THE STOCK EXCHANGE OF HONG KONG LIMITED

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

24 October 2012

The Listing Appeals Committee of The Stock Exchange of Hong Kong Limited (the "Listing Appeal Committee") publicly censures the following parties for breaching the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Exchange Listing Rules"):

(1) Styland Holdings Limited (the "Company") (Stock Code: 211);

(2) Mr Kenneth Cheung Chi Shing, a former executive director of the Company (resigned effective 18 June 2002) ("Mr Cheung");

(3) Ms Yvonne Yeung Han Yi, a former executive director of the Company (resigned effective 5 December 2010) ("Ms Yeung");

(4) Ms Miranda Chan Chi Mei, a former executive director of the Company (resigned effective 5 December 2010) ("Ms Chan"); and

(5) Mr Steven Li Wang Tai, a former executive director of the Company (resigned effective 1 July 2003) ("Mr Li").

(Mr Cheung, Ms Yeung, Ms Chan and Mr Li, collectively the "Directors")

Background and Timeline

On 23 December 2004, the Listing Division issued disciplinary proceedings against the Company and the Directors for breaches of the Exchange Listing Rules in force at the relevant time and the Director's Undertaking given by the Directors to the Exchange in the form set out in Appendix 5 Form B to the Exchange Listing Rules (the "**Director's Undertaking**") in relation to 10 connected transactions the Company entered into between 1998 and 2002. Summary of the transactions are set out at the end of this press release.

Breaches alleged by the Listing Division

The Listing Division alleged that:

1. Transactions 1, 2, 3, 4, 5, 6, 9 and 10 were subject to the notification, circular and independent shareholders' approval requirements under the then Rules 14.26 and 14.29 of the Exchange Listing Rules;

2. Transactions 7 and 8 were subject to the disclosure requirements under the then Rule 14.25 of the Exchange Listing Rules; and

3. The Company failed to comply with those requirements.

The Listing Division also alleged that the Directors breached the Director's Undertaking, and the following Exchange Listing Rules in force at the relevant time:

4. Mr Cheung failed to comply with Rules 3.08(e), 3.08(f) and 3.09 of the Exchange Listing Rules; and

5. Ms Yeung, Ms Chan and Mr Li failed to comply with Rules 3.08(f) and 3.09 of the Exchange Listing Rules.

Under Rule 3.08(e), a director is required to disclose fully and fairly his or her interests in contracts with the listed issuer.

Under Rule 3.08(f), a director is required to apply such degree of skill, care and diligence as may reasonably be expected of a person of his or her knowledge and experience and holding his or her office within the listed issuer.

Under Rule 3.09, a director is required to satisfy the Exchange that he or she has the character, experience and integrity and is able to demonstrate a standard of competence commensurate with his or her position as a director of a listed issuer.

Disciplinary Hearing and Decision of the Listing Committee

On 12 July 2005, the Disciplinary Hearing was held. The Listing Committee decided to adjourn the hearing as a result of significant procedural issues raised by separate Senior Counsel retained by the Company and the Directors. The Listing Committee ordered that the Company, the Directors and the Listing Division file written submissions on such procedural issues.

The Disciplinary Hearing was subsequently put on hold at the request of the Company, Mr Cheung and Ms Yeung. In March 2007, the Chairman of the Listing Committee directed resumption of the disciplinary proceedings. Following two postponements in May 2007 and October 2007 to accommodate the requests of the Company, Mr Cheung and Ms Yeung for extensions of time to file their supplemental written submissions, the Disciplinary Hearing finally reconvened on 21 February 2008.

The Listing Committee, having considered both the written and oral submissions made by or on behalf of the Company, the Directors and the Listing Division, concluded as follows, as recorded in its decision letters of 8 April 2008:

1. The Company persistently breached the then Rules 14.25, 14.26 and 14.29 of the Exchange Listing Rules in failing to comply with: (a) the notification, circular and independent shareholders' approval requirements in respect of Transactions 1, 2, 3, 4, 5, 6, 9 and 10; and (b) the disclosure requirements in respect of Transactions 7 and 8;

2. Mr Cheung failed to comply with Rules 3.08(e), 3.08(f) and 3.09 of the Exchange Listing Rules;

3. Ms Yeung, Ms Chan and Mr Li failed to comply with Rules 3.08(f) and 3.09 of the Exchange Listing Rules;

4. each of the Directors breached the Director's Undertaking in failing to use his or her best endeavours to procure the Company's compliance with the Exchange Listing Rules; and

5. the breaches of the Exchange Listing Rules and the Director's Undertaking by the Directors were persistent.

