

STATEMENT OF DISCIPLINARY ACTION

Exchange's Disciplinary Action against Three Former Directors of China Clean Energy Technology Group Limited (stock code: 2379)

SANCTIONS AND DIRECTIONS

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

IMPOSES A PREJUDICE TO INVESTORS' INTERESTS STATEMENT against:

- (1) **Mr Chen Jun**, former Executive Director (**ED**), Chairman and CEO of China Clean Energy Technology Group Limited (Stock Code: 2379) (**Company**) (**Mr Chen**);

CENSURES:

- (2) **Ms Su Haiqing**, former ED of the Company (**Ms Su**); and
- (3) **Ms Chan Chak Kwan**, former Independent Non-Executive Director of the Company (**Ms Chan**).

(The directors identified at (1) to (3) above are collectively referred to as the **Relevant Directors**.)

The statement made in respect of Mr Chen above is made in addition to a public censure against him. The Prejudice to Investors' Interests Statement is a statement that, in the Exchange's opinion, had Mr Chen remained on the board of directors of the Company, the retention of office by him would have been prejudicial to the interests of investors.

AND FURTHER DIRECTS:

18 hours of training on regulatory and legal topics and Rule compliance, including at least three hours on each of (a) directors' duties; (b) the Corporate Governance Code; and (c) Chapter 13 of the Listing Rules (**Rules**) for each of Ms Su and Ms Chan, as a pre-requisite of any future appointment as a director of any company listed or to be listed on the Exchange.

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SUMMARY OF FACTS

In 2021, joint and several receivers and managers (**Receivers**) of over 50 per cent of the shares of the Company sought to replace most of the then board of directors, including Mr Chen and Ms Chan. The Company, acting particularly through Mr Chen, sought to resist the Receivers' efforts, and delayed issuing appropriate announcements and providing information to the Exchange.

Receivers' attempts to replace the board

The Receivers first served a written requisition (**Requisition**) on the board of directors of the Company on 21 July 2021, requesting that an extraordinary general meeting of the Company be convened on 25 November 2021 (**EGM**), for considering resolutions to replace most of the directors.

As the Company did not take the necessary steps under its articles of association (**Articles**) to convene the EGM, the Receivers issued a circular (**Circular**) on 10 November 2021 to convene the EGM, and served the EGM notice on the Company's shareholders.

On 25 November 2021, the EGM was held. It was resolved, amongst other things, that Mr Chen and Ms Chan be removed from office, including any position in any of the board committees of the Company.

On 2 December 2021, the Company (via Mr Chen) wrote to the Receivers alleging that the EGM did not comply with the Articles, and therefore the Company did not accept the EGM poll results.

In March 2022, the Receivers applied to the Grand Court of the Cayman Islands (the **Cayman Court**) for a declaration confirming the EGM results. On 1 June 2022, the Cayman Court declared that the EGM was validly convened and held in accordance with the Company's Articles and the laws of the Cayman Islands, and that the removal of several directors, including Mr Chen and Ms Chan was valid and effective from the date of the EGM.

Ms Su resigned as an ED of the Company on 27 July 2022.

Failure to issue announcements and to provide information to the Exchange

Between August and December 2021, the Exchange asked the Company whether the latter's rejection of the Requisition was compliant with the Articles and Cayman law, and whether the Directors had acted in the shareholders' interests under Rules 3.08 and 3.09 (**Requested Information**). The Exchange further requested the Company to announce the Requisition and publish the Circular.

Despite the Exchange's repeated requests, the Company did not provide the Requested Information at the time, and it did not announce the Requisition or publish the Circular.

RULES REQUIREMENTS

Rule 2.12A provides that an issuer must provide to the Exchange as soon as possible, or otherwise in accordance with time limits imposed by the Exchange, any information that the Exchange or the Securities and Futures Commission (**SFC**) reasonably considers appropriate to protect investors or ensure the smooth operation of the market and any other information or explanation that the Exchange may reasonably require for the purpose of investigating a suspected breach of or verifying compliance with the Rules.

Rule 13.06(2) provides that the Exchange may require the issuer to make an announcement where it considers it appropriate to preserve or ensure an orderly, informed and fair market.

Rule 3.08 provides that directors, both collectively and individually, are expected to fulfil fiduciary duties and duties of skill, care and diligence to a standard at least commensurate with the standard established by Hong Kong law. Amongst other things, directors must act honestly and in good faith in the interests of the company as a whole (Rule 3.08(a)) and apply such degree of skill, care and diligence as may reasonably be expected of a person of his/ her knowledge and experience and holding his/ her office within the issuer (Rule 3.08(f)). Rule 3.08 also provides that directors must also take an active interest in the issuer's affairs and must follow up anything untoward that comes to their attention.

Pursuant to the Director's Undertaking to the Exchange (**Director's Undertaking**) (Appendix 5B to the Listing Rules), each director is required to comply to the best of his/ her ability, and to use his/ her best endeavours to procure the Company's compliance, with the Listing Rules.

ACCEPTANCE OF SANCTIONS AND DIRECTIONS

In settlement with the Exchange, the Relevant Directors have admitted their respective breaches and accepted the sanctions and directions imposed on them by the Listing Committee, as set out below.

LISTING COMMITTEE'S FINDINGS OF BREACH

The Listing Committee found as follows:

- (1) Mr Chen deliberately withheld announcing the Requisition and the Circular without good reason. Some months after the Exchange's initial enquiries, Mr Chen claimed that the Company had not announced the Requisition or publish the Circular, because it believed it was not required to do so as a matter of Cayman law, but no advice on Cayman law or the Rules had been sought. Mr Chen further claimed that a draft announcement remained subject to comment by the SFC, but that claim was false. By withholding announcement of the Requisition, Mr Chen placed his own interests ahead of those of the Company and its shareholders, and he deprived shareholders and the investing public of timely and material information about the Company. He has breached his director's duties and his Undertaking.
- (2) This is not the first time Mr Chen breached the Rules – the Listing Committee imposed a public censure against him in 2020 for his breach of director's duties and Undertaking in relation to some transactions of the Company. In this case, his breaches of duty were serious and repeated.
- (3) Ms Su and Ms Chan submitted that they had orally suggested that Mr Chen seek professional advice on the Requisition and the Exchange's requests for the Requested Information. However, there is no documentary or other supporting evidence that they had done so. Even if they had made those suggestions, they had an obligation to ensure that the matters were properly followed up and addresses, but there is no evidence that they had taken any such steps. They appear to have stood by, whilst the Exchange's requests were left unanswered. There is a serious lack of proactivity on their part.
- (4) For the reasons above, the Relevant Directors breached Rule 3.08 and their Director's Undertaking by failing to (a) act in the best interests of the Company in relation to the Requisition; and (b) take appropriate and timely steps to procure the Company to provide the Exchange with the Requested Information (in compliance with Rule 2.12A) and announce the Requisition and publish the Circular (in compliance with Rule 13.06(2)).

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 the Company or any of its other past or present directors.

Hong Kong, 15 June 2023