

**Paper for the Financial Affairs Panel Meeting
of the Legislative Council on 25 October 2002**

**Procedures for vetting and approving companies
incorporated in Mainland China and overseas jurisdictions for listing
on the Stock Exchange of Hong Kong Limited,
and the monitoring of compliance of these companies
with the relevant listing agreements**

Introduction

The principal function of the Stock Exchange of Hong Kong Limited (the Stock Exchange) is to provide a fair, orderly and efficient market for the trading of securities. In furtherance of this, the Stock Exchange has made the rules governing the listing of securities (the Listing Rules). These comprise both requirements which have to be met before securities may be listed and also continuing obligations with which an issuer must comply once listing has been granted. These listing rules have been approved by the Securities and Futures Commission.

2. The Listing Rules are designed to ensure that investors have and can maintain confidence in the market and in particular that:

- applicants are suitable for listing;
- the issue and marketing of securities is conducted in a fair and orderly manner;
- investors are given sufficient information to enable them to make a timely and properly informed assessment of an issuer;
- all holders of listed securities are treated fairly and equally; and
- directors of a listed issuer act in the interests of its shareholders as a whole.

Roles and responsibilities

3. There is a common misconception that it is the Stock Exchange's role and responsibility to assure investors of the business viability of an issuer. This is not the case. The focus of the Stock Exchange's approval is on the adequacy of disclosure and ensuring that an applicant meets a number of prescribed initial listing criteria. The primary criteria are described in paragraphs 8 and 9 below.

4. The sponsor to an issuer has a responsibility to satisfy itself, on all available information, that the issuer is suitable to be listed, and that its directors appreciate the nature of their responsibilities and can be expected to honour their obligations under the Listing Rules.

5. The directors of an issuer, collectively and individually, are responsible for the accuracy of the information contained in the prospectus. Other experts take responsibility for the accuracy and reliability of certain disclosures made in the prospectus and to the Stock Exchange. For example, the reporting accountants opine on whether the financial statements of the issuer give a true and fair view, legal advisers give opinions on whether the issuer and its operations comply with all relevant applicable law and regulations and valuers provide reports on property assets for publication in the prospectus. It is an offence under statute for persons to make misleading statements in prospectuses issued in Hong Kong¹.

A level playing field

6. The listing procedures and requirements are designed to promote a level playing field among all issuers².

¹ Sections 40, 40A, 342E and 342F of the Companies Ordinance

² The procedures and requirements in respect of a listing on the Main Board are set out in the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the Main Board Rules). The procedures and requirements in respect of a listing on the GEM Board are set out in the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange of Hong Kong

7. The Stock Exchange accepts issuers incorporated in Hong Kong, Mainland China (PRC) and other overseas jurisdictions. In deciding whether to accept issuers from an overseas jurisdiction the Stock Exchange considers whether the standards of investor protection of any proposed jurisdiction are similar to those provided in Hong Kong and the adequacy of arrangements for cross-border co-operation and an open exchange of regulatory information. In this regard the Stock Exchange accepts issuers incorporated in the UK, Bermuda and the Cayman Islands. The Listing Rules apply as much to Hong Kong issuers as they do to PRC and overseas issuers. Where there are gaps in the standards we bridge these gaps by requiring issuers to make disclosure and incorporate additional shareholder protections in their memorandum and articles of association.

Initial listing requirements

8. Before approving a listing application, the Stock Exchange needs to be satisfied that the issuer fulfills the listing requirements relevant to its circumstances. The qualifications for listing on the Main Board³ are designed to provide quantitative and qualitative measures of an issuer's suitability for listing and to ensure that adequate disclosure is made to the investing public. The primary requirements are:

- an adequate trading record under substantially the same management⁴;
- preparation of an accountants' report which is published as part of the listing documentation. The latest financial period reported on by the reporting accountants must not have ended more than six months before the date of the listing document;

Limited (the GEM Rules). The Main Board Rules and the GEM Rules are collectively referred to as the Listing Rules.