The Listing Committee decided to impose the following sanctions on the Company and the Directors:

- a **public censure** of the Company for its breaches of the then Rules 14.25, 14.26 and 14.29 of the Exchange Listing Rules;

- a **public censure** of Mr Cheung, Ms Yeung, Ms Chan and Mr Li for their respective breaches of the Exchange Listing Rules and the Director's Undertaking mentioned in 2 to 4 above; and

- a **public statement under Rule 2A.09(7)** that, in the Exchange's opinion, the retention of office by Ms Yeung and Ms Chan (who remained in office in 2008) is prejudicial to the interests of investors.

The Listing Committee considered the breaches by the Company and the Directors to be serious.

The Company had engaged in a significant number of connected transactions between 1998 and 2002 which involved a total of more than $300 million. Except Transactions 7 and 8, all of those transactions were subject to independent shareholders' approval. Those requirements were designed to allow independent shareholders of listed issuers an opportunity to consider, in a timely manner, transactions which have the potential of adversely affecting their interests. However, such approval had not been obtained.

The number and nature of breaches demonstrates that the Directors persistently did not comply with the Director's Undertaking or perform their duties as directors with the appropriate level of skill, care and diligence. Accordingly, the Listing Committee considered that the retention of office by Ms Yeung and Ms Chan (who still remained in office in 2008), would be prejudicial to the interests of investors.

Had Mr Cheung and Mr Li remained directors of the Company at the time of the decision of the Listing Committee, they would have made a public statement under Rule 2A.09(7) of the Exchange Listing Rules against them.

Review Hearing and Decision of the Review Committee

The Company, Mr Cheung, Ms Yeung and Ms Chan (the "**Review Parties**") requested a review of the decision and the sanctions imposed on them by the Listing Committee.

On 19 August 2008, a review hearing was held before the Listing Disciplinary (Review) Committee (the "**Review Committee**").

The Review Committee, having considered both the written and oral submissions made by or on behalf of the Company, the Directors and the Listing Division, upheld the decisions of and the sanctions imposed by the Listing Committee in respect of the Review Parties, as recorded in its decision letters of 8 September 2008. Further, the Review Committee directed that the Company retain an independent professional adviser satisfactory to the Listing Division (the "**Adviser**") on an ongoing basis for consultation on compliance with the Exchange Listing Rules for a period of two years. The Adviser has to be accountable to the Audit Committee of the Company.

Further Review to the Listing Appeals Committee

The Review Parties applied for a further review to the Listing Appeals Committee of the decision and sanctions imposed on them by the Review Committee.

In or about early September 2008, the Securities and Futures Commission ("**SFC**") brought a civil action in the High Court of Hong Kong SAR against Mr Cheung, Ms Yeung, Ms Chan and Mr Li seeking disqualification and compensation orders (the "**SFC Action**"). The SFC alleged that:

1. the Company entered into a number of transactions which were not in the Company's interests but directly or indirectly benefitted Mr Cheung and Ms Yeung; that the transactions, which were not properly disclosed or approved by the Company and its shareholders as required, caused loss and damage to the Company and its shareholders; and

2. that the Directors, being executive directors of the Company at the relevant time, were responsible for these matters; that they had conducted the business or affairs of the Company in a manner (a) involving defalcation, misfeasance or misconduct towards the Company, its members or part of its members other than themselves and unfairly prejudicial to its members or part of its members other than themselves; and (b) resulting in its members or part of its members (other than themselves) not having been given all the information with respect to its business or affairs that they might reasonably expect.

For details, please refer to the SFC's press release of 8 September 2008. The transactions underlying the SFC Action included those which were the subject matter of the Exchange's disciplinary action commenced on 23 December 2004.

On 14 May 2009, the Listing Appeals Committee conducted a hearing. However, on the application of one of the Review Parties, the Chairman of the Listing Appeals Committee adjourned the hearing pending outcome of the SFC Action.

On 23 November 2010, by consent of the SFC and Mr Li, the Court of First Instance made a disqualification order against Mr Li for six years. For details, please refer to the SFC press release of 23 November 2010.

In January 2011, the contested hearing of the SFC Action against Mr Cheung, Ms Yeung and Ms Chan was held at the Court of First Instance. Judgment was reserved at the conclusion of the hearing.

