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EURO-ASIA AGRICULTURAL (HOLDINGS) COMPANY LIMITED

歐亞農業(控股)有限公司*

(incorporated in Bermuda with limited liability)

ANNOUNCEMENT

Trading of the shares of the Company was suspended at the direction of the Securities and Futures Commission at 10:03 a.m. on 19 September 2002 due to concerns by the Securities and Futures Commission about whether any price sensitive information was withheld from the public which might be associated with the unusual price and volume movement in the trading of the shares between 5 September 2002 and 18 September 2002.

On 12 September 2002, Mr. Chen Jun tendered a resignation letter to the Company to resign from the Company as the CEO and executive director of the Company. Existence of the resignation letter was not disclosed to the SFC until a meeting between the SFC and the Company at 3:00 p.m. on 18 September 2002. The SFC and the Company have different views as to whether the resignation was valid and effective on that day for reasons set out below.

The Stock Exchange had on 13 and 16 September 2002 and the SFC had on 18 September 2002 enquired whether Mr. Chen Jun was still the CEO and executive director of the Company, and for the reasons mentioned in paragraph (C) below, the answer from the Company was affirmative.

Also, the Company issued standard statements on 16 and 17 September 2002 under paragraph 39.2 of the Listing Agreement for reasons set out in paragraph (C) below. The Stock Exchange is looking into the matter and reserves the right to take appropriate actions in respect of any non-disclosure of price sensitive information.

Trading of the shares of the Company is expected to resume (at the request by the Company and agreed by the SFC and the Stock Exchange) at 9:30 a.m. on 26 September 2002. SFC has informed the Company that it has commenced enquiry into trading in the shares of the Company at the material times. **Investors are advised to exercise extreme caution when dealing in the shares when trading commences on the Exchange.**

(A) **Introduction**

(1) *Recent share price movement*

On 12 September 2002, the Company announced its interim results with a reported six months profit of approximately \$291 million, a gain of approximately 9% when compared to the same period last year. The Securities and Futures Commission (“SFC”) had noted that in the five trading days leading to the announcement of the interim results, the share price of the Company had advanced by a total of 22% to \$0.83 on 12 September 2002. However after the announcement of the interim results, the SFC also noted that the share price of the Company resumed its downtrend, losing a total of approximately 25% within 4 trading days to close at \$0.62 on 18 September 2002. Meanwhile, trading in the Company’s share was consistently active during the period. On 17 September 2002, turnover in the shares of the Company in the Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) reached 151 million shares, equivalent to about 9% of the entire issued share capital of the Company. During the period from 2 July 2002 up to 18 September 2002, there is approximately a 75% drop in the price of the shares.

(2) *Suspension of trading of shares*

The Company was informed by the SFC that trading of the shares of the Company was suspended at the direction of the SFC at 10:03 a.m. on 19 September 2002 in light of concerns by the SFC about whether any price sensitive information about the Company was withheld from the public which might be associated with unusual share price and volume movement between 5 September 2002 and 18 September 2002. **SFC has also informed the Company that it has commenced enquiry into trading in the shares of the Company.**

The Directors noted the decrease and increase in the price and trading volume of the shares of the Company and stated that they were not aware of any reasons for such decrease and increase respectively at all material times.

(B) **Change of chief executive officer (“CEO”) and executive director of the Company**

(1) *Appointment and service agreement*

Mr. Chen Jun was appointed CEO and executive director of the Company on 10 April 2002. He had, on the same date, entered into an executive director’s service agreement (“**Service Agreement**”) with the Company for an initial period of 3 years commencing from 10 April 2002 (which is automatically renewed upon expiry for successive terms of one year), subject to a termination on or after 10 April 2005 by either party giving not less than six months’ prior written notice to the other party unless the parties agreed to a shorter period. Within the initial three years of service, if the Company or Mr. Chen Jun wants to terminate the Service Agreement by way of a written notice without cause, the notice period will be equal to 3 years less the period of service actually performed by Mr. Chen Jun.

Mr. Chen Jun acted as CEO and executive director of the Company for about 5 months up to 22 September 2002.