³ The qualifications for listing are set out in Chapter 8 of the Main Board Rules.

⁴ This means that the issuer or its group must have a trading record of not less than three financial years during which the profit attributable to shareholders must, in respect of the most recent year, be not less than HK\$20 million and, in respect of the two preceding years, be in aggregate not less than HK\$30 million. The profit mentioned above should exclude any income or loss of the issuer or its group, generated by activities outside the ordinary and usual course of its business. The Stock Exchange may accept a shorter trading record period and/or may vary or waive the above profit requirement in respect of : (1) natural resource exploration companies; (2) newly formed 'project' companies (for example a company formed to construct a major infrastructure project); or (3) exceptional circumstances where the issuer or its group has a trading record of at least two financial years.

- an open market in the securities for which listing is sought. This will normally mean that at least 25% of the listed securities must at all times be held by the public if the expected market value of a new applicant at the time of listing does not exceed HK\$4 billion;
- an adequate spread of holders (as a guideline, a minimum of 100 holders);
- an expected market capitalisation in public hands of at least HK\$50 million; and
- publication of a prospectus. The prospectus must contain all particulars which are necessary to enable an investor to make an informed assessment of the activities, assets and liabilities, financial position and prospects of the issuer and of its profits and losses and the rights attaching to the securities to be listed. Certain specific items of information⁵ including details of all trade factors or risks which could materially affect the issuer must be disclosed.

9. The primary requirements for a listing on the GEM Board⁶ follow those for the Main Board subject to the following major modifications:

- the issuer must actively pursue one focused line of business which has been under substantially the same management and ownership for at least 24 months prior to the submission of the listing application⁷;
- an accountants' report covering the 24 months active business pursuit period;
- disclosure of the applicant's business objective for the remainder of the financial year after listing, and the two subsequent financial years⁸; and
- an expected market capitalisation at the time of listing in public hands of HK\$30 million.

⁵ The specific items of information are set out in Chapter 11 of the Main Board Rules.

⁶ The primary requirements for a listing on the GEM Board are set out in Chapter 11 of the GEM Rules.

⁷ The minimum 24 months of active business pursuit may be reduced to 12 months where the applicant meets certain significant size criteria and has a broad public following.

⁸ The issuer must adhere to this business objective for this period.

Procedures for vetting and approving listing applications

10. Listing applications are first reviewed by the Listing Division of the Stock Exchange. The Listing Committee then considers the application. It has the power to approve or reject applications and to impose further conditions for listing where appropriate. Members of the Listing Committee⁹ comprise investors, listed company representatives, stock brokers, investment bankers, legal and accounting advisers, and the Chief Executive of HKEx acting as ex officio member.

11. The Listing Division assesses whether all the relevant qualifications for listing have been met by an issuer on the basis of the prospectus and the submissions provided in support of the listing application. In forming a view as to whether all the relevant requirements for listing have been met by an issuer, the Listing Division will not necessarily accept, at face value, all information provided to it (whether in the text of the prospectus or otherwise by the issuer or its advisers). It would review the relevant information to ensure that valid concerns are reasonably and properly addressed. Where necessary, the Listing Division would ask questions about such information, obtain additional assurances from relevant professional advisers and seek additional disclosure in the prospectus, if appropriate. The Listing Division does not itself investigate or verify the accuracy or completeness of the information set out in the prospectus and the supporting documents nor does it check the sources of the information or verify those sources. Its role and approach in this regard is consistent with international practice.

12. In satisfying itself that all relevant requirements of the Listing Rules have been complied with, the Listing Division attaches great importance to the role and responsibilities of a sponsor and, where relevant, to the opinions and reports of the issuer's other professional advisers.

⁹ Listing Committee members are independent of the Exchange and appointed by a Nominating Committee comprising equal representation from SFC and HKEx.

