
Responsibilities of a PRC director of a GEM listed company

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1. Introduction

This article is intended to provide guidance on the responsibilities arising as a Director of a PRC company (the “Company”) listed on the Growth Enterprise Market (“GEM”) of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). The following requirements are derived mainly from the continuing obligations imposed by Chapters 5 and 17 of the GEM Listing Rules as a condition of the listing of the Company’s securities.

In the capacity of a Director of a GEM listed company, a Director has to give a personal undertaking to the Stock Exchange that he will, to the best of his ability, comply with the GEM Listing Rules, and use his best endeavours to procure that the listed company will so comply. The Company will also enter into a written contract with every Director and officer containing, inter alia, an undertaking by the Director to the Company to observe and comply with the:

- Company Law of the PRC
- Special Regulations on the Overseas Offering and Listing of Shares by Joint Stock Limited Companies (issued by the State Council of the PRC, 4th August 1994)
- Articles of Association
- Hong Kong Takeover and Share Repurchase Codes

Accordingly, it is essential that a Director appreciate the nature of his responsibilities and honour his obligations under the GEM Listing Rules and all other relevant laws and regulations. In this article, we have not set out all the responsibilities of a Director and this article is not intended to be an exhaustive summary of all the relevant law or matters. It is intended to provide guidance only on certain Hong Kong statutory provisions and regulatory requirements and should not be regarded as providing legal advice on any particular situation, nor should it be relied upon for that purpose. It is suggested that more detailed advice is sought where necessary.

In addition, as the Company is incorporated in the PRC, it is also subject to the PRC Company Law and other applicable PRC requirements, the provisions of which are not discussed in this note.

References in the margin of this article are to the GEM Listing Rules.

2. Directors’ Duties

(A)

Generally, a Director should individually and collectively with the other Directors fulfil fiduciary duties, and duties of skill, care and diligence to a standard at least commensurate with the standard established by Hong Kong law. This essentially means that a Director should:

- (i) Have regard to his fiduciary duties as a Director and act honestly in good faith in the best interests of the Company as a whole (which for this purpose means all its shareholders, majority and minority, present and future).

- (ii) Exercise his powers for proper purposes, i.e. for the purposes for which such powers were conferred.
- (iii) Avoid putting himself in a position where his duties to the Company and his personal interests actually or potentially conflict.
- (iv) Not make a secret profit by reason of his position as a Director.
- (v) Not profit from or disclose the Company's secrets or confidential information.
- (vi) Be answerable to the Company for the application or misapplication of its assets.
- (vii) Disclose fully and fairly to the Board any interest he has in a contract into which the Company is to enter.
- (viii) Exercise such a degree of skill, care and diligence as may reasonably be expected of a person of his knowledge and experience and holding his office in the Company.

(B)

Every Director of a listed company must satisfy the Stock Exchange that he has the character, experience and integrity and is able to demonstrate a standard of competence commensurate with his position as a Director of a GEM listed company. The Stock Exchange expects this requirement to be satisfied on a continuing basis. In this regard, a Director should, individually and collectively with the other Directors:

- (i) Be cognisant of the GEM Listing Rules and reasonably familiar with the obligations and duties imposed upon him and the Company, and ensure that the Company complies with the GEM Listing Rules, the Securities Ordinance, the Companies Ordinance, the Protection of Investors Ordinance, the Stock Exchanges Unification Ordinance, the Securities (Disclosure of Interests) Ordinance, the Securities (Insider Dealing) Ordinance, the Hong Kong Takeover and Share Repurchase Codes.
- (ii) Seek advice from the Company's sponsor (for so long as it retains the services of a sponsor) regarding the Company's obligations to comply with the GEM Listing Rules.
- (iii) Respond, in a prompt and efficient manner, to all enquiries directed at him by the Stock Exchange.
- (iv) Attend Board meetings whenever he is reasonably able to do so.
- (v) Have regard to the Stock Exchange's minimum standards of good practice on the general management responsibilities of the Board of Directors and related matters.

3. General Considerations

A Director is individually and collectively with the other Directors responsible for ensuring that:

(A)

The Company complies with the GEM Listing Rules.

(B)

Information that is expected to be price sensitive is released immediately. Until that point is reached the strictest security must be observed within the Company and its advisers.

