to confirm full compliance with each of the directions set out in (1) to (3) above within one week after the respective fulfillment of each of the directions. The last announcement required to be published under this requirement is to include the Company's confirmation that all directions in (1) to (3) above have been fully complied with; and
- (6) that the Company submit drafts of the announcements referred to in (5) above for the Listing Division's comment and may only publish the announcements after the Listing Division has confirmed that it has no further comment on them.

For the avoidance of doubt, the Exchange confirms that the above public censure and criticism apply only to the Company and to the Directors identified above and not to any other past or present member of the Company's Board of Directors.