On 7 March 2012, judgment in relation to Mr Cheung, Ms Yeung and Ms Chan was handed down. The Court accepted that the transactions referred to above amounted to a defalcation of the Company's assets as well as misconduct or misfeasance which caused unfair prejudice to the Company's shareholders. The Court made disqualification orders against each of Mr Cheung and Ms Yeung for 12 years; and in the case of Ms Chan, seven years. The Court also ordered that Mr Cheung and Ms Yeung paid $85 million compensation to the Company for their misconduct. For details, please refer to the SFC press release of 7 March 2012.

The Exchange understands that none of Mr Cheung, Ms Yeung and Ms Chan has lodged an appeal against that judgment and the orders made by the Court against them.

On 18 April 2012, Ms Chan confirmed that in the light of the disqualification order made against her in the SFC Action, she did not wish to make further submissions or representations at the adjourned review hearing of the Listing Appeals Committee.

In May 2012, the Company, Mr Cheung and Ms Yeung confirmed that "*they do not intend to continue with the Disciplinary (Review) Hearing*".

On 3 October 2012, the Listing Appeals Committee resumed the adjourned review hearing.

Decision and Sanction

The Listing Appeals Committee noted the Listing Committee's decision against Mr Li of 8 April 2008 and the Review Committee's decision against the Review Parties of 8 September 2008. The Listing Appeals Committee also notes that Mr Li has not sought a review of the decision made by the Listing Committee of 8 April 2008. The Listing Appeals Committee, having considered the submissions both oral and written made by the Review Parties and the Listing Division, endorsed and confirmed the findings of breach made by the Review Committee against the Review Parties.

The Listing Appeals Committee therefore:

1. publicly censures the Company for its breach of the then Rules 14.25, 14.26 and 14.29 of the Exchange Listing Rules;

2. publicly censures Mr Cheung for his breach of Rules 3.08(e), 3.08(f) and 3.09 of the Exchange Listing Rules and the Director's Undertaking;

3. publicly censures Ms Yeung for her breach of Rules 3.08(f) and 3.09 of the Exchange Listing Rules and the Director's Undertaking;

4. publicly censures Ms Chan for her breach of Rules 3.08(f) and 3.09 of the Exchange Listing Rules and the Director's Undertaking;

5. publicly censures Mr Li for his breach of Rules 3.08(f) and 3.09 of the Exchange Listing Rules and the Director's Undertaking; and

6. directs that the Company retain an independent professional adviser satisfactory to the Listing Division (the "**Adviser**") on an ongoing basis for consultation on compliance with the Exchange Listing Rules for a period of two years. The Adviser shall be accountable to the Audit Committee of the Company.

The Review Committee's decision included the direction that a public statement be published under Rule 2A.09(7) that in the Exchange's opinion, retention of office by Ms Yeung and Ms Chan is prejudicial to the interest of investors. Ms Yeung and Ms Chan resigned as directors of the Company in December 2010. As they are no longer directors of the Company and are subject to the disqualification orders by the Court, Rule 2A.09(7) statement against them is no longer applicable or appropriate and is not therefore endorsed by the Listing Appeals Committee for that reason.

For the avoidance of doubt, the Exchange confirms that the above public censure applies only to the Company, Mr Cheung, Ms Yeung, Ms Chan and Mr Li and not to any other past or present member of the Company's Board of Directors.

Facts and summary of the 10 transactions in breach of the listing rules referred to in this press release

On 8 August 2002, the Company issued an announcement ("Announcement A") regarding its failure to disclose, and to seek prior shareholders' approval for, certain connected transactions, in breach of the then Rule 14.26 of the Exchange Listing Rules. The Listing Division commenced an investigation in late 2002.

On 3 June 2003, the Company issued another announcement ("Announcement B") which, amongst other things, made retrospective disclosure of a further eight connected transactions which should have been subject to disclosure and/or shareholders' approval under the Exchange Listing Rules.

On 20 August 2003, the Company issued a further announcement ("Announcement C") concerning the payment of $3 million to Mr Cheung, purportedly as a reward for his contribution in arranging one of the connected transactions disclosed in Announcement B.

The Announcements disclosed, and the Listing Division's investigation revealed, among other things, the following:

Transaction 1

Announcement B disclosed that, pursuant to three loan agreements dated 22 January 1998, 31 March 1998 and 20 January 1999 respectively between Styland Finance Company Limited ("Styland Finance") (a wholly-owned subsidiary of the Company at the material time) and Mr SF Ng ("Mr Ng"), Styland Finance granted an aggregate loan of approximately $11 million to Mr Ng.

