



香港交易所

THE STOCK EXCHANGE OF HONG KONG LIMITED

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

2 August 2004

CRITICISM

Yanion International Holdings Limited ("the Company", together with its subsidiaries, "the Group")

The Stock Exchange of Hong Kong Limited hereby publicly criticises the Company in relation to its failure to (i) publish and send its 2001 Annual Results and 2001 Annual Report (including audited accounts) on time; (ii) make up the annual accounts for the financial year ended 31 December 2001 to a date falling not more than 6 months before the date of its 2001 AGM; (iii) disclose the purchases from Huahe Pharmaceutical Joint Stock Company Limited ("Huahe") during the five-month period ended 31 December 2002 and for the year ended 31 December 2003; and (iv) disclose the sales to the China National Group of Traditional and Herbal Medicine ("China National Medicine") during the five-month period ended 31 December 2002 and for the year ended 31 December 2003.

Breaches of Paragraphs 8(1) and 11(1) of the then Listing Agreement

The Company was required under:

- (i) paragraph 8(1) of the then Listing Agreement to send to its shareholders its annual report and audited accounts within four months of the end of its financial year; and
- (ii) paragraph 11(1) of the then Listing Agreement to publish in the newspapers its preliminary results in respect of its financial year end no later than four months after the date upon which the financial period ended.

For the financial year ended 31 December 2001, the Company's annual results ("2001 Annual Results") and annual report ("2001 Annual Report") (including audited accounts) were not published and sent until 12 August 2002 and 23 August 2002 respectively.

As such, the Company has breached paragraphs 8(1) and 11(1) of the then Listing Agreement.

Breaches of Paragraph 8(2) of the then Listing Agreement

The Company was required under paragraph 8(2) of the then Listing Agreement to make up its annual accounts to a date not falling more than six months before the date of its annual general meeting.

The annual general meeting (“2001 AGM”) for approving the annual accounts for the year ended 31 December 2001 took place on 16 September 2002.

As such, the Company has breached paragraph 8(2) of the then Listing Agreement.

Breaches of the then Rule 14.25(1) of the Listing Rules

By its press announcement dated 22 March 2004, the Company provided details of its breaches of the then Rule 14.25(1) of the Listing Rules in relation to the following connected transactions.

Huayi Pharmaceutical Company Limited (“Huayi”) is a sino-foreign pharmaceutical joint venture established in the PRC. The Group through Korning Investments Limited (its 94% subsidiary) and Star Wisdom Investments Limited (a wholly-owned subsidiary of Korning Investments Limited), controlled 56.4% of the interest in Huayi. The PRC party of Huayi is Huahe Pharmaceutical Joint Stock Company Limited (“Huahe”), which directly controlled a 40% interest in Huayi, which is a 62% subsidiary of the China National Group of Traditional and Herbal Medicine (“China National Medicine”). Both Huahe and China National Medicine were connected persons of the Company under the Listing Rules in force at the material time.

1. Purchases of raw materials

Huayi made purchases from Huahe for the five-month period ended 31 December 2002 amounting to approximately RMB1,641,000 (equivalent to approximately HK\$1,533,000) and for the year ended 31 December 2003 amounting to approximately RMB1,662,000 (equivalent to approximately HK\$1,553,000).

Pursuant to the then Rule 14.25(1) of the Listing Rules, at the time when the purchases exceed the higher of HK\$1,000,000 or 0.03% of the net tangible assets of the Company, the Company was required to disclose the purchases by way of a press notice published in the newspapers and contain brief details of the purchases. The Company did not make disclosure by way of a press announcement until 22 March 2004.

As such, the Company breached the then Rule 14.25(1) of the Listing Rules in relation to the purchases of raw materials from Huahe.

2. Sales of Medicines

Huayi sold Chinese medicines to China National Medicine during the five-month period ended 31 December 2002 amounting to approximately RMB1,874,000 (equivalent to approximately HK\$1,751,000) and for the year ended 31 December 2003 amounting to approximately RMB4,508,000 (equivalent to approximately HK\$4,214,000). The Company did not make disclosure by way of a press announcement until 22 March 2004.

As such, the Company breached the then Rule 14.25(1) of the Listing Rules in relation to the sales of medicines to China National Medicine.

Accordingly,

The Stock Exchange hereby publicly criticises the Company for breaching:-

- (i) paragraphs 8(1) and 11(1) of the then Listing Agreement in relation to the publication and despatch of the 2001 Annual Results and 2001 Annual Report;
- (ii) paragraph 8(2) of the then Listing Agreement in relation to the 2001 AGM;
- (iii) the then Rule 14.25(1) of the Listing Rules in relation to the purchases of raw materials from Huahe; and
- (iv) the then Rule 14.25(1) of the Listing Rules in relation to the sales of medicines to China National Medicine.

The Company has undertaken to the Stock Exchange that it will, in the context of the above breaches, conduct an internal review on its existing financial reporting, compliance and corporate governance arrangements. The review will be completed within three months and will be overseen by an Executive Director. The implementation of any necessary changes resulting from the review will be effected after informing the Stock Exchange of the proposed changes to be implemented by the Company.