- (i) At all times the Exchange, the Company's shareholders and other holders of its listed securities are informed as soon as reasonably practicable of any information (the "general obligation of disclosure"):
- (ii) necessary to enable them and the public to appraise the position of the Company and its subsidiaries (the "Group");
- (iii) that might reasonably be expected materially to affect market activity in or the price of its securities. Specifically, the Company has to make timely public disclosure under the following circumstances:
 - (a) advances to an entity amounting to more than 25% of the Company's net tangible assets and subsequent increase of such amount accounting for 10% or more of the Company's net assets;
 - (b) financial assistance and guarantees to affiliated companies amounting to more than 25% of the Company's net tangible assets;
 - (c) pledging of shares by the controlling shareholder to secure debts of the Company or to secure guarantees or support other obligations of the Company;
 - (d) entering into loan agreements which include conditions imposing specific performance obligations on any controlling shareholder, the breach of which obligation will cause a default in respect of loans that are significant to the operations of the Company;
 - (e) where there is a breach of the terms of a loan agreement by the Company or any of its subsidiaries in respect of any loan that is significant to the operations of the Group, such that the lender may demand immediate repayment of the loan and where the lender has not issued a waiver in respect of the breach.

If any of the above circumstances exist at the Company's half-yearly, quarterly, or annual financial year end, certain additional information must be included in the half-yearly, quarterly, or annual report. Such information should continue to be published in the Company's periodic reports for so long as the circumstances in sub-paragraphs (c), (d) and (e) above continue to exist.

Directors of the Company must consult the Stock Exchange as soon as possible if they consider that the disclosures required by the above might prejudice the Company's business interests.

(C)

No further shares or securities convertible into equity securities of the Company are issued within the first six months of the date of commencement of dealings of the Company's shares.

(D)

There is an open market in the listed securities of the Company.

- (i) at all times at least the minimum prescribed percentage (i.e. percentage held by the public immediately prior to commencement of trading of the Company's shares on GEM) (20-25 %) of the Company's listed securities, or a market capitalisation of at least HK\$30 million, whichever is higher, is held by the public; and
- (ii) at the time of listing, there must be an adequate spread of holders of the Company's listed securities. As a guideline there should be at least 100 holders from the public at the time of listing.

For this purpose, the "public" does not include:

- (i) any connected person of the Company;
- (ii) any person whose acquisition of securities has been financed directly or indirectly by a connected person; or
- (iii) any person who is accustomed to taking instructions from a connected person in relation to the acquisition, disposal, voting or other disposition of securities of the Company registered in his name or otherwise held by him.

In relation to a Company, a "connected person" means a Director, chief executive, substantial shareholder or management shareholder of such company or certain of its non-wholly owned subsidiaries or an "associate" (as defined in the GEM Listing Rules) of any of them. Please note that section 135 of the Securities Ordinance prohibits a person from intentionally creating or cause anything with the intention of creating a:

- (i) false or misleading appearance of active trading in any securities on the Stock Exchange; or
- (ii) false market in respect of any securities on the Stock Exchange. For this purpose, a false market is created when the market price of those securities is raised or depressed or pegged or stabilised by means of:
 - (a) sales and purchases transacted by persons acting in collaboration with each other for the purpose of securing a market price for those securities that is not justified either by the assets of the corporation which issued the securities or by the profits (including anticipated profits) of the corporation;
 - (b) any act which has the effect of preventing or inhibiting the free negotiation of market prices for the purchase or sale of the securities; or

- (c) the employment of any fictitious transaction or device or any other form of deception or contrivance.

(E)

The Company responds promptly to enquiries made by the Stock Exchange concerning unusual movements in price or trading volume.

(F)

Equality of treatment is given to all shareholders in the same position.

The Company prepares an interim report for the first three, six and nine month period of each financial year and makes a preliminary announcement of the contents of the report which contains the audited results for the full year within three months after the end of such full year period.

(H)

The Company at all times maintains at least two independent, non-executive Directors. The Exchange may stipulate a minimum number of independent non-executive Directors which is higher than two if, in the opinion of the Stock Exchange, the size of the Board or other circumstances justify it. If an independent non-executive Director resigns or is removed from office, the Stock Exchange should be notified of the reasons why.

The Stock Exchange has introduced guidelines on the qualifications, appointment and role of independent non-executive Directors. Such guidelines were introduced prior to the establishment of GEM, but are expected to be applicable in principle to GEM listed issuers as well.

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(J)

The Company retains at all times an individual, on a full time-basis, whose responsibility must be to assist the group in connection with its financial reporting procedures and internal controls. The individual must be a qualified accountant and a fellow or associate member of the Hong Kong Society of Accountants or a similar body of accounts recognised by that Society for the purpose of granting exemptions from examination requirement for membership of that Society.

