

STATEMENT OF DISCIPLINARY ACTION

Exchange's Disciplinary Action against Two 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 DIRECTOR UNSUITABILITY STATEMENT against:

- (1) Mr Cui Haitao, former independent non-executive director (**INED**) of China Clean Energy Technology Group Limited (Stock Code: 2379) (**Company**) (**Mr Cui**); and
- (2) Mr Liu Jin Lu, former INED of the Company (**Mr Liu**).

(The directors identified at (1) to (2) above are collectively referred to as the **Relevant Directors**.)

The statement made in respect of Mr Cui and Mr Liu above is made in addition to a public censure against each of them. The Director Unsuitability Statement is a statement that, in the Exchange's opinion, Mr Cui and Mr Liu are unsuitable to occupy a position as director or within senior management of the Company or any of its subsidiaries.

SUMMARY OF FACTS

On 5 July 2021, the Company announced that it received a letter from RSM Corporate Advisory (Hong Kong) Limited regarding the appointment of Messrs Arab Osman Mohammed and Lai Wing Lun (collectively, **Receivers**), as the joint and several receivers and managers of 235,927,781 issued shares of the Company (representing approximately 57.51 per cent of the Company's issued share capital at that time) that were pledged as security in favour of Win Win Stable No.2 Fund SP/ its manager (**Pledgee**).

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On 21 July 2021, the Receivers served a written requisition on the Board to request that an EGM of the Company be convened on 25 November 2021 (**EGM**), for the purposes of considering/ resolving the proposed removal/ appointment of executive directors and independent non-executive directors of the Company (**Requisition**).

On 10 November 2021, the Receivers issued a circular and served the EGM notice on the Company's shareholders to convene the EGM, on the basis that the Company failed to comply with its articles to convene the EGM.

On 25 November 2021, the EGM was held.

On 2 December 2021, the Company wrote to the Receivers that the EGM did not comply with the Company's articles, and therefore the Company did not accept the EGM poll results.

Between August and December 2021, the Exchange enquired with the Company as to whether the latter's objection against the Requisition was compliant with its articles and Cayman laws/ regulations, and whether its directors had acted in the shareholders' interests under Rules 3.08 and 3.09 (**Requested Information**). Despite the Exchange's repeated requests, the Company did not provide the Requested Information or announce the Requisition at the time or at all.

On 27 June 2022, the Company announced the following:

- (1) On 8 March 2022, the Receivers applied to the Cayman Court for a declaration to confirm the EGM poll results.
- (2) On 1 June 2022, the Cayman court made the following orders, amongst others (**Order**):
 - (a) The EGM was validly held in accordance with the Company's articles and Cayman laws/ regulations.
 - (b) Based on the EGM poll results, the removal of directors of the Company was valid with effect from 25 November 2021.
- (3) Given the Order, Mr Cui, Mr Liu and others were removed as directors with effect from 25 November 2021.

Although the aforesaid removal of directors took effect on 25 November 2021, the previous Board of Directors (including the Relevant Directors) remained in control of the Company until the Order was made on 1 June 2022.

RULE REQUIREMENTS

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)), act for proper purpose (Rule 3.08(b)), avoid actual and potential conflicts of interest and duty (Rule 3.08(d)), 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 office within the issuer (Rule 3.08(f)). Rule 3.08 also provides that directors must 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, and cooperate in any investigation conducted by the Exchange.

LISTING COMMITTEE'S FINDINGS OF BREACH

The Listing Committee found as follows:

- (1) The Relevant Directors had actual knowledge of the Requisition at the time. However, they only made oral suggestions to Mr Chen Jun (**Mr Chen**), who was the Chairman/ CEO/ executive director at the time, to seek legal advice and announce the Requisition if appropriate, without following up on the matter and ensuring that Mr Chen had sought the requisite legal advice. Given their experience in corporate management¹, their lack of proactivity is especially alarming. As INEDs, they emphatically failed in providing checks and balance to the executive management of the Company.
- (2) The Requisition was a matter of significant importance to the Company and its shareholders. The lack of proactivity of the Relevant Directors had caused the Company's failure to announce the Requisition, which deprived the Company's shareholders and the investing public of material and timely information for a long period of time (from July 2021 to June 2022). They also put their own interests ahead of the Company's interests by improperly resisting the shareholders' vote to remove them from office.

¹ Mr Liu and Mr Cui had been INEDs of the Company since May 2010 and February 2018 respectively.

- (3) The Relevant Directors failed to cooperate with the Exchange's investigation. The Relevant Directors provided initial response(s) to the Exchange's enquiries, but they did not respond to all the questions raised and subsequently ceased contact with the Exchange even though the investigation was still ongoing.
- (4) For reasons above, each of the Relevant Directors breached their director's duties under Rule 3.08 and their Director's Undertakings. Their failure to discharge their duties was serious and/or repeated.
- (5) The breaches described in paragraphs (1) to (2) above would warrant a public censure. However, on account of the non-cooperation described in paragraph (3) above, it is appropriate to impose a director unsuitability statement against each of the Relevant Directors.

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 other past or present directors of the Company.

Hong Kong, 15 June 2023