13. After processing of a listing application the Listing Division submits a report to the Listing Committee together with a near final proof of the prospectus. The report sets out the Listing Division's assessment of the listing application and highlights novel or controversial aspects of the application, risk factors and requests for waivers, if any. The Listing Committee considers whether to approve or reject the application based on their review of the merits of the case, the findings of the enquiries made by the Listing Division and any additional information and assurances sought from the professional advisers or management of the issuer by the Listing Committee. The Listing Committee may also approve a listing application subject to such additional conditions as it thinks fit. The assessment of the need for such additional conditions is made on a case by case basis.

Additional requirements and modifications for PRC and overseas issuers

14. While the Stock Exchange applies the same set of rules to all issuers, there are additional requirements and modifications for issuers incorporated outside Hong Kong. These additional requirements and modifications aim to ensure that similar shareholder protections to those provided in Hong Kong ordinances apply to issuers in PRC and other overseas jurisdictions. These requirements apply on application and on a continuing basis.

15. Accordingly, there are additional requirements and modifications for issuers incorporated in PRC¹⁰. The primary additional requirements and modifications are: that a register of holders must be maintained in Hong Kong; that a person must be appointed to accept service of process and notices on behalf of the issuer in Hong Kong; and that the articles of association of the issuer must contain provisions protecting the different rights of domestic shares and overseas listed foreign shares (including H shares).

¹⁰ These additional requirements and modifications are set out in Chapter 19A of the Main Board Rules and Chapter 25 of the GEM Rules.

16. For the same reason, there are similar additional requirements and modifications for issuers incorporated overseas elsewhere¹¹.

Continuing obligations for listed issuers

17. All issuers are subject to continuing obligations after listing. Through these continuing obligations the Stock Exchange seeks to promote full and accurate disclosure by listed issuers to the market of all relevant information on a timely basis. The same continuing obligations apply to all listed issuers, subject to the additional requirements and modifications mentioned in paragraphs 14 to 16 above which are designed to bridge the gap between corporate law requirements imposed on Hong Kong incorporated issuers and those incorporated in other jurisdictions.

18. The primary continuing obligations concern disclosure and the requirement for prior shareholder approval and independent financial advice to be provided in specified circumstances. The disclosure requirements cover the timing and content of disclosures in respect of price sensitive information, periodic financial information and certain prescribed notifiable transactions and equal dissemination of those disclosures. It is an implicit requirement of the obligations owed to the Stock Exchange that a listed issuer takes reasonable care to ensure that the information it discloses to the market is complete and not false, deceptive or misleading. Under statute it is an offence for any person to knowingly or recklessly provide information or a document to the Stock Exchange which is false or misleading in a material particular¹². The Stock Exchange may also seek additional disclosure from a listed issuer in appropriate cases (or make such additional disclosure itself).

¹¹ These additional requirements and modifications are set out in Chapter 19 of the Main Board Rules and Chapter 24 of the GEM Rules.

¹² Section 38A of the Stock Exchanges Unification Ordinance as amended on 17 July 2000.

Responsibilities of directors and issuers

19. The board of directors of an issuer is collectively responsible for the management and operations of the issuer and is accountable to the issuer's shareholders. Compliance with the Listing Rules requires directors to fulfil their fiduciary duties and to exercise due skill, care and diligence in carrying out their duties. Such standards are established in Hong Kong law and in similar statute overseas. It is implicit that in order to comply with the disclosure obligations placed on issuers, the board must ensure that the issuer has adequate financial and compliance reporting procedures in place.

Role of sponsors after listing

20. The requirement to have a sponsor ends once the new applicant is listed on the Main Board although it is recommended good practice for an issuer to retain the services of a sponsor for at least one year following listing. A PRC issuer is obliged to retain the services of a sponsor for at least one year following listing to provide advice on compliance with the Main Board Rules, and to act as the issuer's principal channel of communication with the Stock Exchange.

21. All GEM listed issuers are required to appoint a sponsor for the duration of their business objective period (that is the remainder of the financial year after listing and the two subsequent financial years). The sponsor's role is of particular importance to the successful operation of GEM since the sponsor is expected to advise the issuer on its responsibilities under the GEM Rules and to guide and assist such issuer to comply with and discharge its responsibilities.