(K)

One of the Company's executive Directors assumes responsibility at all times for acting as its compliance officer.

At all times, the Company has two authorised representatives. The authorised representatives must be two individuals from amongst the Company's executive Directors and company secretary (unless the Exchange, in exceptional circumstances, agrees otherwise).

(M)

The Company establishes an Audit Committee that fulfils the Stock Exchange's requirements.

(N)

The Company complies with the filing requirements and annual obligations under Part XI of the Companies Ordinance.

4. Dealing in the Company's Shares

With regard to dealings in the Company's shares, a Director must:

(A)

Comply with the Minimum Standard of Dealing for Securities Transactions by Directors of GEM Listed Companies or such other rules adopted by the Company for governing dealings by Directors in listed securities, which must be in terms no less exacting than the Minimum Standard of Dealings.

(B)

Comply with the Securities (Disclosure of Interests) Ordinance. Please note that Directors, chief executives and substantial shareholders of the Company are under a duty to notify the Company and the Stock Exchange of their interests in the Company's shares. The Company is under a duty to maintain a register of such interests.

(C)

Avoid contravention of the Securities (Insider Dealing) Ordinance.

(D)

Do not deal if he has any unpublished price-sensitive information.

(E)

Do not deal in the period of one month before preliminary announcements of annual results or the publication of interim results or quarterly reports.

(F)

Before dealing, notify the chairman of the Company and obtain a signed acknowledgement from him that there is no reason why he should not deal. In the chairman's case, he should not deal before notifying the Board at a Board Meeting or a Director appointed for this purpose and receiving a dated written acknowledgement.

(G)

Disclose in annual accounts and Directors reports all his interests and those of his “associates” (i.e. spouse or children under 18, controlled companies and trustees of trusts in which he or his family have interests) in the Company’s shares.

(H)

Notify the Company and the Stock Exchange in writing of any acquisition, disposal, assignment or sale contract by, or the grant of a right to purchase or subscribe for shares or debentures of the Company to, him, his spouse, your children under 18 or companies controlled by him.

(I)

Significant Shareholders are not permitted to dispose of any of their beneficially owned securities in the Company in the period of six months from the time dealings in the Company’s securities commence on the GEM. (J) Initial Management Shareholders are not permitted to dispose of any of their beneficially owned securities in the Company in the period of six months from the time dealings in the Company’s securities commence on the GEM.

5. Stock Exchange Notifications

The Directors must ensure that the Company notifies the Stock Exchange of the following matters (which constitute a non-exhaustive list):

(A)

Of any Board Meeting to declare, recommend or approve the payment of a dividend, or the announcement of any full, half-year, quarter or other period profits or losses, at least seven clear business days before the day set for the Board Meeting.

(B)

Immediately after the approval of any dividend (or other distribution) or decision not to pay any expected dividend.

(C)

Immediately after the approval of any preliminary announcement of profits or losses for any year, or any half-year or quarter or other period.

(D)

Of any proposed change in the capital structure of the Company (including any purchase by it of its own shares) or any decision to change the general character or nature of its business.

(E)

Of any proposed alteration to the Company's Memorandum and Articles of Associations/Byelaws.

(F)

Of any changes in Directors or their particulars (all new Directors must complete and lodge Form 6A (Appendix 6 of the GEM Listing Rules) on appointment and all Directors must submit a new Form 6A to the Stock Exchange if any of the details on their existing Form 6A has changed).

(G)

Of any change in the rights attaching to the Company's listed securities.

(H)

Of any change in the Company's secretary, qualified accountant, compliance officer, members of the audit committee, or auditors.

(I)

Of any change in the Company's financial year end.

(J)

Of any change in the Company's registered office or registered place of business in Hong Kong.

(K)

Of various insolvency-related events, such as the appointment of a receiver or manager over its business or property, the presentation of a winding-up petition, or passing of a winding-up resolution.

(L)

If the Company becomes aware that the percentage of its issued shares in the hands of the public has fallen below the minimum prescribed percentage.

(M)

If any part of the Company's shares (or those of its subsidiaries) becomes listed or dealt in on any other stock exchange.

(N)

Of the basis of allotment of any of the Company's securities to the public for subscription or sale or an open offer and of the results of any rights issue, not later than the morning of the next business day after documents of title are posted.

(O)

Of any purchase, sale, drawing or redemption by the Company, or any member of the Group of its listed securities (whether on GEM or otherwise) in the form prescribed by Appendix 8 of the GEM Listing Rules.

