

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)

Directors are responsible for procuring the Company's compliance with the Exchange Listing Rules. The Exchange expects directors to be familiar with the provisions of the Exchange Listing Rules, and to proactively seek advice and assistance from professional parties, such as compliance advisers, prior to entering into transactions which are governed by the Exchange Listing Rules.

The Company's failure to comply with the notifiable transactions requirements of the Exchange Listing Rules deprived the investors of their right to the timely receipt of information in relation to the Company's subscription of wealth management products, and for shareholders, their right to vote on the transactions which required their approval before they were entered into by the Company. Such failure has a negative impact on market integrity and investors' confidence in our securities market.

Failure by directors to take timely remedial action, when faced with knowledge of the Company's breaches of the Exchange Listing Rules, can demonstrate a serious disregard for compliance. The Exchange takes non-compliance with the Exchange Listing Rules seriously and will, where appropriate, take action against issuers and directors who breach their obligations and duties.

The Listing Committee of The Stock Exchange of Hong Kong Limited ("Listing Committee")

CRITICISES:

(1) **Chen Xing Development Holdings Limited ("Company")** (Stock Code: 2286)

for breaching Rules 3A.23, 14.34, 14.38A and 14.40 of the *Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited* ("**Exchange Listing Rules**") for failing to consult with its compliance adviser where a number of notifiable transactions were contemplated, and for failing to comply with the announcement and/or circular and prior shareholders' approval requirements in relation to 14 notifiable transactions;

AND CENSURES:

(2) **Mr Bai Xuan Kui**, current executive director ("**ED**") and Chairman of the Company;

(3) **Mr Bai Wu Kui**, current ED and Chief Executive Officer of the Company;

.../2

- (4) **Mr Bai Guo Hua**, current ED of the Company; and
- (5) **Mr Dong Shi Guang**, current ED of the Company

for breaching their respective obligations under the *Declaration and Undertaking with regard to Directors* given to the Exchange in the form set out in Appendix 5B to the Exchange Listing Rules (“**Undertaking**”) for failing to use their best endeavours to procure the Company’s compliance with the Exchange Listing Rules (the directors identified at (2) to (5) above are collectively referred to as the “**Relevant Directors**”).

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

HEARING

On 23 October 2018, the Listing Committee conducted a hearing into the conduct of the Company and the Relevant Directors in relation to their obligations under the Exchange Listing Rules and the Undertaking.

FACTS

This case involves the Company’s failure to comply with the Exchange Listing Rules in relation to 14 transactions, being subscriptions of wealth management products (“**WMPs**”) by the Company, between August 2016 and July 2017. 12 subscriptions constituted discloseable transactions, and two subscriptions constituted major transactions (together, the “**Investments**”).

The Company did not comply with the announcement and/or circular and prior shareholders’ approval requirements pursuant to Chapter 14 of the Exchange Listing Rules in relation to the Investments.

The Relevant Directors approved the Company’s subscription of WMPs. They did not consult the Company’s Compliance Adviser in relation to the proposed subscription of WMPs during the fixed period (defined in Rule 3A.19), and did not procure size tests to be prepared.

The Relevant Directors first became aware of the Company’s potential breaches of the Exchange Listing Rules in relation to the Investments after the Exchange commenced enquiries on 29 March 2017. However, no action was taken by them. The Company persisted in its breach of the Exchange Listing Rules on 3 and 12 July 2017 when it made two further subscriptions of WMPs.

On 19 October 2017, the Company published an announcement containing details of the Investments, and admitted that it had failed to comply with the applicable reporting, announcement and shareholders’ approval requirements under the Exchange Listing Rules. The Company has obtained confirmation from the controlling shareholder of the Company that it has approved, confirmed and ratified the two major transactions.

Exchange Listing Rule Requirements

The Investments were subject to the following requirements of the Exchange Listing Rules:

- (a) Rule 3A.23 provides that during the fixed period of the Company's appointment of its Compliance Adviser, a listed issuer must consult with, and if necessary, seek advice from its Compliance Adviser on a timely basis where a transaction, which might be a notifiable or connected transaction, is contemplated.
- (b) Rule 14.34 provides that a listed issuer must inform the Exchange and publish an announcement as soon as possible after the terms of, *inter alia*, a discloseable transaction or a major transaction have been finalised.
- (c) Rule 14.38A provides that a listed issuer which has entered into a major transaction must send a circular to its shareholders.
- (d) Rule 14.40 provides that a major transaction must be made conditional on approval by shareholders.

The Relevant Directors were under an obligation, pursuant to their respective Undertakings, to comply to the best of their ability with the Exchange Listing Rules and to use their best endeavours to procure the Company's compliance with the Exchange Listing Rules.

