

2012 BCSECCOM 435

Amended Notice of Hearing

**Yan Zhu (also known as Rachel Zhu), Guan Qiang Zhang
and Bossteam E-Commerce Inc.**

(collectively, the Respondents)

Section 161 of the *Securities Act*, RSBC 1996, c. 418

¶ 1 The Commission will hold a hearing (Hearing) at which the Executive Director will tender evidence, make submissions and apply for orders against the Respondents under sections 161, 162 and 174 of the Securities Act, RSBC 1996, c. 418 (Act), based on the following facts:

Background

1. Bossteam E-Commerce Inc. (Bossteam) is a federal corporation with its registered office in Burnaby, British Columbia. It has never been registered in any capacity or filed a prospectus under the Act.
2. Guan Qiang Zhang (Zhang) co-founded Bossteam. He was the operating mind and defacto director of the company. He was deported to China on April 5, 2012.
3. Yan Zhu (Zhu), the other co-founder of Bossteam, was its sole director. She was formerly registered with the Mutual Fund Dealers Association of Canada as a dealing representative, and with the Insurance Council of British Columbia as a life insurance agent. She returned to China in March 2012.
4. Both Zhang and Zhu were formerly residents of Burnaby, British Columbia.
5. The Respondents represented that Bossteam was an online advertising company and that businesses paid them to advertise on their website.
6. The Respondents publicly offered for sale up to eight million shares in Bossteam. In order to invest, persons were required to first become members of Bossteam's purported advertising business and to sell at least \$2000 in advertising.
7. The Respondents provided an internal online trading platform so that investors could trade the Bossteam shares they had purchased and represented that trading on it would be profitable for the investors. The Respondents split Bossteam shares multiple times.

2012 BCSECCOM 435

8. The Respondents purported to pay investors for viewing advertisements posted on the Bossteam website from the money these businesses purportedly paid Bossteam for the advertising.

Misconduct

Illegal Distribution

9. Beginning in November 2011, the Respondents offered shares in Bossteam for sale to the public. Before investors could purchase shares, they were required to first become a Bossteam member and sell at least \$2000 worth of advertising, either to themselves or a third party.
10. In reality, investors did not sell any advertising. Instead they paid Bossteam at least \$2000 each for the right to purchase Bossteam shares. Approximately 4900 investors paid Bossteam at least \$14 million for the right to purchase Bossteam shares.
11. At least twenty investors purchased \$162,000 of Bossteam shares, but the total amount of Bossteam shares purchased by investors is unknown as the Respondents withheld this information from Commission Staff. Bossteam publically offered for sale up to eight million shares.
12. By offering to sell Bossteam shares, selling the right to purchase Bossteam shares, and selling the shares themselves, without first having filed a prospectus, the Respondents contravened section 61 of the Act.

Unrecognized Exchange

13. The Respondents operated an online trading platform where investors could trade their Bossteam shares by entering buy and sell orders. The trading platform purported to display information on the latest trades and share prices. The Respondents charged a commission for every trade.
14. The Respondents never applied to the Commission to have their trading platform recognized as an exchange.
15. By carrying on business as an exchange in British Columbia without being recognized by the Commission, the Respondents contravened section 25 of the Act.

Fraud

16. The Respondents falsely created the impression that hundreds of well known local and international businesses advertised on the Bossteam website by posting links from the Bossteam website to the websites of these businesses without their knowledge or permission. These businesses included Floata

2012 BCSECCOM 435

Seafood Restaurant and World Wrestling Entertainment and the businesses that own the merriam-webster.com, ask.com, and britneyspears.com websites.

17. The Respondents falsely created the impression that businesses paid Bossteam to advertise on their website, when no such revenue existed.
18. The Respondents falsely created the impression that investors were advertising on the Bossteam website when they were not.
19. The Respondents falsely created the impression that investors were paying for advertising when they were actually paying for the right to buy Bossteam shares.
20. The Respondents falsely created the impression that investors who viewed the advertisements that appeared on the Bossteam website were sharing in Bossteam's advertising revenue from those advertisements, when no such revenue existed.
21. The Respondents falsely created the impression that investors would and were making considerable profit from the trading and splitting of Bossteam shares on Bossteam's internal trading platform when Bossteam, a purported advertising company, had no advertising revenue.
22. By engaging in the misconduct described in this Notice of Hearing, the Respondents perpetrated a fraud on investors who purchased Bossteam's securities contrary to section 57(b) of the Act.

False and Misleading Statements and Obstruction of Justice

23. In an interview with Commission Staff on February 27, 2012, Zhang falsely stated Bossteam had not sold any shares to investors.
24. When confronted with the fact that Bossteam's own website stated that 400,200 shares had been sold, Zhang falsely stated that a hacker had put that information on Bossteam's website, and attempted to corroborate his claim by providing invoices from a computer services company and misrepresenting them.
25. In the same interview with Commission Staff on February 27, 2012, Zhu falsely stated she had informed her mutual fund dealer employer about her business activities with Bossteam when she had not.
26. Commission Staff issued a demand to the Respondents for a list of all monies paid to Bossteam by its members. In their response, the Respondents withheld all information about the sale of Bossteam shares.

2012 BCSECCOM 435

27. Bossteam instructed its employees and investors to tell Commission Staff and the RCMP that Bossteam had not offered shares to the public, and to avoid mentioning the online trading platform.
28. In response to Commission Staff's investigation, Zhang directed that Bossteam's shares no longer be called shares and instead be called "consumer credits" in a further attempt to conceal their true nature and avoid the application of the Act.
29. By submitting or giving information to persons appointed under the Act that was false or misleading in a material respect, the Respondent contravened section 168.1(1)(a) of the Act.
30. By concealing or refusing to provide information concerning the sale of Bossteam securities, the Respondents contravened section 57.5 of the Act.

Liability Under s.168.2

31. Zhu as the sole director of Bossteam and Zhang as a defacto director of Bossteam authorized, permitted, or acquiesced in Bossteam's contraventions of the Act and therefore also contravened those same provisions by operation of section 168.2 of the Act.

Public interest

- ¶ 2 It is in the public interest that the Commission issue orders under sections 161 and 162 of the Act.

Hearing Process

- ¶ 3 The Respondents or their counsel are required to attend at the 12th Floor Hearing Room, 701 West Georgia Street, Vancouver, British Columbia, on **Tuesday, December 11, 2012 at 9:00 am** if they wish to be heard before the Commission sets a date for the Hearing. Relevant information gathered by Commission Staff in the investigation of this matter will be disclosed to the Respondent upon request to the Executive Director.
- ¶ 4 At the Hearing, the Respondents may be represented by counsel, make submissions and tender evidence. The Respondents are requested to advise the Commission of their intention to attend by contacting the Secretary to the Commission at PO Box 10142, Pacific Centre, 12th Floor, 701 West Georgia Street, Vancouver, BC, V7Y 1L2, phone: (604) 899-6500; email: commsec@bcsc.bc.ca.

2012 BCSECCOM 435

- ¶ 5 If the Respondents or their counsel do not appear at the Hearing, the Executive Director will apply to have questions of liability and sanction heard at the same time. Determinations adverse to the Respondents may be made in their absence.
- ¶ 6 November 22, 2012.
- Paul C. Bourque
- ¶ 7 Paul C. Bourque, Q.C.
Executive Director