6. Stock Exchange Submissions

The Directors should ensure that the Company submits the following information to the Stock Exchange (which constitutes a non-exhaustive list):

(A)

Draft announcements or advertisements for new or further issues of securities for review (other than a capitalisation issue or a scrip dividend scheme) or any announcements or advertisements the subject matter of which may involve a change in or relate to or affect arrangements regarding trading in its listed securities.

(B)

Draft documents to be issued on takeovers, mergers or offers for review.

(C)

Proposed amendments to the Company's Memorandum and Articles of Associations/Byelaws for review.

(D)

Ten copies of documents relating to takeovers, mergers, offers, notices of meetings, forms of proxy, reports, announcements etc..

(E)

Ten certified copies of all shareholders' resolutions (except for routine business at annual general meetings) within 15 days after they have been passed.

(F)

100 copies of (i) all circulars to holders of listed securities, (ii) its annual report and accounts, and (iii) its half-year and quarterly reports, at the same time as they are sent to the Company's shareholders with registered addresses in Hong Kong.

(G)

Copies of drafts, for review before they are issued of any announcements concerning the pledging or charging of interests in the securities of the issuer by any initial management shareholder or significant shareholder.

7. Shareholder Communication

The Directors should ensure that the Company sends to shareholders (including overseas shareholders) the following information (which is a non-exhaustive list):

(A)

Copies of the annual reports and accounts in English and Chinese, not less than 21 days before the date of the Company's annual general meeting nor more than three months after the end of the financial year to which they relate. The annual reports and accounts and the interim reports must be prepared in accordance with the GEM Listing Rules, which require certain specific information to be included. In particular, a PRC issuer must comply with the following additional requirements:

- (i) The annual accounts must be audited by a person, firm or company who must be a practising accountant of good standing and independent of the PRC issuer to the same extent as that required of an auditor under the Companies Ordinance and in accordance with the statements on independence issued by the International Federation of Accountants.
- (ii) The accounts must be audited to a standard comparable to that required by the Hong Kong Society of Accountants or by the International Auditing Practices Committee of the International Federation of Accountants.
- (iii) Its Directors' report and accounts must include the information necessary to enable holders of its securities to obtain any relief from taxation to which they are entitled by reason of their holding of such securities.
- (iv) Its Directors' report and accounts must include those additional disclosures required of Hong Kong incorporated companies under the provisions of the Companies Ordinance. If the PRC issuer publishes a half-year or quarterly report in the PRC, the Exchange may authorise it to publish that report (if necessary, translated into English and Chinese) instead of the half-year and quarterly reports, provided that the information given is equivalent to that which would otherwise have been required.

(B)

Copies of the Company's interim reports.

(C)

Proxy forms with all notices convening shareholders' meetings with provisions for two-way voting on all resolutions intended to be proposed thereat. All notices or other documents required under Chapter 17 of the GEM Listing Rules to be sent by a PRC issuer to the Exchange or to holders of a PRC issuer's securities listed on GEM shall be in English with a Chinese translation or in Chinese with an English translation.

8. Shareholder Consent

The Directors must ensure that the Company obtains shareholders' consent to the following matters (which constitute a non-exhaustive list):

(A)

Prior to the Directors authorising, allotting, issuing or granting shares, securities convertible into shares and options, warrants or any major subsidiary of a PRC issuer making any such authorisation, allotment, issue or grant so as materially to dilute the percentage equity interest of the PRC issuer and its shareholders in such subsidiary or similar rights to subscribe for any shares or such convertible securities, the Directors of the PRC issuer shall obtain the approval by a special resolution of shareholders in general meeting and the approvals by special resolutions of holders of domestic shares and overseas listed foreign shares (and, if applicable, H shares) (each being otherwise entitled to vote at general meetings) at separate class meetings conducted in accordance with the PRC issuer's articles of association. No such approval shall be required in the case of authorising, allotting or issuing shares if:

- (1) the shareholders of the PRC issuer have by special resolution of its shareholders in general meeting given approval for the PRC issuer to authorise, allot or issue, either separately or concurrently once every twelve months, not more than 20% of each of the existing issued domestic shares and overseas listed foreign shares of the Company; or
- (2) such shares are part of the PRC issuer's plan at the time of its establishment to issue domestic shares and overseas listed foreign shares and which plan is implemented within fifteen months from the date of approval by China Securities Regulatory Commission or such other competent state council securities regulatory authority. In all circumstances, the Directors of the PRC issuer shall obtain the approval by special resolution of its shareholders in general meeting, prior to allotting any voting shares if such allotment would effectively alter the control of the PRC issuer.

