



香港交易所

## THE STOCK EXCHANGE OF HONG KONG LIMITED

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

22 December 2004

**The GEM Listing Committee of the Stock Exchange of Hong Kong Limited  
censures Northeast Tiger Pharmaceutical Company Limited (the "Company")  
for breaching the then Rules 20.24 and 20.50 of the GEM Listing Rules and  
executive directors Mr. Xu Zhe (also Chairman of the Company), Ms. Du Li Hua,  
Mr. Leng Zhan Ren and Mr. Liu Xiao Hong (the "Relevant Directors")  
for breaching the undertaking as directors of the Company**

At a meeting held on 2 December 2004, the GEM Listing Committee considered the facts and circumstances of the following three connected transactions between the Company and Jilin Far East Pharmaceutical Holdings Company Limited ("FE Holdings"), a substantial shareholder of the Company:

1. Connected Transaction 1 ("CT1") – On 22 March 2002 the Company entered into a verbal agreement with FE Holdings after arm's length negotiations to buy a property at a cash consideration of about RMB7.4 million;
2. Connected Transaction 2 ("CT2") – On 1 March 2002 the Company made an advance of about RMB5.3 million to FE Holdings for its operational use. The advance was unsecured, interest-free and had no fixed terms of repayment; and
3. Connected Transaction 3 ("CT3") – On 1 September 2002 the Company made another advance of about RMB7.5 million to FE Holdings for its operational use. The advance was unsecured, interest-free and had no fixed terms of repayment.

According to the then Rule 20.24 of the GEM Listing Rules, a transaction on normal commercial terms with a connected person where the total consideration or value was less than the higher of: i) HK\$10M; or ii) 3% of the net tangible assets of the listed issuer, would be subject to the reporting and announcement requirements. The relevant net tangible assets of the Company were about RMB81.7 million. The Company had reported CT1 in its annual report for the year ended 31 December 2002 ("Annual Report 2002") but had neither made the timely announcement (which was subsequently made on 13 March 2003) nor informed the Exchange at an early stage.

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香港交易及結算所有限公司

Hong Kong Exchanges and Clearing Limited

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According to the then Rule 20.50 of the GEM Listing Rules, any transaction involving a connected person and financial assistance which was not exempted would be subject to the reporting, announcement and independent shareholders' approval requirements. Such transactions included the grant of financial assistance which was not in the ordinary and usual course of business, and not on normal commercial terms. The Company had reported CT2 and CT3 in Annual Report 2002 but had neither made the timely announcement (which was subsequently made on 13 March 2003) nor informed the Exchange at an early stage. Nor had it sought independent shareholders' approval.

The GEM Listing Committee concluded that:

- the Company breached Rule 20.24 regarding CT1 and Rule 20.50 regarding CT2 and CT3;
- Mr. Xu Zhe, having the overall responsibility of the Company's affairs and knowledge of the connected transactions at the relevant time, breached his director's undertaking by failing to use his best endeavours to procure the Company to comply with the GEM Listing Rules;
- Ms. Du Li Hua, who was also the compliance officer of the Company, failed to advise on and assist the Company's board at the relevant time regarding the connected transactions' compliance matter. She thus breached her director's undertaking by failing to use her best endeavours to procure the Company to comply with the GEM Listing Rules; and
- Mr. Leng Zhan Ren and Mr. Liu Xiao Hong, who were responsible for handling the connected transactions, failed to take heed of the relevant compliance obligations and bring them to the attention of the other members of the Company's board at the relevant time. They thus breached the director's undertaking by failing to use their best endeavours to procure the Company to comply with the GEM Listing Rules.

Accordingly, the Company and the Relevant Directors are publicly censured for their respective breaches mentioned above.

"The compliance requirements as stipulated in the relevant GEM Listing Rules are intended to ensure that the interests of shareholders as a whole are taken into account when listed issuers enter into transactions with connected parties. Accordingly, listed issuers should ensure that they have adequate procedures in place in order to satisfy such compliance requirements." Head of Listing, Richard Williams said.