



香港交易所

THE STOCK EXCHANGE OF HONG KONG LIMITED

(A wholly-owned subsidiary of Hong Kong Exchanges and Clearing Limited)

31 May 2005

CENSURE and CRITICISM

of

Mr Fang Chin Ping

and

CRITICISM

of

Mr Raymond Hung Kin Sang

The Listing Committee of The Stock Exchange of Hong Kong Limited (the Listing Committee) censures Mr Fang Chin Ping (Mr Fang (Note 1)) for his breach of Director's Undertaking (Note 2) in failing to use his best endeavours to procure compliance by Applied (China) Limited (Note 3) with its disclosure obligation under Paragraphs 2 and 39 of the Listing Agreement in October 2003 and for his provision of inconsistent evidence during the Exchange's investigation.

Further, the Listing Committee criticises both Mr Fang and Mr Raymond Hung Kin Sang (Mr Hung (Note 4)), for breaching their respective Directors' Undertakings in failing to use their best endeavours to procure compliance by Applied (China) Limited with Rules 14.26(6)(a) and 14.29 of the Listing Rules (Note 5) in or about November 2000, which require prior independent shareholders' approval and issuing of circulars for provision of material financial assistance to a connected person.

Facts

Between November 2000 and October 2003, Mr Fang and Mr Hung were Executive Directors of both Applied (China) Limited and its then controlling shareholder, Applied International Holdings Limited (AIHL). Under the Listing Rules, AIHL was a connected person of Applied (China) Limited.

Case 1

On 27 November 2000, Applied (China) Limited provided financial assistance to AIHL by way of a loan of \$24,016,480 at annual interest of 2 per cent above prime rate. The loan was:

- a connected transaction requiring Applied (China) Limited to obtain prior independent shareholders' approval and issue circulars under Rules 14.26(6)(a) and 14.29 of the Listing Rules in force at the time; but

- was provided without compliance with these rules.

Mr Fang and Mr Hung failed to use their best endeavours to ensure Applied (China) Limited's compliance with these rules.

The loan and interest were fully re-paid to Applied (China) Limited on 30 June 2001.

Case 2

Unusual price and volume movements in the trading of the shares of Applied (China) Limited were noted on 16, 17, 20 and 21 October 2003 leading to the Listing Division's enquiry with Applied (China) Limited. At the time:

- AIHL was in the course of negotiating a possible disposal of its 75% shareholding in Applied (China) Limited; and
- Mr Fang and Mr Hung, directors of both AIHL and Applied (China) Limited at the time, took part in the discussions of the possible disposal (the Discussions).

The announcements published by Applied (China) Limited dated 16 and 17 October 2003 in response to the Listing Division's enquiries on the unusual share trading referred to above:

- did not disclose the existence or the stage of the Discussions; and
- stated that the Board was not aware of any matter disclosable under the general obligation imposed by Paragraph 2 of the Listing Agreement (in force at the time).

The requisite disclosure was made only in Applied (China) Limited's subsequent announcement dated 30 October 2003 published on 31 October 2003. The non-disclosure until 31 October 2003 constituted breach by Applied (China) Limited of its disclosure obligations under Paragraphs 2 and 39 of the Listing Agreement (Note 6). Mr Fang and Mr Hung failed to use their best endeavours to ensure Applied (China) Limited's compliance with those provisions.

Mr Fang also provided the Listing Division with inconsistent evidence about whether he participated in the Discussions in the course of the Listing Division's investigation of Case 2.

As a consequence of a settlement,

Mr Fang and Mr Hung admit their respective breach of Directors' Undertakings in Cases 1 and 2.

Accordingly, the Exchange hereby:

publicly criticises Mr Fang and Mr Hung for breaching their respective Director's Undertaking in Case 1; and

publicly censures Mr Fang for his breach of Director's Undertaking in Case 2 by not using his best endeavours to procure compliance by Applied (China) Limited with Paragraphs 2 and 39 of the Listing Agreement and his provision of inconsistent evidence during the Exchange's investigation.

The Exchange is highly critical of Mr Fang's provision of inconsistent evidence to the Listing Division which inconsistency, in the Listing Division's view, has not been explained satisfactorily by Mr Fang.

For the avoidance of doubt, none of the current directors of Macro-Link International Holdings Limited (Macro-link) (except Mr Hung) was in office at the time the breaches identified above took place. The Exchange confirms that the public sanctions apply only to Mr Fang and Mr Hung as set out above and not to Macro-Link or any other past or present members of the Board of Directors of Applied (China) Limited or Macro-link.

Head of Listing, Richard Williams said in reference to this case, "Directors of listed issuers are required to regularly review whether and when any price-sensitive development at hand concerning the listed issuers has reached the stage or met the requirements obliging their immediate disclosure to the market under Rule 13.09 of the Listing Rules. Unusual share trading not otherwise attributable to any other specific events or reasons, often than not, suggests confidentiality of any price-sensitive development at hand has been breached giving rise to the need for immediate disclosure. Clearly the content of the disclosure will vary depending on the circumstances and nature of the development in question but it is simply unacceptable for listed issuers to remain silent. In addition, directors are reminded that, in response to the Division's enquiries on the unusual share trading, they are obliged to disclose to the Exchange matters which are or may be relevant to the unusual share trading.

Note 1:

Mr Fang resigned as an Executive Director of Applied (China) Limited on 3 March 2004 and is not a current director of Macro-Link.

Note 2:

Declaration and Undertaking with regard to Directors given by him to the Exchange in the form set out in Appendix 5B to the Listing Rules.

Note 3:

In or around March 2004, Applied (China) Limited changed its name to Macro-Link International Holdings Limited and underwent a complete change of controlling shareholder and management (except that Mr Hung remains a Non-Executive Director).

Note 4:

Mr Hung, previously an Executive Director of Applied (China) Limited was re-designated a Non-Executive Director of Macro-Link in or about March 2004.

Note 5:

The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited

Note 6:

Paragraph 2(1) of the Listing Agreement in force at the time (now Rule 13.09 of the Listing Rules) imposes an obligation on issuers to keep the Exchange, members of the issuer and other holders of its listed securities informed as soon as reasonably practicable of price sensitive information relating to the Company and its subsidiaries.

Paragraph 39 of the Listing Agreement in force at the time (now Rule 13.10 of the Listing Rules) requires issuers to disclose promptly, upon the Exchange's enquiries concerning unusual movements in the price or trading volume of its listed securities, information which the Directors are aware of and which is or may be relevant to the unusual share trading.