(B)

Any service contract of three years or longer to be awarded to a Director.

(C)

Certain material transactions and connected transactions – see paragraphs 11 and 12 below.

9. Notification to the Public

The Directors should ensure that the Company publishes, inter alia, the following information in accordance with the GEM Listing Rules, which require publication on the Internet and for information purposes, submission to all English and Chinese gazetted newspapers:

(A)

Notice of the closure of the Company's transfer books or register of members at least 14 days before such closure.

(B)

Notice of annual general meetings.

(C)

A preliminary announcement of the audited results for the full year.

(D)

Notice of changes to conversion rights of convertible securities or terms of exercise of options, warrants or similar rights as a result of issues or purchases of securities.

(E)

Notice of the exercise of the general mandate to issue shares. All documents furnished by the Company, including accounts, which are in a language other than English or Chinese, must be accompanied by a certified English or Chinese translation. If the Stock Exchange so requires, an additional translation must be prepared in Hong Kong at the Company's expense by such person or persons as the Stock Exchange shall specify.

10. Share Repurchases

If the Company wishes to repurchase its own shares, the Directors should ensure that the Company follows Chapter 13 of the GEM Listing Rules and the Hong Kong Code on Share Repurchases.

11. Acquisitions and Disposals

On making an acquisition or disposal:

(A)

The Directors should ensure that the Company follows the GEM Listing Rules and The Code on Takeovers and Mergers and, as appropriate, depending on the size and significance of the acquisition or disposal, issue press notices, send circulars to shareholders, obtain shareholders' consent, etc.

(B)

Takeover and merger transactions are governed by The Code on Takeovers and Mergers (the "Takeover Code"). The primary purpose of the Takeover Code is to provide fair treatment for shareholders that are affected by takeover and merger transactions. It requires equality of treatment of shareholders, mandates disclosure of timely and adequate information to shareholders, and seeks to ensure an informed market in takeover and merger transactions. Directors should:

- (i) familiarise themselves with the Takeover Code and in particular with the obligations imposed on the Company to make an offer where it has acquired "control" (as defined in the Takeover Code);

- (ii) be aware of their obligations where the Company is the subject of a takeover offer;
- (iii) where any proposed transaction or any aspect thereof is governed by, subject to the Takeover Code, any announcement, advertisement or document to be issued in relation to the transaction, it should be simultaneously submitted to the Stock Exchange and the Takeovers and Mergers Executive of the Securities and Futures Commission for clearance.

(C)

Chapter 19 of the GEM Listing Rules sets out circumstances in which listed companies are required:

- (i) to disclose details of certain transactions, namely:
 - (a) very substantial acquisitions;
 - (b) major transactions;
 - (c) discloseable transactions;
 - (d) share transactions;
 - (e) connected transactions; and
 - (f) reverse takeovers;
- (ii) to send a circular to shareholders giving information about such transactions; and
- (iii) (iii) in the case of certain material transactions or transactions with connected persons, to obtain prior consent from the shareholders.

(D)

Broadly speaking, to determine whether a transaction is a very substantial acquisition, major transaction or discloseable transaction, various criteria apply:

- (i) the value of the asset being acquired or realised as compared with the value of the consolidated assets of the listed issuer (net asset test);
- (ii) the net profit attributable to the asset being acquired or realised as compared with the net profit of the listed issuer (net profit test);
- (iii) the aggregate value of the consideration given or received as compared with the value of the net tangible assets of the listed issuer (aggregate value test); and
- (iv) the value of the equity capital issued as consideration as compared with the value of the equity capital previously in issue by the Company (equity capital value test). If applying the above criteria, the percentage would exceed 200 % or 100 % and the company that is the subject of the transaction has different activities from the current principal activities of the Company, or there is an intention to make a major change in the principal activities of the Company, then the transaction would be a very substantial acquisition. If applying the above criteria, the percentage would exceed 50 %, then the transaction would be a major transaction; and if between 15-50 %, a discloseable transaction.

(E)

A share transaction is any acquisition of asset by a listed company or its subsidiaries where the figures obtained using the above criteria would be less than 15% and the consideration includes securities for which listing is sought.

(F)

Connected transactions are discussed below.

