

香港聯合交易所有限公司

(香港交易及結算所有限公司全資附屬公司)

THE STOCK EXCHANGE OF HONG KONG LIMITED

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

STATEMENT OF DISCIPLINARY ACTION

Exchange's Disciplinary Action against Ye Xing Group Holdings Limited (Stock Code: 1941) and Two Current Directors

SANCTIONS AND DIRECTIONS

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

CENSURES:

- (1) **Ye Xing Group Holdings Limited (Company)**;
- (2) **Ms Wu Guoqing**, executive director (**ED**) and chairman of the Company (**Ms Wu**); and
- (3) **Mr Zhao Weihao**, ED of the Company (**Mr Zhao**).

(The directors identified at (2) and (3) above are collectively referred to as the **Relevant Directors**.)

AND FURTHER DIRECTS Ms Wu and Mr Zhao to attend 24 hours of training on regulatory and legal topics and Listing Rule compliance, including (i) directors' duties; (ii) the Corporate Governance Code; and (iii) Chapters 13, 14 and 14A of the Listing Rules.

SUMMARY OF FACTS

This case concerns breaches of the Listing Rules by the Company and its directors in respect of various transactions (collectively, **Relevant Transactions**) conducted by two subsidiaries of the Company (**Subsidiary A and Subsidiary B**).

Shortly before the Company's listing on 13 March 2020, the Company entered into a master services agreement on 25 February 2020 with its parent group (**Beijing Herun**), owned by Mr Zhao and his mother as to 99% and 1% respectively. The agreement provided that the Company would enter into separate service agreements with entities within the Beijing Herun group for the

provision of, among others, property management services and property developer related services by the Company. Accordingly, the following agreements were made.

(1) Sole Agency Agreements and Refundable Deposits

In May and December 2020, Subsidiary A entered into two agreements (**Sole Agency Agreements**) with a subsidiary of Beijing Herun (**Wuxi Yongqing**).

Under these agreements, Subsidiary A would provide sales agency services to assist Wuxi Yongqing in leasing or selling 1,131 car parking spaces, and selling two shops developed by Wuxi Yongqing.

As agreed, Subsidiary A paid refundable deposits of RMB51.1 million to Wuxi Yongqing (**Refundable Deposits**) to obtain and secure the exclusive right of providing the sales agency services. Wuxi Yongqing agreed to refund Subsidiary A the portion of the Refundable Deposits corresponding to the car parking spaces leased or sold or shops sold under the Sole Agency Agreements. The balance of any Refundable Deposits for any unleased and unsold car parking spaces and unsold shops upon the expiry of the Sole Agency Agreements would be refunded to Subsidiary A.

The Refundable Deposits were partly secured by immovable properties of Wuxi Yongqing (in the amount of RMB19.5 million) under a pledge agreement made between Subsidiary A and Wuxi Yongqing in May 2020 (**Pledge Agreement**).

The payments of the Refundable Deposits constituted connected transactions of the Company and advances to an entity, subject to the announcement, circular and independent shareholders' approval requirements under Rules 13.13, 13.15, 14A.35, 14A.36 and 14A.46 (Notes 1 and 3). The Company failed to comply with these requirements.

(2) Underwriting Agreement and Non-refundable Deposit

In February 2021, Subsidiary B entered into a similar agreement with two subsidiaries of Beijing Herun (**Zhuozhou Developers**).

Under the agreement, Subsidiary B would provide sales agency services to assist the Zhuozhou Developers in leasing or selling 360 car parking spaces developed by the Zhuozhou Developers (**Underwriting Agreement**). As agreed, Subsidiary B paid a non-refundable deposit of RMB10.8 million to the Zhuozhou Developers (**Non-refundable Deposit**) to obtain and secure the exclusive right of providing the sales agency services.

The entering into of the Underwriting Agreement and the payment of the Non-refundable Deposit constituted connected transactions of the Company, subject to the announcement, circular and independent shareholders' approval requirements under Rules 14A.35, 14A.36 and 14A.46. Again, the Company failed to comply with these requirements.

Acquisition

The Sole Agency Agreements expired in May and December 2021 respectively, leaving a number of unleased and unsold car parking spaces and unsold shops. Wuxi Yongqing failed to refund the balance of the Refundable Deposits of RMB38.5 million to Subsidiary A, despite Subsidiary A's demands in May, July and September 2021. At that time, the Board of the Company was optimistic about the recovery of the Refundable Deposits as Wuxi Yongqing was a subsidiary of the Company's parent group and was ultimately wholly-owned by Mr Zhao.

Beijing Herun disposed of Wuxi Yongqing in September 2021. The Company only became aware of the disposal in around mid-January 2022 when preparing its 2021 annual audit. Subsidiary A then wrote to Wuxi Yongqing again demanding refund of the outstanding Refundable Deposits, but no refund was received.

In April 2022, Subsidiary A acquired some car parking spaces from Wuxi Yongqing for RMB7.9 million to partially offset the outstanding Refundable Deposits (**Acquisition**). The Acquisition constituted a discloseable transaction of the Company, subject to the announcement requirement under Rule 14.34 (Note 2). The Company also failed to comply with this requirement.

