

PRESS RELEASE

Investigation against Yabaite by China Securities Regulatory Commission

In response to numerous reports and wide coverage of the subject, the Securities and Exchange Commission of Pakistan (SECP) would like to share the facts available with it related to the investigations of China Securities Regulatory Commission (“the CSRC”) into the affairs of Yabaite Technology Co. Ltd. / Jiangsu Yabaite Technology Co. Ltd (“hereinafter referred as the Yabaite”), a company listed on the Shenzhen Stock Exchange in China.

SECP strongly refutes the allegations being made by a section of media that the officials of the Commission are involved in delaying tactics for halting the investigations of China Securities Regulatory Commission (“the CSRC”). The impression being created by media that CSRC is conducting investigation in Multan Metro bus project is incorrect and contrary to the facts. SECP confirms that no team of CSRC ever visited Pakistan for investigations or taking statements of certain individuals in the matter of Multan Metro bus Project. SECP believes that incorrect and wrong reporting in the matters involving authorities of foreign country may undermine the credibility of the national institution.

During December 2016, CSRC approached the SECP for its assistance limited to the provision of information and certain documents, without sharing all the details of its investigations. This is the standard modus operandi for assistance sought under the International Organization of Securities Commissions (IOSCO) cooperation protocol (MMOU). Throughout the process, the SECP, its officers and its various departments dealt with the matter with due care, responsiveness and unequivocal objectivity to play its due role as a counterpart supportive member of IOSCO. As such, any impression being created that CSRC is conducting an investigation into Multan Metro bus project is incorrect and contrary to the facts, as is the accusation that SECP has somehow withheld or delayed the process. The fact is that the CSRC repeatedly has thanked SECP for its support and timely help in this matter.

Accordingly, SECP confirms that the CSRC has sought assistance from SECP in the matter of its investigation against the Yabaite- the Chinese company for its disclosure violation of Chinese securities laws.

Further, the SECP cannot initiate any investigation in Pakistan unless the CSRC’s on-going investigation has established the violation, which links to companies or individuals in Pakistan. The CSRC’s investigation in the matter is still a work in process and as confirmed by CSRC the administrative sanction proceeding in the matter are not yet complete. SECP has already requested CSRC to share its investigation report. Once SECP receives the CSRC’s Investigation Report, SECP will be in a position to assess any possible violation of the laws administered by it. SECP has neither delayed any requisite action on its part nor hindered the CSRC investigation process.

It needs to be highlighted that CSRC has, on two separate occasions, appreciated the assistance provided by SECP in the instant case. In their most recent communication they have said that “CSRC high appreciates the SECP’s assistance along the way”, while in the previous communication they stated that “CSRC is immensely grateful for the SECP’s help”. SECP further, confirms that no team of CSRC ever visited Pakistan for investigations or taking statements of certain individuals in the matter of Multan Metro bus Project. Accordingly, any incorrect and wrong reporting in this

matter involving authorities of a foreign country may undermine the credibility of the national institutions concerned.

As reported by the CSRC, the Yabaite China claims that it worked as a sub-contractor of Capital Engineering and Construction Co., Ltd awarded to Habib Rafiq (Pvt.) Limited, in Multan Metro Bus Project. It is to be noted that the Capital Engineering and Construction Co., Ltd is not a company incorporated/registered with the SECP. Furthermore, SECP visited the address of the Capital Engineering and Construction Co., as reported by CSRC in Pakistan which revealed that no such office exist on the given address.

The CSRC requested SECP's assistance in obtaining contract, agreement and tender documents and information pertaining to the Multan Metro Bus Project. SECP is empowered under section 42D of SECP Act, 1997 to seek and provide assistance to international regulators for assisting in any investigation for contravention of financial services laws and can call production of any information or document from any person on the request of the requesting authority. Such international cooperation requests are, however, subject to confidentiality requirements stipulated under the SECP Act 1997 and the International Organization of Securities Commission (IOSCO)'s MMoU to which SECP is a signatory. It is to be noted that the provisions of assistance under MMoU are internationally used by regulators for access to information in cross border enforcement matters for capital markets integrity and protection of investors.