Monitoring compliance with the Listing Rules

22. Each issuer agrees with the Stock Exchange prior to its listing to perform the requirements of the Listing Rules fully and in good faith. The Stock Exchange monitors compliance with the Listing Rules by:

- Reviewing media reports
- Monitoring price and turnover movements of listed securities
- Reviewing the form and content of listed issuers' announcements and circulars
- Monitoring financial reporting
- Reviewing complaints about issuers and/or their management
- Considering disclosures made by whistleblowers

23. This approach, which has been in place for many years and is mainly reactive in nature, is a cost efficient means of monitoring listed issuers. It is also an approach adopted in other major markets.

24. To illustrate, where there are widespread rumours or unusual price and/or turnover movements in the shares of a listed issuer, the Stock Exchange would request the company to clarify as soon as practicable by way of announcement. The listed issuer is required to respond promptly to such enquiries made by the Stock Exchange. These actions will keep shareholders and other investors informed as soon as reasonably practicable of any information relating to the group which is necessary to enable them to appraise the position of the group, which is necessary to avoid the establishment of a false market in its shares, or which might be reasonably expected materially to affect market activity in and the price of the shares.

25. The question of timing of the release of an announcement to the market is crucial, having regard to its possible effect on the market price of the shares of a listed issuer. If necessary, the trading of an issuer's shares will be suspended until a formal announcement can be made.

Possible breaches of the Listing Rules

26. Where there are grounds to suggest that an issuer has failed to comply with the Listing Rules, the Stock Exchange would look into the matter and consider what actions to take, including disciplinary action. A set of disciplinary procedures are clearly prescribed in the Listing Rules to ensure that a fair hearing will be given to all parties concerned.

27. In addition, where there are grounds for concern about the conduct of a sponsor, accountant or other professional advisers the Stock Exchange will refer its concerns to the SFC, in the case of licensed firms, or to the relevant professional societies. The Stock Exchange has no powers to take direct action against accountants and other professional advisers.

28. In 2000 the Stock Exchange and SFC initiated two separate consultation exercises aimed at strengthening the sponsor regime in Hong Kong. The standards proposed by the Stock Exchange met widespread opposition from the market and were not introduced. A further consultation paper on this issue will be published next year by the Stock Exchange. In response to its consultation the SFC introduced, as a first step, the Corporate Finance Adviser Code of Conduct to describe, amongst other things, the minimum standards of due diligence applicable to advisory engagements. The dual filing proposals when adopted should help to provide a more robust regime going forward.

29. As a matter of policy and to meet its statutory obligations of confidentiality, the Stock Exchange does not disclose details of individual enquiries unless and until the matters become public through the issue of a public censure. Exceptionally, in view of widespread public concern regarding Euro-Asia Agricultural (Holdings) Company Limited's compliance with the Listing Rules, the Stock Exchange published a chronology of actions taken in this regard. A copy of this statement is attached.

Dual listed issuers

30. Where an issuer has a primary listing on another exchange, it would be subject to regulation by the relevant overseas regulatory authorities as well as the Stock Exchange. In respect of PRC issuers and issuers with substantial operations in PRC, the Stock Exchange has a mechanism in place to maintain regular liaison with PRC counterparts. In respect of overseas issuers, the Stock Exchange through its membership of international organisations and entering into of memoranda of understanding with individual exchanges has appropriate arrangements for sharing of regulatory information and obtaining co-operation from regulators in overseas jurisdictions.

Stock Exchange of Hong Kong

Hong Kong Exchanges and Clearing Ltd

18

October

2002



STATEMENT

11 October 2002

**HKEx has maintained close contact with Euro-Asia
Agricultural since doubts arose about its management**

Hong Kong Exchanges and Clearing Limited (HKEx) has kept in close touch with Euro-Asia Agricultural (Holdings) Limited since doubts arose in July about the quality of its management, and its compliance with the Listing Rules.