2022 Impairment Loss and 2023 set-off of the Refundable Deposits

In February 2023, the Company announced that a PRC court had accepted a bankruptcy and liquidation application made against Wuxi Yongqing. Subsidiary A was unable to enforce the pledge over the secured properties as it had not registered the Pledge Agreement.

As a result, the Company recorded a full impairment loss of RMB30.6 million being the amount of the outstanding Refundable Deposits in its 2022 annual results (**2022 Impairment Loss**), representing approximately 7% of the Company's total assets as at 31 December 2022.

In December 2023, with approval of the Company's independent shareholders, the Company acquired an office building owned by Mr Zhao's private company. The consideration for the acquisition was settled in full by way of set-off against the total amount of outstanding Refundable Deposits owed by Wuxi Yongqing to Subsidiary A.

Ms Wu

At the material time, Ms Wu was an executive director of the Company. She was responsible for overseeing the Company's compliance with its internal controls and the Listing Rules. She was also the general manager of Subsidiary A and Subsidiary B.

As the final approver under the Company's internal control procedures, Ms Wu approved the Relevant Transactions at the subsidiary level. She instructed her subordinate to register the Pledge Agreement with the relevant authorities, but did not follow up on the status of registration.

Ms Wu admitted her failure to procure the Company's compliance with the Listing Rules applicable to the Relevant Transactions. She asserted that without seeking external legal advice, she mistakenly believed that payment of a refundable deposit was a customary industry practice for similar agency agreements and did not constitute a connected transaction. She confirmed that she did not inform the Board of the Relevant Transactions until the Company's auditors raised concerns about the recoverability of related party receivables.

Mr Zhao

At the material time, Mr Zhao was another executive director of the Company and the controlling shareholder of Beijing Herun group, including Wuxi Yongqing.

Mr Zhao was aware of Beijing Herun's intention to dispose of Wuxi Yongqing in late August 2021. However, he did not inform the Company of the same in a timely manner. Had he done so, the Company could have had an opportunity to take action to recover the outstanding Refundable Deposits.

Mr Zhao asserted that he was not involved in approving the Relevant Transactions. However, he was aware of (i) the Refundable Deposits at around the time Ms Wu reviewed and approved the payment, and (ii) the Underwriting Agreement and the agreement for the Acquisition before or when they were approved by Ms Wu and signed. He failed to bring these transactions to the Board's attention in time for ascertaining the Listing Rule requirements and complying with the same.

SETTLEMENT

The Company and the Relevant Directors do not contest their respective breaches and agreed to accept the sanctions and directions as set out in this statement.

LISTING COMMITTEE'S FINDINGS

The Listing Committee found as follows:

Company

- (1) The Company breached Rules 13.13, 13.15, 14.34, 14A.35, 14A.36 and 14A.46 due to its failure to comply with the announcement, circular and independent shareholders' approval requirements in respect of the Relevant Transactions.

Relevant Directors

- (2) Ms Wu breached Rules 3.08 and 3.09B(2) (Notes 4 and 5) due to her failure to exercise reasonable skill, care and diligence, and to use her best endeavours to procure the Company's compliance with the Listing Rules. She failed to:
 - (a) take adequate steps to ensure the Company's compliance with the Listing Rules; and
 - (b) properly supervise her delegated subordinate to ensure the timely registration of the Pledge Agreement. As a result, Subsidiary A was unable to enforce the pledge over the secured properties and the Company incurred the 2022 Impairment Loss.
- (3) Mr Zhao breached Rules 3.08 and 3.09B(2) due to his failure to exercise reasonable skill, care and diligence, avoid actual conflicts of interest and duty, and to use his best endeavours to procure the Company's compliance with the Listing Rules. In particular, he:
 - (a) as the controlling shareholder of Beijing Herun and knowing Beijing Herun's disposal of Wuxi Yongqing, failed to take adequate action to safeguard the interests of the Company and its shareholders as a whole. He failed to inform the Board of the intended disposal in a timely manner, thereby depriving the Company of an opportunity to take action for recovering the Refundable Deposits before the disposal. This caused the eventual 2022 Impairment Loss; and
 - (b) failed to take adequate steps to ensure the Company's compliance with the Listing Rules.

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

Hong Kong, 12 March 2026

Notes:

1. Rules 13.13 and 13.15 require a listed issuer to announce as soon as reasonably practicable details of an advance to an entity which exceeds eight per cent under the assets ratio.
2. Rule 14.34 requires a listed issuer to announce a discloseable transaction as soon as possible after its terms have been finalised.
3. Rules 14A.35, 14A.36 and 14A.46 require a listed issuer to announce a connected transaction as soon as practicable after its terms have been agreed, send a circular to its shareholders and obtain independent shareholders' approval for the transaction.
4. Rule 3.08 provides that the Exchange expects directors, both collectively and individually, 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. These duties include a duty to 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, and to avoid actual conflicts of interest and duty. The directors must also follow up anything untoward that comes to their attention.
5. Rule 3.09B requires a listed issuer's director to use his best endeavours to procure the issuer's compliance with the Listing Rules.