As at 31 March 2002, the outstanding balance due from Mr Ng was approximately $4.3 million. After taking into account the absence of collateral and the financial position of Mr Ng, the Company considered that the loans might not be recoverable and full provision was accordingly made.

The Company stated in Announcement B that Mr Ng had been a director of certain subsidiaries of the Company since 22 September 1994, and was therefore a connected person of the Company at the time when the loans were granted. Accordingly, the granting of such loans constituted connected transactions, and were subject to the disclosure and shareholders' approval requirements pursuant to the then Rule 14.26 of the Exchange Listing Rules. The Company admitted that it had failed to comply with those requirements.

Transaction 2

Announcement B disclosed that, pursuant to a subscription agreement dated 5 July 1999, Iwana Company Limited ("Iwana"), a wholly-owned subsidiary of the Company, agreed to subscribe for, and Inworld Holdings Limited ("Inworld") agreed to issue, 36 ordinary shares which represented 36 per cent of the enlarged share capital of Inworld, for $20 million or $555,555.56 per share (the "Subscription Agreement").

At that time, Inworld had not commenced business and had no major assets and liabilities, and thus, no meaningful financial figures were available. It was intended that Inworld would be developed into an Internet service provider.

The Company (through Iwana) completed the subscription of 36 Inworld shares on 15 May 2000.

The Listing Division's investigation revealed that, prior to Iwana's subscription, Inworld was owned as to 50 shares by Mr Kevin Ngai ("Mr Ngai"), a nephew of Ms Yeung, and 14 shares by Joyview International Limited ("Joyview"), a company wholly-owned by Mr WL Chan ("Mr Chan"). On 30 June 1999, Inworld granted options to Mr Ngai and Joyview to subscribe for 51 and 23 Inworld shares respectively, at US$1 each. The Company was aware of the options granted to Mr Ngai and Joyview before entering into the Subscription Agreement.

Mr Ngai is the nephew of Ms Yeung and, as such, the Listing Division considers that he was deemed to be a connected person at the time of the transaction pursuant to the then Rule 14.03(2)(a)(ii) of the Exchange Listing Rules. Accordingly, that transaction was subject to the disclosure and shareholders' approval requirements under the then Rule 14.26 of the Exchange Listing Rules, with which the Company did not comply.

Transaction 3

Announcement B disclosed that a loan agreement was entered into between Mr Ngai and Iwana on 3 May 2000. Pursuant to the loan agreement, Iwana granted a loan facility of $105 million to Mr Ngai (the "Facility"), secured by 101 Inworld shares. The Facility was drawn down in full by 29 June 2000.

According to the Company, the Facility served as a bridging loan to offset the consideration for a subsequent acquisition of Inworld shares (as described in Transaction 5 below) which, at that time, had already been agreed in principle.

According to the Listing Division, the acceptance of 101 Inworld shares as security for the Facility implied a valuation of $1.03 million for each of those shares.

Announcement B also stated that the Company accepted the 101 Inworld shares as security based on Mr Ngai's warranty that, within three months of the grant of the Facility, he would provide an independent valuation report to the Company opining that the fair value of Inworld would not be less than $600 million. A report was provided on 13 July 2000, but the Company could not disclose its details because the independent valuer did not consent to disclosure.

The Listing Division noted that Announcement B disclosed that the combined management accounts of the Inworld Group recorded an unaudited combined net loss of approximately $7.5 million for the period from 30 August 1999 to 30 June 2000, and an unaudited combined net asset value of approximately $9 million as at 30 June 2000.

The Listing Division's investigation revealed that, amongst other things, the 101 Inworld shares given as security included 50 existing shares owned by Mr Ngai as at the date of the loan agreement, as well as 50 shares which, at that time, had not been issued but were to be issued to Mr Ngai upon exercise of the options previously granted to him (see Transaction 2 above), and one share to be acquired by Mr Ngai from Iwana as provided in Transaction 4 below.

For the same reason as stated in relation to Transaction 2, the Listing Division considers that Mr Ngai was, at that time, deemed to be a connected person, and the Facility was a connected transaction at the time it was granted. The Company did not disclose that transaction, nor obtain prior shareholders' approval. Accordingly, it acted in breach of the then Rule 14.26 of the Exchange Listing Rules.

Transaction 4

According to Announcement B, at the request of Mr Ngai and Mr Chan, Iwana entered into share sale agreements on 15 May 2000 (the day on which Iwana completed its subscription of 36 Inworld shares, see Transaction 2) to sell one Inworld share to Mr Ngai, and nine Inworld shares to Joyview, for $555,555.56 per share.