SECP after obtaining the CSRC's authorization to share certain segments of its request with the concerned authorities/companies in Pakistan- a requirement under the MMoU, initiated gathering the requisite information and documents from the concerned authorities, i.e., Punjab provincial government for provision of information from Multan Development Authority ("MDA"), Pakistan Engineering Council ("PEC"), State Bank of Pakistan, Federal Board of Revenue and Yabaite (Pakistan) Construction Group Co (Pvt.) Limited ("Yabaite Pakistan"), the concerned contractors of the Project namely; Habib Rafiq (Pvt.) Limited ("HRL"), Matracon Pakistan (Pvt) Limited. SECP would like to confirm that all the above departments extended their full support in this regard. All information received from MDA, PEC, SBP, Yabaite Pakistan, HRL and Matracon were shared with the CSRC pursuant to the Commission's approvals.

Subsequently, CSRC vide its mail in late July 2017 shared two letters that acknowledge and appreciate the Yabaite China contribution in the Multan Metro Bus Project, purportedly signed by the Chief Minister Punjab, Senator Kalsoom Parveen, and Senator Mushahid Hussain Sayed and duly attested by the official of Ministry of Foreign Affairs. The Yabaite China produced these letters before the CSRC as evidence, in support of its alleged involvement in Multan metro bus construction project. CSRC requested the SECP's assistance in contacting the mentioned persons, verifying their identities, and asking them to answer certain questions.

After soliciting the approval from the Commission, letters were sent out to the Chief Secretary Punjab, Senator Kalsoom Parveen, Senator Mushahid Hussain and Secretary MOFA, seeking response to the questions raised by the CSRC and to verify the authenticity of the letters produced by the Yabaite China before the CSRC.

The Chief Secretary Punjab responded to SECP's letter and communicated on behalf of the Chief Minister Punjab that he did not sign the said letter and that his signature is fake/forged or copied. Response was also received from the offices of the Senator Mushahid Hussain Sayed and Senator Kalsoom Parveen, both of whom denied signing of any such letter and advised that the letter is a forgery. The responses on above-referred correspondence with the office of Chief Minister Punjab,

Senator Kalsoom Parveen and Senator Mushahid Hussain Sayed were subsequently shared with CSRC.

It is pertinent to note that till-date CSRC has not shared any investigation report in the matter with SECP. However, SECP has written to the CSRC to share its investigations so that involvement of any Pakistan-based company and/or individual, in any wrongdoing can be ascertained at our end.

CSRC has informed SECP Today on 30 August that “currently this case is still ongoing and they may not share any information before the final decision of Administration Sanction is reached and made public, and considering the confidentiality and independent nature of CSRC investigation process, they may not share investigation report at any stage”.

Furthermore, they have confirmed that “during the investigation period of this case, the CSRC enforcement staff have never inquired, nor attempted to inquire local officials from Pakistan, or any Pakistani citizens. Even if they may want to obtain inquiry records from Pakistani citizens in the future, they would request for this procedure to be conducted by SECP, as assistance under the IOSCO MMOU”. Finally, they have also confirmed that “based on CSRC’s existing investigation findings, they do not have any evidence showing that Yabaite has any business transactions with claimed Pakistan entities or natural person”.

Based on the above confirmations received from the CSRC today, and to ensure complete transparency and a thorough independent investigation into the affair from a Pakistani standpoint, SECP has today sent letters to FIA and Government of Punjab along with the information / documents pertaining to SECP (which have already been shared with Ministry of Finance) with the advice to investigate the matter independently.

Furthermore, available information from CSRC will be shared with FIA and Government of Punjab after getting permission from CSRC. Moreover, additional information in the matter will be shared with them as and when received from CSRC.