

## STATEMENT OF DISCIPLINARY ACTION

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Exchange's Disciplinary Action against Seven Current and Former Directors of Christine International Holdings Limited (Stock Code: 1210)

### SANCTIONS AND DIRECTIONS

The Stock Exchange of Hong Kong Limited (**Exchange**)

**IMPOSES A PREJUDICE TO INVESTORS' INTERESTS STATEMENT** against:

- (1) **Mr Lo Tien An (Mr Lo)**, former Chairman and executive director (**ED**) of Christine International Holdings Limited (**Company**);
- (2) **Mr Zhu Nian Lin**, former independent non-executive director (**INED**) of the Company (**Mr Zhu**);

### **CENSURES:**

- (3) **Mr Chou Chi Ming**, former NED of the Company (**Mr Chou**);
- (4) **Ms Su Wan Wen**, former INED of the Company (**Ms Su**);

### **CRITICISES:**

- (5) **Mr Hung Dun Ching**, NED of the Company (**Mr Hung**);
- (6) **Mr Luo Wei De**, former INED of the Company (**Mr Luo**); and
- (7) **Mr Gao Hai Ming**, former INED of the Company (**Mr Gao**).

(The directors identified at (1) to (7) above are collectively referred to as the **Relevant Directors**.)

The statements made in respect of Mr Lo and Mr Zhu above are made in addition to a public censure against them. The Prejudice to Investors' Interests Statement is a statement that, in the Exchange's opinion, had either of Mr Lo or Mr Zhu remained on the board of directors of the Company (**Board**), the retention of office by him would have been prejudicial to the interests of investors.

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**AND FURTHER DIRECTS** (a) Mr Hung to attend 15 hours of training on regulatory and legal topics and Listing Rule compliance (**Training**) within 90 days from the date hereof; and (b) Mr Chou, Ms Su, Mr Luo and Mr Gao to attend the Training, as a prerequisite of any future appointment as a director of any company listed or to be listed on the Exchange.

### **SUMMARY OF FACTS**

On 27 November 2012, the Company announced that it had entered into an agreement to purchase certain food production equipment (**Equipment**) from Shanghai Yi Pin Xuan Foodstuff Co., Ltd. (**YPX**), a company wholly owned by Mr Lo's sister, at RMB18.15 million (**Equipment Payment**). The acquisition of the Equipment (**Equipment Purchase**) was subject to the reporting and announcement requirements under Chapter 14A of the Listing Rules. In December 2012, the Company paid the whole sum of the Equipment Payment.

According to the Company, it shortly thereafter discovered that the local regulatory requirements made it infeasible to take over and operate the Equipment. Further, YPX was experiencing financial difficulty and, for reasons connected with its financial situation, did not complete the documentary formalities necessary for legal title of the Equipment to be transferred to the Company. However, the Company took no action to address the issues or complete the Equipment Purchase. The Equipment Payment was treated as a prepayment in the Company's financial statements from the financial years ended 31 December 2012 to 2018.

The Company entered into agreements with YPX to procure food processing services (including provision of certain ingredients by YPX) from 1 January 2014 to 31 December 2016 (**Previous CCTs**), which were not renewed at the extraordinary general meeting on 16 December 2016 due to the objection by the independent shareholders. Subsequently, the Company announced on 30 December 2016 that it had entered into an agreement (**2017 CCT Agreement**) with YPX to procure pure food processing services (without provision of any raw materials) from 1 January 2017 to 31 December 2019 with an annual cap of RMB20 million. The 2017 CCT Agreement was subject to the reporting, announcement and annual review requirements under Chapter 14A of the Listing Rules.

At the time of entering into the 2017 CCT Agreement, a substantial sum of over RMB 10 million remained outstanding from YPX to the Company from the Previous CCTs. Despite the financial difficulty of YPX known to the Company in light of its failure to complete the documentary formalities for the Equipment Purchase as described above, the Company made further payments to YPX totaling RMB27 million, RMB9.6 million and RMB7.3 million in the financial years ended 31 December 2017, 2018 and 2019 (**FY2017**, **FY2018** and **FY2019**) respectively under the 2017 CCT Agreement. As a result, the total outstanding balance due from YPX, after netting off the actual services provided by YPX to the Company, amounted to and was maintained at about RMB22 to 23 million as at the end of each of FY2017, FY2018 and FY2019 (**Processing Prepayment**). The maintenance of this substantial prepayment effectively constituted advances to YPX, which, according to the Company and Mr Lo, was in financial difficulty at the material time.

The Company's respective auditors for FY2018 and FY2019 issued a qualified opinion and disclaimer of opinion respectively for, among other things, lack of sufficient audit evidence supporting the recoverability of the balances of the Equipment Payment and the Processing Prepayment. In 2019, the Company wrote off these balances totaling RMB35 million. YPX was subsequently deregistered in August 2020.

### **LISTING RULE REQUIREMENTS**

Listing Rule 3.08 provides that directors must fulfil both fiduciary duties and duties of skill, care and diligence to a standard at least commensurate with the standard established by Hong Kong law. Under Rule 3.08, directors must act honestly and in good faith in the interests of the issuer as a whole, act for proper purpose, be answerable to the company for the application or misapplication of its assets, avoid actual and potential conflict of interest and duty, and 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. Directors must also take an active interest in the issuer's affairs and must follow up anything untoward that comes to their attention.

Each of the Relevant Directors is subject to the obligations in the Director's Undertaking to the Exchange in the form of Appendix 5B to the Listing Rules (**Undertaking**), which include, among others, that he will comply with the Listing Rules to the best of his ability and cooperate in any investigation conducted by the Exchange.

**LISTING COMMITTEE'S FINDINGS OF BREACH**

The Listing Committee of the Exchange (**Listing Committee**) found as follows:

- (1) Mr Lo breached Listing Rule 3.08 and his Undertaking. He was the founder of the Company group, the Chairman, an ED and the chief executive officer at the material time. He failed to act honestly, in good faith and in the best interest of the Company as a whole, for proper purpose and avoid actual conflict of interest by (i) failing to take effective steps to manage the Equipment Purchase to safeguard the Company's interests before or after approving the Equipment Payment; and (ii) approving the Processing Prepayment without taking steps to evaluate, monitor and manage the risks to which the Company was exposed. He effectively allowed and/or approved the Company's advances to his sister. He wilfully and persistently allowed his interest to conflict with that of the Company, allowed YPX to frustrate and/or take advantage of the Company and, therefore, failed to discharge his director's duties during his directorship until he was removed from the Board in November 2017.
- (2) The other Relevant Directors breached Listing Rule 3.08 and their Undertakings. They approved the Equipment Purchase and/or the 2017 CCT Agreement and were on the Board in FY2017 during which a significant amount of the Processing Prepayment was made. They failed to proactively enquire with the management, monitor and follow up on the status, in respect of the Equipment Purchase and/or the Processing Prepayment.
- (3) Mr Zhu further breached his Undertaking to cooperate with the Exchange's investigation despite his knowledge of the Division's investigation.

**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 Relevant Directors, and not to any other past or present directors of the Company.

Hong Kong, 1 December 2022