Announcement B stated that, in view of the Company's good business relationship with Mr Ngai and Mr Chan, it was the Directors' belief that the Company's interests would not be prejudiced by accommodating their request and selling back the shares at a price equal to the subscription price paid by the Company. The Company confirmed that an aggregate consideration of approximately $5.6 million cash was received.

According to the Listing Division, Iwana's disposal of its 10 shares to Mr Ngai and Mr Chan was not recorded in a written agreement.

After the sale, Iwana, Mr Ngai and Joyview held 26, 51 and 23 shares respectively, out of Inworld's total share capital of 100 shares.

On 26 June 2000, Mr Ngai and Mr Chan each exercised their respective options to subscribe for more shares in Inworld for US$1 per share. Inworld allotted 50 and 14 new shares to Mr Ngai and Joyview respectively. As a result, Iwana's shareholding in Inworld was diluted from 26 per cent to 16 per cent.

For the same reason as stated in relation to Transaction 2 above, the Listing Division considers that Mr Ngai was, at that time, deemed to be a connected person, so the sale of one Inworld share to him constituted a connected transaction. The Company did not disclose that transaction, nor obtain prior shareholders' approval. Accordingly, it acted in breach of the then Rule 14.26 of the Exchange Listing Rules.

Transaction 5

Announcement B disclosed that, on 31 August 2000, Iwana agreed to purchase 45 Inworld shares from Mr Ngai for approximately $107.8 million. That sum was calculated by reference to the outstanding principal and interest owed by Mr Ngai to Iwana under the Facility (see Transaction 3 above) as at the date of the sale and purchase agreement, and was satisfied by cancelling the debt.

According to the Listing Division, this purchase price resulted in an implied valuation of approximately $2.4 million per Inworld share.

The Company confirmed in Announcement B that Mr Ngai was appointed a director of a subsidiary of the Company on 18 August 2000, so, as at the date of the transaction, he was a connected person of the Company under the Exchange Listing Rules. Accordingly, the transaction constituted a connected transaction, and the Company was in breach of the then Rule 14.26 of the Exchange Listing Rules.

Transaction 6

Announcement B disclosed that Iwana owned 15 shares in Gold Cloud Agents Limited ("Gold Cloud"), which was approximately 7.6 per cent of Gold Cloud's total share capital. Gold Cloud's principal asset was an approximately 10.12 per cent interest in hkcyber.com (Holdings) Limited, a company listed on the Exchange's Growth Enterprise Market.

On 30 October 2000, Iwana agreed to dispose of 15 shares (the Company's entire interest) in Gold Cloud to Companion Marble (BVI) Limited ("Companion Marble") for $38 million.

Companion Marble was a wholly-owned subsidiary of Skynet (International Group) Holdings Limited, an associate of Companion Building Material International Holdings Limited ("Companion Holdings"). Companion Holdings was a substantial shareholder of a subsidiary of the Company (Kippton Limited).

The Company confirmed in Announcement B that Companion Marble was a connected person of the Company, and the transaction constituted a connected transaction, which was subject to disclosure and shareholders' approval under the then Rule 14.26 of the Exchange Listing Rules. The Company failed to comply with that rule.

Transaction 7

Announcement C disclosed that $3 million (representing approximately 10 per cent of the Group's gain on the disposal of Gold Cloud, in Transaction 6 above) in cash was paid by Iwana to Mr Cheung as a reward for his introduction of Companion Marble and assistance in the negotiation of the consideration. Mr Cheung was a director of the Company at the time of Transaction 6, and resigned on 18 June 2002. There was no agreement between Iwana and Mr Cheung in respect of this arrangement. The money was paid on 22 August 2002.

The Company confirmed in Announcement C that Mr Cheung was a substantial shareholder of the Company, and was therefore a connected person. The payment to Mr Cheung constituted a connected transaction, and was subject to disclosure requirements pursuant to the then Rule 14.25(1) of the Exchange Listing Rules. The Company admitted that it was in breach of that rule.

Transaction 8

Announcement B disclosed that Mr Ngai opened a margin account with a subsidiary of the Company in February 2000. Since then, the Group had been providing margin financing to Mr Ngai, for the purpose of trading securities, at prime rate plus three per cent. That financing totalled $8,335,097 as at 10 November 2000.