12. Connected Transactions

The Directors should ensure that the provisions in the GEM Listing Rules relating to connected transactions are complied with. A “connected transaction” is:

(A)

any transaction between a listed issuer and:

- (i) a connected person; or
- (ii) a person who is not a connected person but the transaction involves: Acquisition or disposal of interest in a company
 - (a) a listed issuer acquiring or disposing of an interest in a company where a substantial shareholder or management shareholder of that company is, or is proposed to be, a controller or is (or will become as a result of the transaction) an associate of a controller; or
 - (b) a listed issuer acquiring an interest in a company (or an option to acquire such interest) of which a controller (or a controller’s associate) is, or will become, a shareholder; or
- (iii) a controller (or an associate of a controller) subscribing on specially favourable terms shares in a company in which the listed issuer is a shareholder; Indemnity, guarantee or financial assistance

(B)

a listed issuer granting an indemnity or guarantee or providing financial assistance for the benefit of a connected person;

Financing transactions

(C)

the provision of financial assistance:

- (i) by a listed issuer to:
 - (a) a connected person; or

(b) a company in which both the listed issuer or any of its subsidiaries and a connected person are shareholders; or

(ii) by a connected person to a listed issuer.

Granting of security

(D)

the granting of security over the assets of a listed issuer to a connected person in respect of a loan made to the listed issuer;

Options

(E)

the writing, acceptance, transfer; exercise or non-exercise of an option involving a listed issuer and a connected person; and

Joint Ventures

(F)

the entering into of any arrangement or agreement involving the formation of a joint venture entity in any form, such as a partnership or a company by a listed issuer and a connected person.

In relation to a listed issuer; a “connected person” means a Director; chief executive, substantial shareholder or management shareholder of such company; any person who was a Director of the listed issuer within the preceding 12 months; a promoter or supervisor of a PRC issuer; or an “associate” (as defined in the GEM Listing Rules) of any of them.

Broadly speaking, connected transactions fall within three categories:

- (a) those which are exempt from reporting, announcement and shareholders’ approval requirements;
- (b) those which require disclosure but not shareholders consent; and
- (c) those which require disclosure and shareholders consent.

If a listed company proposes to enter into a connected transaction, it is essential that the Stock Exchange is consulted at an early stage so that in cases of doubt it may be established whether or not the relevant requirements will be applied.

A connected transaction may also be a very substantial acquisition, major transaction or discloseable transaction and the relevant requirements of the GEM Listing Rules may also apply.

13. Directors Responsibility Statements

Directors of the Company are required to accept responsibility for any listing document issued by the Company and for any circular issued in connection with any notifiable transaction, and a statement to this effect must be included in the listing document or circular. The Stock Exchange may also require a statement of responsibility by the Directors to be included in press announcements.

The responsibility statement declares that the Directors collectively and individually accept full responsibility for the accuracy and completeness of the information contained in the document and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, there are no other facts the omission of which would make any statement in the document misleading.

Since every Director accepts responsibility for the accuracy of all information contained in the document, each Director should read the document in its entirety to satisfy himself that the stated information is true, accurate and not misleading, and that no material information has been omitted from the contents of the document.

14. Suspension and Resumption of Trading in Securities

A suspension of trading in the Company's securities is necessary:

(A)

when the Directors consider it absolutely necessary in the interests of the Company, its shareholders and the public, and the suspension period should be kept as short as reasonably possible; and

(B)

occurrence of any of the events specified under Rule 9.04 of the GEM Listing Rules means that a suspension is necessary.

During a suspension, the Directors remain subject to all their duties and responsibilities arising under the GEM Listing Rules, the Listing Agreement and the Director's Declaration and Undertaking.

15. Breaches of the GEM Listing Rules

If the Stock Exchange finds that a Director has breached the GEM Listing Rules, it may, among other things conduct a disciplinary hearing, and thereafter issue a public censure, report the Director's conduct to other regulatory authorities, or state publicly in the Stock Exchange's opinion the retention of office by the Director is prejudicial to the interests of investors.

Pursuant to the Director's Declaration and Undertaking, Directors (including non-executive Directors) undertake to cooperate in any investigation conducted by the Stock Exchange, which expressly includes answering promptly and openly any questions posed, promptly producing the originals or copies of documents and attending any meeting or hearing at which he is requested to appear.

Every Director should use his best endeavours to comply with the obligations in any investigation, and where appropriate ensure that the Company's employees cooperate with the Stock Exchange's enquiries in the same way.

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This note is provided for information purposes only and does not constitute legal advice. Specific advice should be sought in relation to any particular situation. This note has been prepared based on the laws and regulations in force at the date of this note which may be subsequently amended, modified, re-enacted, restated or replaced.