(2) *Resignation Letter*

On 12 September 2002, Mr. Chen Jun tendered a resignation letter to the Company in a board meeting to approve the interim results of the Company. The said letter of resignation did not state the effective date of resignation. He alleged and complained in the said letter that he did not have adequate authority as delegated by the board of directors of the Company (the “**Board**”) in the capacity of a CEO and there were communication issues with other members of the senior management of the Company. Existence of the resignation letter was not disclosed to the SFC until a meeting between the SFC and the Company at 3:00 p.m. on 18 September 2002.

Apart from those disclosed in this press announcement, the Directors confirmed that they are not aware of any circumstances relating to Mr. Chen Jun’s resignation that should be brought to the attention of the SFC, Stock Exchange and the public.

(3) *The SFC’s view of the resignation letter*

Under the bye-laws of the Company, the office of a director shall be vacated upon tendering of notice of resignation in writing at a meeting of the Board. The SFC is of the view that the resignation of a director would be effective once the director has sent a notice in writing delivered to the Company in accordance with the bye-laws of the Company. The SFC is also of the view that the appointment and resignation of a Director and in particular a CEO of a listed company is a price-sensitive information. Therefore, an announcement should have been made immediately after tendering of the resignation letter by Mr. Chen Jun on 12 September 2002.

The SFC had power pursuant to rule 9 of the Securities (Stock Exchange Listing) Rules in light of unusual price movements in trading of its shares, the price-sensitive information in its possession, the interest of maintaining an orderly and fair market on the Stock Exchange in the shares, and the interest of the investing public. The SFC has in its view exercised its powers accordingly.

(4) *The Company’s view of the resignation letter*

The Company considered that the tendering of Mr. Chen’s resignation had neither yet been confirmed, valid nor effective. That was because (a) his resignation had neither been discussed nor approved by the Company or the Board; (b) he had to comply with the notice requirement under his Service Agreement; and (c) he remained as and continued to perform his duties as CEO and executive director of the Company from 12 September 2002 onwards up to 22 September 2002, following up and negotiating business projects with clients for and on behalf of the Company.

For an executive director, the employment relationship is also governed specifically and categorically by a director’s service contract. Thus, Mr. Chen’s resignation was subject to both the relevant provisions of bye-laws of the Company and the Service Agreement.

This ensures that the resignation of directors of the Company is properly accepted and approved, and the subsequent hand-over and succession arrangements be made to avoid any management overhang. The Company at all material times intended to disclose the resignation of Mr. Chen once his resignation was confirmed and valid.

(5) *Impact of resignation of Mr. Chen Jun*

At all material times, Mr. Chen Jun had to comply with the Service Agreement and his director's fiduciary duty to the Company. The Company had also reserved all its rights under the Service Agreement. The Board considered that neither the tendering of the resignation letter nor resignation of Mr. Chen Jun will have any material adverse effect on the operations of the Company. That was particularly because Mr. Chen had been appointed as the CEO and director of the Company just for about 5 months and he was still familiarising himself with the operations and business of the Company.

(C) **Reply to enquires from the SFC and the Stock Exchange**

The SFC considered that an announcement should be made immediately upon tendering of resignation letter by Mr. Chen Jun. However, the Company considered that it was not suitable for announcing the tendering of resignation letter by Mr. Chen Jun as this was an internal management matter pending the approval by the Board. The Company also considered that the said resignation had not yet been confirmed and effected at all at that time. The Company, therefore, had not treated this as price-sensitive information before final resolution of the resignation by the Board. The Company therefore issued standard statements on 16 and 17 September 2002 under paragraph 39.2 of the Listing Agreement. The Stock Exchange is looking into the matter and reserves the right to take appropriate actions in respect of any non-disclosure of price sensitive information.

The Stock Exchange had on 13 and 16 September 2002 and the SFC had on 18 September 2002 enquired whether Mr. Chen Jun was still the CEO and executive director of the Company, for the reasons mentioned above, the answer from the Company was affirmative.

In a meeting requested by the SFC at 3:00 p.m. on 18 September 2002, the Company advised the SFC the existence of the resignation letter and verbally represented the reasons to the SFC. The SFC expressed its concern about the representations given by the Company previously. The SFC requested the Company to apply for a voluntary suspension of trading of shares of the Company pending an announcement to clarify the matter failing which the SFC would direct a suspension of trading of shares under rule 9 of the Securities (Stock Exchange Listing) Rules on 19 September 2002.

