

## STATEMENT OF DISCIPLINARY ACTION

---

Exchange's Disciplinary Action against China Properties Investment Holdings Limited (Stock Code: 736) and Five Directors

### SANCTIONS AND DIRECTIONS

The Stock Exchange of Hong Kong Limited

#### CRITICISES:

- (1) **China Properties Investment Holdings Limited** (Stock Code: 736) (**Company**);
- (2) **Mr Han Wei (Mr Han)**, an executive director (**ED**), Chairman and Chief Executive Officer of the Company;
- (3) **Mr Au Tat On (Mr Au)**, an ED of the Company;
- (4) **Ms Cao Jie Min (Ms Cao)**, an independent non-executive director (**INED**) of the Company;
- (5) **Mr Liang Kuo-Chieh (Mr Liang)**, an INED of the Company; and
- (6) **Mr Lai Wai Yin Wilson (Mr Lai)**, a former INED of the Company,

(the directors identified at (2) to (6) above are collectively referred to as the **Directors**),

#### AND DIRECTS:

21 hours of training on regulatory and legal topics and Listing Rule compliance, including at least three hours on each of (i) directors' duties, (ii) the Corporate Governance Code (**CG Code**) and (iii) the Listing Rule requirements for notifiable transactions (**Training**) for Mr Han, Mr Au, Ms Cao and Mr Liang, within 120 days;

21 hours of Training for Mr Lai, as a pre-requisite of any future appointment as a director of any company listed or to be listed on the Exchange; and

A review of the Company's internal controls for procuring compliance with Chapter 14 of the Listing Rules (**Rules**).

.../2

**SUMMARY OF FACTS**

This case concerns the Company's repeated breaches of the announcement requirement for two discloseable transactions, despite its previous Rule breach and a warning letter issued by the Exchange in 2018.

*Discloseable Transactions*

Between 8 and 11 January 2019, the Group disposed of a total number of 90,480,000 shares in China Kingstone Mining Holdings Limited (stock code: 1380) (**January Disposal**). On 28 June 2019, the Group further disposed of 20,000,000 shares in Asia Grocery Distribution Limited (stock code: 8413) (**June Disposal**). Each of the January Disposal and the June Disposal (together, **Two Disposals**) constituted a discloseable transaction of the Company.

The Company failed to comply with the announcement requirement under the Rules in respect of each of the January Disposal and the June Disposal, which were announced only on 30 July 2019 and 10 July 2019 respectively.

The Company admitted breaching Rule 14.34 in respect of each of the Two Disposals. Mr Han and Mr Au admitted their breaches of Rule 3.08(f) and the Declaration and Undertaking with regard to Directors in the form set out in Appendix 5B of the Listing Rules (**Undertaking**) to comply with the Rules to the best of their ability and to use their best endeavours in procuring the Company's Rule compliance in respect of the Two Disposals.

*Internal Controls*

In 2018, the Company failed to announce another discloseable transaction (**2018 Breach**), which led to a warning letter being issued by the Exchange. On 23 July 2018, the Company announced that it would implement measures, including training and an internal control review, to strengthen its internal controls.

Notwithstanding the purported commitment in the announcement and the Exchange's warning letter, the Company did not take immediate steps (apart from providing a policy to the Directors) to implement enhancement measures to ensure the Company's future compliance with notifiable transaction requirements.

At the relevant time of the Two Disposals, the Company entrusted its wholly owned subsidiary (**Fund Manager**) to manage its stocks and the Fund Manager was authorised to make disposals (and hence to conduct transactions on the Company's behalf) without confirming whether a disposal would constitute a notifiable transaction or obtaining the prior approval from an ED.

At the relevant time, the Group had two policies applicable to notifiable transactions but the Fund Manager was never informed of these policies. The Company did not provide any training on notifiable transactions to the Fund Manager prior to the Two Disposals.

Mr Han and Mr Au admitted their breach of their Undertakings to use their best endeavours to ensure the Company had an adequate and effective internal control system in place to procure the Company's Rule compliance.

### **LISTING RULE REQUIREMENTS**

Rule 14.34 provides that a listed issuer must publish an announcement as soon as possible after the terms of, *inter alia*, a discloseable transaction have been finalised.

Under Rules 3.08, 3.16 and 13.04, directors of listed issuers are both collectively and individually responsible for the Company's management and operations. Rule 3.08 provides that the directors must, *inter alia*, apply such degree of skill, care and diligence as may reasonably be expected of a person of his knowledge and experience and holding his office within the issuer (Rule 3.08(f)). Rule 3.08 highlights the importance of directors taking an active interest in the issuer's affairs. This includes an obligation to follow up on anything untoward that comes to their attention.

Pursuant to the Undertaking, each director is under an obligation to comply with the Rules to the best of his/her ability and to use his/her best endeavours to procure the issuer's compliance with the Rules.

Under code provision C.2.1 of the CG Code, directors are required to, among others, oversee the issuer's risk management and internal control systems on an ongoing basis.

### **LISTING COMMITTEE'S FINDINGS OF BREACH**

The Listing Committee found as follows:

- (1) The Company breached Rule 14.34 in respect of each of the Two Disposals.
- (2) Mr Han and Mr Au breached Rule 3.08(f) and their Undertakings to comply with the Rules to the best of their ability and to use their best endeavours in procuring the Company's Rule compliance in respect of the Two Disposals:
  - (a) The January Disposal was initiated by Mr Au with Mr Han's consent. Both Mr Au and Mr Han were aware of the Two Disposals shortly after completion of the disposals, but they overlooked the announcement requirement for the Two Disposals.
  - (b) Mr Au and Mr Han have admitted their breaches.
- (3) The Directors breached their Undertakings to use their best endeavours in ensuring the Company had an adequate and effective internal control system in place to procure the Company's Rule compliance:

- (a) At the time of the Two Disposals, the Company did not have in place an adequate and effective internal control system to ensure its compliance with the notifiable transaction requirements.
- (b) The Fund Manager was authorised to make disposals of the Company's stocks and, hence, to conduct transactions on the Company's behalf. However, the Fund Manager was not required to inform the Company of potential notifiable transactions or to confirm whether a disposal would constitute a notifiable transaction before making any disposal, irrespective of the value or size of the disposal(s).
- (c) Delegation did not absolve the Directors from their duty to supervise the discharge of the delegated functions, for which they collectively and individually retained ultimate responsibility. In this case, there was no effective system for the Directors to monitor the Fund Manager's activities to ensure Rule compliance. The Company did not provide sufficient training to its directors and the Group's staff to ensure Rule compliance. Before the Two Disposals, no guidance or training on notifiable transaction was provided to the Fund Manager.
- (d) The INEDs provided no explanation on how they discharged their duties in ensuring the adequacy and effectiveness of the Company's internal control system and how they complied with the CG Code.
- (e) None of the Directors demonstrated that they took sufficient steps to address the internal control issues identified after the discovery of the 2018 Breach or to implement the remedial measures committed by the Company in its July 2018 announcement.
- (f) The Directors failed to use their best endeavours to ensure the Company had an adequate and effective internal control system in place to procure the Company's Rule compliance with respect to notifiable transactions.

## **CONCLUSION**

The Listing Committee decided to impose the sanctions and directions set out in this Statement of Disciplinary Action.

For the avoidance of doubt, the Exchange confirms that the above sanctions and directions apply only to the Company and the Directors, and not to any other past or present members of the board of directors of the Company.

Hong Kong, 4 January 2022