It wrote to the company's listing sponsor on Thursday (10 October) asking it, together with the company and its professional advisers, to address questions that have arisen concerning the accuracy of some of the information in its prospectus.

Since 12 July we have made enquiries with the company on numerous occasions and requested it to make announcements, concerning share price fluctuations; rumours of resignations by the CEO and directors; the whereabouts of its chairman; investigation of possibly criminal acts in China by the chairman and his detention; his appointment as chief executive of a North Korean SAR; and other price sensitive information, said an HKEx spokesman, .

Trading in the company's shares was suspended on 19 September and resumed from 26 to 27 September. Trading was again suspended on 30 September and remains suspended.

HKEx has been in frequent contact with the company seeking answers to these and other questions, some of which were satisfactorily answered and others were not. Where there is possible non-compliance with the ongoing obligations of the Company under the Listing Rules, HKEx would look into the matter and take appropriate actions.

HKEx was making every effort to obtain information which the company is obliged to give under its Listing Agreement, the spokesman said. We shall continue to press the company to clarify matters in the interests of shareholders and for the maintenance of a fair market, he said.

The chronology of events is attached.

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For enquiries, please contact Corporate Communications' Henry Law on 2840 3862 or Lorraine Chan on 2840 3842.

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Actions taken by the Stock Exchange in relation to Euro-Asia Agricultural (Holdings) Company Limited (the "Company") since early July 2002

<u>Date</u>	<u>Subject matter</u>	<u>Action taken by the Stock Exchange</u>
<u>12 July 2002</u>	<u>There were press articles reporting, among others, that :-</u> a. Mr. Yang Bin ("Mr. Yang"), the Chairman of the Company, was missing; b. Mr. Yang was involved in illegal land use, tax evasion and insider dealing; c. Mr. Yang's private business had certain undisclosed connected transactions with the listed group.	<u>The Stock Exchange made enquiry with the Company and requested it to issue a clarification announcement. The announcement was issued on 12 July 2002.</u>
<u>7 Aug 2002</u>	<u>There were fluctuations in the price and trading volume of the Company's shares.</u>	<u>The Stock Exchange made enquiry with the Company and requested it to issue an announcement. The announcement disclosed the sale of shares to strategic investors (Win Joy investments Limited and Winshare Investments Limited) by Wise Capital Investments Limited, a controlling shareholding of the Company wholly owned by Mr. Yang.</u>
<u>22 Aug 2002</u>	<u>There were fluctuations in the price and trading volume of the Company's shares.</u>	<u>The Stock Exchange made enquiry with the Company and requested it to issue an announcement. The announcement stated that the directors were not aware of any matters discloseable under the general obligation imposed by Paragraph 2 of the Listing Agreement which was or might be of price-sensitive nature.</u>
<u>5 Sep 2002</u>	<u>There were fluctuations in the price and trading volume of the Company's shares.</u>	<u>The Stock Exchange made enquiry with the Company and requested it to issue an announcement. The announcement stated that the directors were not aware of any matters discloseable under the general obligation imposed by Paragraph 2 of the Listing Agreement which was or might be of price-sensitive nature.</u>

Date	Subject matter	Action taken by the Stock Exchange
<u>13 and 16 Sep 2002</u>	<u>There were rumours that Mr. Chen Jun had resigned as CEO and director of the Company</u>	<u>The Stock Exchange made enquiry with the Company and requested it to issue an announcement. The Company replied that Mr. Chen had not resigned and was still the CEO and director of the Company and that it would not consider issuing a clarification announcement.</u>
<u>16 Sep 2002</u>	<u>There were fluctuations in the price and trading volume of the Company's shares.</u>	<p>The Stock Exchange made enquiry with the Company and requested it to issue an announcement. The announcement stated that the directors were not aware of any matters discloseable under the general obligation imposed by Paragraph 2 of the Listing Agreement which was or might be of price-sensitive nature.</p> <p><u>Subsequently, the Stock Exchange found out that the Company might have withheld price sensitive information in relation to the resignation of Mr. Chen when it issued the announcement on 16 Sep 2002. The Stock Exchange is looking into the matter and would take necessary action where appropriate.</u></p>