LISTING COMMITTEE'S FINDINGS OF BREACH

The Listing Committee considered the written and oral submissions of the Listing Department, the Company, and the Relevant Directors and concluded as follows:

The Company's breaches

The Listing Committee noted that the Company admitted that it had breached Rules 3A.23, 14.34, 14.38A and 14.40 and found that the Company did breach these Rules by failing to comply with the announcement and/or circular and prior shareholders' approval requirements in respect of the Investments.

Further, having considered the facts of the case, the Listing Committee was of the view that the Company demonstrated an unacceptable level of corporate governance.

Relevant Directors' breaches

The Listing Committee concluded that the Relevant Directors breached their respective Undertakings for failing to use their best endeavours to procure the Company's compliance with the Exchange Listing Rules:

- (a) The Relevant Directors were aware of and approved the Company's subscription of WMPs.
- (b) Given that the Company was newly listed and had a Compliance Adviser at the time, it would have been reasonable for the Relevant Directors to consult the Company's Compliance Adviser when contemplating the subscription of WMPs. The Relevant Directors failed to do so, and failed to procure a size test in respect of the Investments, which resulted in the Company's breaches of the Exchange Listing Rules.

- (c) When the Relevant Directors became aware of the Company's potential breaches of the Exchange Listing Rules on 29 March 2017, it would have been reasonable to expect the Relevant Directors to have taken immediate steps to ensure that any further subscription of WMPs by the Company must comply with the relevant requirements of the Exchange Listing Rules. The Relevant Directors, on their own admission, took no remedial action between 29 March 2017 and 28 June 2017. Despite having admitted the Rule breaches in May 2017, the Company persisted in breaching the Exchange Listing Rules even after this date. This demonstrated the Relevant Directors' disregard for compliance with the Exchange Listing Rules and a failure to implement remedial measures on timely basis.
- (d) By reason of the conduct of the Relevant Directors, the Company breached Rules 3A.23, 14.34, 14.38A, and 14.40.

REGULATORY CONCERN

This matter gives rise to a number of concerns over the Relevant Directors' ability to procure the Company's compliance with the Exchange Listing Rules:

- (1) Chapter 14 imposes clearly defined and unambiguous obligations on issuers, which are designed to safeguard and protect investors, as they rely on information in the public domain to make their investment decisions.
- (2) The Company's failure to comply with the announcement and/or circular and shareholders' approval requirements of the Exchange Listing Rules has deprived the Company's investors of their right to the timely receipt of information in relation to the Investments, and for the Company's shareholders, their right to vote on those transactions (where required).
- (3) The Company's breaches of the Exchange Listing Rules occurred shortly after it was listed. This demonstrates that the Relevant Directors were unfamiliar with the relevant Chapter 14 requirements for notifiable and major transactions. As a newly listed company, the Exchange expects the Relevant Directors to have taken advantage of the services of the Company's Compliance Adviser, and to proactively seek advice and assistance from the Compliance Adviser. However, they did not do so.
- (4) The Company repeatedly failed to comply with Chapter 14 provisions in respect of the Investments, which was attributable to the conduct of the Relevant Directors. The Exchange is concerned about the Relevant Directors' failure to take action to ensure the Company's compliance with the Exchange Listing Rules, particularly after they became aware that the Company's subscription of WMPs had breached the provisions of Chapter 14 of the Exchange Listing Rules. This illustrates a disregard for compliance with the Exchange Listing Rules on the part of the Relevant Directors.

SANCTIONS

Having made the findings of breach stated above, the Listing Committee decides to:

- (1) criticise the Company for its breach of Rules 3A.23, 14.34, 14.38A and 14.40; and
- (2) censure the Relevant Directors for their respective breaches of the Undertakings.

The Listing Committee further directs:

- (3) the Relevant Directors to (a) attend 18 hours of training (the “**Training**”) on Exchange Listing Rule compliance, director’s duties, including four hours of training on notifiable and connected transactions, provided by institutions such as the Hong Kong Institute of Chartered Secretaries, the Hong Kong Institute of Directors or other course providers approved by the Listing Department, such Training to be completed within 90 days from the publication of this news release; and (b) provide the Listing Department with the Training provider’s written certification of full compliance within two weeks after Training completion.
- (4) The Company is to publish an announcement to confirm that the above direction has been fully complied with within two weeks after Training completion.
- (5) The Company is to submit a draft announcement referred to above for the Listing Department’s comment and may only publish the announcement after the Listing Department has confirmed it has no further comment on it.
- (6) Following the publication of this news release, any changes necessary and any administrative matters which may emerge in the management and operation of any of the directions set out in paragraphs (3) to (5) above are to be directed to the Listing Department for consideration and approval. The Listing Department should refer any matters of concern to the Listing Committee for determination.

Hong Kong, 12 December 2018