For the same reason as stated in Transactions 2 and 5 above, Mr Ngai was a connected person of the Company, and the transaction was therefore a connected transaction. The Company confirmed in Announcement B that the financing should have been disclosed under the then Rule 14.25 of the Exchange Listing Rules. The Company was in breach of that rule.

Transaction 9

Announcement B disclosed that during the period from 13 November 2000 to 10 September 2001, Iwana advanced an aggregate of $13,558,847 to Inworld. For those advances, (i) there was no written agreement; (ii) the aggregate amount of the advances was not pre-determined and based solely on the capital requirements of Inworld from time-to-time; and (iii) no security from Inworld was obtained or requested.

The Company stated in Announcement B that the advances were made pursuant to an agreement by the then shareholders of Inworld that they would each make advances to Inworld in proportion to their shareholdings. Inworld required funds to support its operations, but it could not obtain them from other sources because of its limited track record.

The announcement disclosed that the other shareholders (Mr Ngai, Joyview and Jet Concord) did not make advances during the same period to Inworld in proportion to their shareholdings.

On 20 September 2001, as part of a corporate reorganisation of the Inworld Group, Iwana waived Inworld's obligation to repay $12,195,029 of the advances previously made, and the other shareholders of Inworld agreed to share the waived amount in proportion to their shareholdings in Inworld. Iwana received $6,915,801 from other Inworld shareholders in January 2002.

According to the Listing Division, the Company in effect wrote off $5.28 million of its advances to Inworld (by waiving the advances, less the amount received from other shareholders in January 2002).

The Company confirmed in Announcement B that the grant of such advances constituted a connected transaction. Since the advances were not in proportion to the Company's shareholding in Inworld, the advances did not fall within the then Rule 14.25(2)(b) of the Exchange Listing Rules, and was subject to the disclosure and shareholders' approval requirements under the then Rule 14.26. The Company admitted that it had failed to comply with that rule.

Transaction 10

According to Announcement A, in October 2000, Data Store Investments Limited ("Data Store"), a wholly-owned subsidiary of the Company, acquired 90 per cent of the issued share capital of West Marton Group Limited ("West Marton") from an independent third party.

West Marton was principally engaged in the provision of portal services (through a worldwide website under the name of www.chineseyes.com) and the design of websites.

According to the Listing Division, West Marton had three wholly-owned subsidiaries at that time, but the only active subsidiary appeared to have been New Great China Technology Holdings Limited ("New Great China"), which operated the "chineseyes.com" website.

On 10 August 2001, Data Store entered into agreements with: (i) Mr Ngai to sell 10 per cent of its interest in West Marton for $7 million; and (ii) Joyview to sell 20 per cent of its interest in West Marton for $14 million. The disposals were completed in August 2001. The consideration was negotiated and determined with reference to the Company's valuation of the West Marton Group, at approximately $70 million in net present value, using discounted cash flow methodology.

According to the Listing Division, Data Store bought the 90 per cent stake in West Marton for $120 million in October 2000. After the purchase, the Company prepared a profit forecast for New Great China for the period 1 January 2002 to 31 December 2006, which restated its net present value at $33 million using discounted cash flow methodology. The Company booked $30 million of its investment in West Marton as goodwill, and the remaining $90 million as provision for impairment loss. As a result, the net carrying value of West Marton was written down by 75 per cent as at 31 March 2001.

The Listing Division's investigation also revealed that, for the purposes of the disposal in August 2001, the Company prepared another profit forecast for the period from 1 July 2001 to 30 June 2006, which stated a net present value of $70 million for West Marton as at July 2001.

According to the Listing Division, the $21 million obtained by the Company from the sale of its 30 per cent stake in West Marton in August 2001 implied a valuation of $63 million for the Company's 90 per cent stake immediately before the sale.

The Company confirmed in Announcement A that both Mr Ngai and Joyview were connected persons, and the transactions, in aggregate, fell within the then Rule 14.26 of the Exchange Listing Rules, and should accordingly have been subject to disclosure and shareholders' approval requirements. The Company failed to comply with those requirements.

Impairment losses

The Listing Division noted that the Company suffered substantial losses within a short period of time in connection with its investments in Inworld and West Marton. The Company had invested a sum of approximately $122 million in Inworld by August 2000, and $120 million in West Marton by October 2000. It subsequently made provision for impairment losses arising from these investments in its accounts for the year ended 31 March 2001 in the total sum of approximately $197 million (equivalent to more than 80 per cent impairment).

Announcement B disclosed that those investments were partly funded by proceeds from a rights issue in April 2000.