On 19 September 2002, in a tele-conference at around 9:40 a.m. which conversation terminated at around 9:55 a.m., the Company offered to make an announcement regarding clarification of Mr. Chen Jun's resignation without suspension of trading of shares. In the absence of a voluntary suspension by the Company and an approved announcement, the SFC directed the suspension of trading of shares of the Company at 10:03 a.m. on the same date.

(D) Board meeting on 22 September 2002

In the meeting of the Board held on 22 September 2002 (the “**Meeting**”), the Board approved that Mr. Chen Jun should resign and cease to be the CEO and an executive director of the Company with immediate effect on 22 September 2002.

Mr. Li Gang, currently a vice president and executive director of the Group, was appointed as the new CEO of the Group with effect on 22 September 2002. He holds a bachelor degree from Pei Li University, at Beijing, the PRC. He has over 8 years of experience in marketing and business development in the floricultural and agricultural industry. Mr. Li is currently responsible for the Group’s production planning and development. Upon appointment as the new CEO, he will also take over the Group’s day-to-day management. Mr. Li will arrange the hand-over job with Mr. Chen to ensure a smooth transition in the interim period.

In the Meeting, the Board also appointed Professor Gu Zhuping as the new deputy CEO of the Group with effect on 22 September 2002 to help strengthen the management further. Professor Gu is currently a vice president of the Group and the chairman of the Technical Advisory Board. He graduated from Lanzhou University, and has over 36 years of experience, genetic modification and mass rapid clonal propagation through tissue culture and cell division methodologies.

The Board further appointed Mr. Jacobus Lekkerkerk as the Chief Operating Officer of the Group with effect on 22 September 2002. Mr. Lekkerkerk is currently a vice president of the Group and vice-chairman of the Technical Advisory Board. In the past 20 years before joining the Company, he was in Continental Europe advising agricultural and floricultural enterprises on greenhouse farming.

No other director has tendered resignation letter in the board of directors’ meeting convened on 22 September 2002 and up to the date of this announcement. There has been no indication from any director of the Company that they would resign and no resignation letter was served to the Company during the same period.

(E) Chief executive of Sinuiju Special Administration Region in North Korea

The Company was informed by its Chairman, Mr. Yang Bin, on 23 September 2002 that he was appointed as the chief executive (“**Chief Executive**”) of the Sinuiju Special Administrative Region in North Korea. Mr. Yang Bin will remain as the Chairman and executive director of the Company.

The Company considers that the appointment of Mr. Yang Bin as the Chief Executive will have little impact on its daily operation and management. While Mr. Yang Bin as the Chairman of the Company plays the role in overall strategic development of the Group, the daily management decisions of the Group are delegated to the CEO, deputy CEO and vice-presidents, and governed by the Board.

The Company was informed by Mr. Yang Bin that currently, despite his appointment as the Chief Executive, he will continue to devote a sufficient amount of his time and attention as requested by the Board and as may reasonably be requisite to direct and administer the business of the Group and use his best endeavour to promote the business interests and welfare of the Group in accordance with the bye-laws of the Company and his service agreement and his fiduciary duty to the Company and the shareholders.

The Company confirmed that the Group has no business carried on in North Korea. Mr. Yang Bin has his own private business in North Korea. The Company will ascertain the nature of such business and possible competition with the Group and make appropriate disclosure in due course.

(F) General

Other than the information contained in this announcement, the Directors confirm that there are no negotiations or agreements relating to intended acquisitions or realizations which are discloseable under paragraph 3 of the Listing Agreement, neither are the Directors aware of any matter discloseable under the general obligation imposed by paragraph 2 of the Listing Agreement, which is or may be of price sensitive nature.

(G) Resumption of Trading

Trading of the shares in the Company is expected to resume (at the request of the Company and agreed by the SFC and the Stock Exchange) at 9:30 a.m. on 26 September 2002.

SFC has informed the Company that SFC has commenced enquiry into trading in the shares of the Company and **investors should exercise extreme caution in their dealings.**

By order of the Board
Euro-Asia Agricultural (Holdings) Company Limited
Yang Bin
Chairman

Hong Kong, 25 September 2002

Made by the order of the board of directors of Euro-Asia Agricultural (Holdings) Company Limited of which individually and jointly accept responsibility for the accuracy of this statement.

** For identification only*

Please also refer to the published version of this announcement in The Standard.