



香港交易所

---

## **THE STOCK EXCHANGE OF HONG KONG LIMITED**

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

30 September 2005

**The Listing Committee of The Stock Exchange of Hong Kong Limited  
criticises Man Yue International Holdings Limited (the Company)  
for breaching Paragraph 3.7.1 of the then Practice Note 19  
of the Exchange Listing Rules (PN19-3.7.1) and  
Mr Chan Ho Sing (Mr Chan) (an executive director of the Company)  
for breaching the Declaration and  
Undertaking with regard to Directors given by him to the Exchange  
in the form set out in Appendix 5B to the Exchange Listing Rules  
(the Director's Undertaking)**

At a disciplinary hearing held on 3 May 2005, the Listing Committee conducted a hearing into a possible breach by the Company of its obligations under PN19-3.7.1 and by Mr Chan of the Director's Undertaking.

### **Relevant Provisions of the Exchange Listing Rules**

Pursuant to PN19-3.7.1 (the equivalent rule currently is Rule 13.18 of the Exchange Listing Rules), an issuer had a general disclosure obligation when it entered into a loan agreement that included a condition imposing specific performance obligations on any controlling shareholder (e.g. a requirement to maintain a specified minimum holding in the share capital of the issuer) and breach of such obligation would cause a default in respect of loans that were significant to the operations of the issuer.

Mr Chan is required under the Director's Undertaking to use his best endeavours to procure that the Company complies with the Exchange Listing Rules.

### **Facts**

Mr Chan and his family members, as a whole, owned about 48 per cent of the Company's issued share capital at the relevant time.

On 27 October 2003, the Company accepted a bank loan facility for an amount of HK\$30,000,000. It would be an event of default if, among other things, (a) Mr Chan and his family members did not remain as the single largest beneficial shareholder in the Company; or (b) Mr Chan did not remain as the Chairman of the Company.

On 29 October 2003, the Company entered into a loan facility agreement in the aggregate amount of HK\$150,000,000. It would be an event of default if, among other things, (a) Mr Chan and his family members did not own more than 40 per cent of the Company's issued share capital; or (b) Mr Chan did not remain as the Chairman of the Company.

The Company disclosed the loan facilities in an announcement dated 7 April 2004 and admitted the breach of PN19-3.7.1.

### **Conclusion of the Listing Committee**

The Listing Committee concluded that the Company was in breach of PN19-3.7.1 and Mr Chan was in breach of the Director's Undertaking. The Listing Committee decided to impose a public statement which involved criticism on the Company and Mr Chan.

Head of Listing, Richard Williams, commented: "At the time of the commission of this breach paragraph 3.7.1 of Practice Note 19 (now main board rule 13.18) created a clear obligation of disclosure to shareholders and the market if corporate loan arrangements imposed obligations on controlling shareholders. The obligation was and remains clear and unambiguous. This case illustrates that shareholders and directors who may also have a controlling stake in an issuer must be alert to the potential compliance implications of the financial arrangements into which they enter, and should put in place appropriate compliance machinery to ensure that they are alerted to and may take action to comply with those obligations."