



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

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

14 December 2006

**The GEM Listing Committee of The Stock Exchange of Hong Kong Limited (the “GEM Listing Committee”) criticises the following parties for breaching the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the “GLR”):**

- 1. Nanjing Sample Technology Company Limited (the “Company”);**
- 2. Mr Sha Min, an executive director of the Company (“Mr Sha”);**
- 3. Mr Chang Yong, an executive director of the Company (“Mr Chang”); and**
- 4. Mr Guo Ya Jun, an executive director and compliance officer of the Company (“Mr Guo”).**

On 5 September 2006, the GEM Listing Committee conducted a hearing into the conduct of the Company and Mr Sha, Mr Chang and Mr Guo (collectively, the “Directors”) in relation to the obligations under the GLR and the Director’s Declaration, Undertaking and Acknowledgement (Form A) signed by each of the Directors in the form set out in Appendix 6A of the GLR (the “Director’s Undertaking”).

### **Facts**

On 15 June 2004, i.e. six days after the listing of the Company’s shares on the Exchange, the Company entered into a credit loan facilities agreement (the “Agreement”) with Nanjing Sample Technology Group Company Limited (“Sample Group”), then a 30.3 per cent shareholder of the Company. Pursuant to the Agreement, the Company would provide financing to Sample Group upon request on a continuing basis up to a maximum of RMB30 million, which represented more than 41 per cent of the net IPO proceeds, for a period up to 31 December 2004.

From 1 July 2004 to 31 December 2004, the maximum outstanding balance from Sample Group under the Agreement amounted to RMB29,506,000, representing 11.8 per cent of the Group’s audited consolidated total assets as at 31 December 2004.

The loan advances were unsecured, repayable on demand, interest-bearing at the rate of not less than the interest rate quoted by banks in the PRC for six-month loans. The outstanding loans together with interest had been fully settled by Sample Group by March 2005.

The Agreement and the ensuing loan advances made by the Company to Sample Group constituted relevant advance to an entity under Rule 17.15; a discloseable transaction and non-exempt financial assistance involving a connected person. The Listing Division alleged that the Company breached the following provisions of the GLR:

- (1) Rule 17.15 which gave rise a disclosure obligation as the aggregate amount due from Sample Group exceeded 8 per cent of any of the percentage ratios and Rule 17.17 which required the Company to publish an announcement disclosing requisite information;
- (2) Rules 19.34 and 19.38 which required the Company to notify the Exchange, publish an announcement on GEM website and issue a circular to shareholders within 21 days after publishing the announcement in respect of the discloseable transaction; and
- (3) Rule 20.63 which required the Company to notify the Exchange, publish an announcement, issue a circular to shareholders and obtain independent shareholders' approval in respect of the non-exempt financial assistance to Sample Group.

The Division further alleged that each of the Directors breached the Director's Undertaking in failing to procure the Company's compliance with the GLR and Mr Guo, as the Company's compliance officer at the material time, breached his undertaking to procure the Company's compliance with the GLR.

### **Decision**

The GEM Listing Committee concluded that:

1. the Company breached Rules 17.15, 17.17, 19.34, 19.38 and 20.63 of the GLR.
2. each of the Directors breached the Director's Undertaking.
3. Mr Guo, as compliance officer, breached his undertaking in failing to use his best endeavours to discharge his particular responsibilities under Rule 5.20 to procure the Company's compliance with the GLR.

The GEM Listing Committee decided to impose a public statement which involves criticism on the Company and each of the Directors for their respective breaches mentioned in paragraphs 1 to 3 above.

In addition, the GEM Listing Committee required Mr Guo to undertake training of 40 hours in compliance and corporate governance matters on courses held by the Hong Kong Institute of Directors or another recognised institution acceptable to the Exchange. Such training should be completed within six months from 23 October 2006 and evidence of attendance be furnished to the Listing Division forthwith.

Head of Listing, Richard Williams, commented: “This case, involving the provision of financial assistance by a listed issuer to a connected party, carries three important and distinct regulatory messages:

First, the decision once again demonstrates that enforcement action will be taken where a listed issuer fails to observe the applicable rules resulting in the denial of independent shareholders of their right to prompt disclosure and prior voting on the relevant transaction.

Second, the decision serves as a reminder to all listed issuers and their Compliance Officers of the importance attached to that role by the Listing Committee. Where a Compliance Officer fails to fulfil his duty as required by the rules he is likely to be the subject of disciplinary action and public sanction by the Committee.

Third, this case continues a consistent theme of recent decisions demonstrating that the Listing Committee in addition to sanction for conduct breaching the listing rules the Committee will be making directions geared towards the improvement of corporate governance standards in appropriate cases. In the case of compliance officers, it is of paramount importance that the individual taking up this position is properly equipped in terms of qualifications and training in order that the individual can effectively discharge that role. Where there are deficiencies in this regard, future compliance by the listed issuer may be compromised. The Listing Committee may therefore in appropriate cases, as here, require Compliance Officers to attend training for the purpose of procuring improved compliance and governance by the issuer”.