Date	Subject matter	Action taken by the Stock Exchange
17 Sep 2002	<u>There were fluctuations in the price and trading volume of the Company's shares.</u>	<p>The Stock Exchange made enquiry with the Company and requested it to issue an announcement. The announcement stated that the directors were not aware of any matters discloseable under the general obligation imposed by Paragraph 2 of the Listing Agreement which was or might be of price-sensitive nature.</p> <p><u>Subsequently, the Stock Exchange found out that the Company might have withheld price sensitive information in relation to the resignation of Mr. Chen when it issued the announcement on 17 Sep 2002. The Stock Exchange is looking into the matter and would take necessary action where appropriate.</u></p>
19 Sep 2002	<u>The Stock Exchange received a notice from the Securities and Futures Commission (the SFC) on 19 September 2002, which directed the Stock Exchange to suspend the trading of the Company's shares pursuant to sub-Rule 9(1) of the Securities (Stock Exchange Listing) Rules. Trading of the Company's shares was suspended.</u>	<u>The Stock Exchange reviewed the draft announcement of the Company. The Stock Exchange could not clear the draft announcement as it did not properly address the issue as to whether the Company had withheld any price sensitive information in relation to the resignation of Mr. Chen Jun when the Company issued the announcements on 16 and 17 Sep 2002.</u>
20 Sep 2002	<p><u>Trading of the Company's shares remained suspended. There were press reports, among others, that:-</u></p> <p>a. Mr. Chen Jun had heated argument with someone in the Company and then resigned;</p> <p>b. there was disagreement within the management of the Company</p>	<p><u>The Stock Exchange reviewed the revised draft announcement of the Company. The Stock Exchange could not clear the revised draft announcement as it did not properly address the issue as to whether the Company had withheld any price sensitive information in relation to the resignation of Mr. Chen Jun when the Company issued the announcements on 16 and 17 Sep 2002.</u></p>

Date	Subject matter	Action taken by the Stock Exchange
<u>23 Sep 2002</u>	Trading of the Company's shares remained suspended.	<u>The Stock Exchange reviewed the revised draft announcement of the Company. The Stock Exchange could not clear the revised draft announcement as it did not properly address the issue as to whether the Company had withheld any price sensitive information in relation to the resignation of Mr. Chen Jun when the Company issued the announcements on 16 and 17 Sep 2002.</u>
<u>24 Sep 2002</u>	<p>Trading of the Company's shares remained suspended.</p> <p>There were press reports that Mr. Yang had been appointed as chief executive of Sinuiju Special Administration Region, North Korea.</p>	<p>The Stock Exchange made enquiry with the Company in relation to this issue and the impact on the Company as a result of his appointment.</p> <p><u>The Stock Exchange reviewed the revised draft announcement of the Company. The Stock Exchange could not clear the revised draft announcement as it still failed to properly address the issue as to whether the Company had withheld any price sensitive information in relation to the resignation of Mr. Chen Jun when the Company issued the announcements on 16 and 17 Sep 2002.</u></p>
<u>25 Sep 2002</u>	Trading of the Company's shares remained suspended	<u>The Stock Exchange cleared the announcement together with the SFC.</u>
<u>26 Sep 2002</u>	<p>Trading of the Company's shares resumed.</p> <p>There were fluctuations in the price and trading volume of the Company's shares.</p>	<u>The Stock Exchange made enquiry with the Company and requested it to issue an announcement. The announcement stated that save for the announcement dated 25 Sep 2002, the directors were not aware of any matters discloseable under the general obligation imposed by Paragraph 2 of the Listing Agreement which was or might be of price-sensitive nature.</u>

Date	Subject matter	Action taken by the Stock Exchange
<u>27 Sep 2002</u>	<u>There were fluctuations in the price and trading volume of the Company's shares.</u>	The Stock Exchange made enquiry with the Company and requested it to issue an announcement. The announcement disclosed that Mr. Yang had disposed of 2.37% shares in the Company and save for this, the directors were not aware of any matters discloseable under the general obligation imposed by Paragraph 2 of the Listing Agreement which was or might be of price-sensitive nature.
<u>30 Sep 2002</u>	<u>The Company advised the Stock Exchange that the two announcements issued on 26 and 27 Sep 2002 would need to be clarified. The Company's shares were suspended pending a clarification announcement</u>	<u>The Stock Exchange reviewed the draft announcement of the Company (the Announcement). The Stock Exchange could not clear the draft of the Announcement as it did not properly address why the two announcements would need clarification.</u>
<u>2 Oct 2002</u>	<u>Trading of the Company's shares remained suspended.</u>	<u>The Stock Exchange reviewed the revised draft of the Announcement. The Stock Exchange could not clear the revised draft of the Announcement as it did not properly address why the two announcements would need clarification.</u>
<u>3 Oct 2002</u>	<u>Trading of the Company's shares remained suspended.</u> <u>There were press reports that Mr. Yang was involved in overdue tax in the mainland.</u>	<u>The Stock Exchange made enquiry with the Company as to whether the allegations were related to the Group.</u> <u>The Stock Exchange reviewed the revised draft of the Announcement. The Stock Exchange could not clear the revised draft of the Announcement as it still failed to properly address why the two announcements would need clarification.</u>
<u>4 Oct 2002</u>	<u>Trading of the Company's shares remained suspended.</u> <u>There were press reports that Mr. Yang had been detained in the mainland. The Company informed the Stock Exchange about the resignation of two directors.</u>	<u>The Stock Exchange requested the Company to issue a clarification announcement. An announcement was issued on 4 October 2002 stating that Mr. Yang could not be contacted and that two directors had resigned.</u>

Date	Subject matter	Action taken by the Stock Exchange
7 Oct 2002	<p><u>Trading of the Company's shares remained suspended. There were press reports that the Company acquired the listing status by way of fabrication of accounting information.</u></p>	<p><u>The Stock Exchange reviewed the revised draft of the Announcement. The Stock Exchange could not clear the revised draft of the Announcement as it still failed to properly address why the two announcements would need clarification.</u></p>
8 Oct 2002	<p><u>Trading of the Company's shares remained suspended. There were press reports that Mr. Yang was involved in illegal activities. The Company informed the Stock Exchange about resignations of two other directors.</u></p>	<p><u>The Stock Exchange requested the Company to issue an announcement to clarify if the allegations were related to the Group and to disclose the resignation of two other directors.</u></p>
9 Oct 2002	<p><u>Trading of the Company's shares remained suspended. There were press reports that certain information in the prospectus, including the size and production of its computerised greenhouses, might not be accurate.</u></p>	<p><u>The Stock Exchange reviewed the draft announcement of the Company in relation to the matters noted on 8 Oct 2002. The Stock Exchange could not clear the draft announcement as the Company could not contact a number of its directors.</u></p>
10 Oct 2002	<p><u>Trading of the Company's shares remained suspended. There were further press reports that certain information in the prospectus might not be accurate.</u></p>	<p><u>The Stock Exchange wrote to the Sponsor of the Company requesting the Sponsor, together with the Company and the relevant professional advisers, to address the accuracy of the accounting information and other information in the prospectus.</u></p> <p>The Stock Exchange reviewed the revised draft of the announcement in relation to the matters noted on 8 Oct 2002. The Stock Exchange requested the announcement to address other price-sensitive matters including any demands for repayment of loans. An announcement was issued on 10 Oct 2002.</p> <p>The Stock Exchange is requesting the Company to provide a revised draft of the Announcement to address all other outstanding matters.</p>