

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 must ensure listed issuers have appropriate and effective internal controls in place to ensure compliance with financial reporting obligations as well as integrity and reliability of financial information.**

**Directors must devote sufficient time and attention to, and take an active interest in, the affairs of the listed issuer, including actively involving themselves in the decision-making process at board meetings. Failure to do so falls short of the standards expected of directors of listed companies and amounts to a dereliction of their duties.**

**The appointment of a Compliance Officer is a specific requirement imposed on issuers listed on the Growth Enterprise Market to support GLR compliance and that adequate internal controls are established and maintained. The appointment carries important responsibilities and is not mere box ticking in having someone appointed to the position. Directors appointed to the role of Compliance Officers must understand and duly discharge their duties under GLR 5.20.**

**Breach of duties by Directors and Compliance Officers are viewed seriously by the Exchange. In addition to disciplinary sanctions where failures are established, the breaches will be taken in account in the Exchange's assessment of their suitability to be appointed directors of issuers listed or to be listed on the Exchange in future.**

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

#### **CENSURES:**

- (1) **Trillion Grand Corporate Company Limited** (formerly known as Tai Shing International (Holdings) Limited) (Stock Code: 8103) ("**Company**") for failing to publish nine sets of financial results and reports in a timely manner in breach of Rules 18.03, 18.48A, 18.49, 18.50C, 18.53, 18.54, 18.66, 18.67, 18.78, and 18.79 of the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited ("**GLR**");

.../2

**AND CENSURES** the following former executive directors ("**EDs**"), former non-executive directors ("**NEDs**"), and former independent non-executive directors ("**INEDs**") of the Company:

- (2) **Mr Wong Chung Wai Eric**, former ED and chairman ("**Mr Wong**");
- (3) **Mr Chan Yun Sang**, former ED and chairman ("**Mr Chan**");
- (4) **Mr Ip Ho Ming**, former ED ("**Mr Ip**");
- (5) **Ms Wong Sau Wai Serena**, former ED ("**Ms Wong**");
- (6) **Ms Ju Lijin**, former ED ("**Ms Ju**");
- (7) **Mr Zhang Jinshu**, former ED ("**Mr Zhang**");
- (8) **Mr Han Fangfa**, former ED ("**Mr Han**");
- (9) **Mr Liu Bo**, former ED and chairman ("**Mr Liu**");
- (10) **Ms Huang MiaoChan**, former ED ("**Ms Huang**");
- (11) **Dr Pan Jin**, former NED ("**Dr Pan**");
- (12) **Mr Dai Yuanxin**, former NED ("**Mr Dai**");
- (13) **Ms Xiao Yongzhen**, former NED ("**Ms Xiao**");
- (14) **Mr Tang Sze Lok**, former INED ("**Mr Tang**");
- (15) **Ms Hu Yun**, former INED ("**Ms Hu**");
- (16) **Mr Xu Jingbin**, former INED ("**Mr Xu**");
- (17) **Mr Tan Heming**, former INED ("**Mr Tan**"); and

**AND CRITICISES:**

- (18) **Mr Chan Yee Sze**, former INED ("**Mr YS Chan**");

for failing to exercise care, skill and diligence required of them as directors of the Company in breach of GLR 5.01(6) and their obligations under the Director's Declaration and Undertaking given to The Stock Exchange of Hong Kong Limited ("**Exchange**") in the form set out in Appendix 6-A of the GLR to comply with the GLR to the best of their abilities and to use their best endeavours to procure the Company's GLR compliance (collectively, "**Undertakings**").

The directors identified at (2) to (18) above are collectively referred to as the "**Relevant Directors**".

**The GEM Listing Committee further CENSURES** three former Compliance Officers of the Company, Mr Wong, Mr Chan, and Mr Liu, for their respective breaches of GLR 5.20.

**The GEM Listing Committee STATES** that (i) whilst all Relevant Directors have resigned, had they remained in office, in the opinion of the Exchange, their retention of office would have been prejudicial to the interests of investors; and (ii) the conduct of the Relevant Directors in the matter will be taken into account in the Exchange's assessment of their suitability to be appointed directors of issuers listed or to be listed on the Exchange in future.

On 22 August 2017, the GEM Listing Committee conducted a hearing into the conduct of the Company and the Relevant Directors in relation to their obligations under the GLR and the Undertakings.

On 27 March 2018, the GEM Listing Committee conducted a disciplinary (review) hearing on the application by the Company for a review of the sanction and directions imposed on it by the GEM Listing Committee.

## **FACTS**

### **Company – delays in publication of financial results and reports**

The Company (while under the name of Tai Shing International (Holdings) Limited) failed to publish nine sets of financial results and reports ("**Late Accounts**") as they fell due under the GLR as follows:

	Financial results/ report	Reporting period (due date)	Published	Delay (months)	GLR breached
1	<b>FY2012/13 results/report</b> (auditors' disclaimer of opinion)	year ended 31/3/2013 (30/6/2013)	26/8/2014 9/10/2014	14 15	18.03, 18.48A, 18.49, & 18.50C
2	1Q2013/14 report/report	3 months ended 30/6/2013 (14/8/2013)	30/11/2014 19/5/2015	15.5 21	18.66, 18.67 & 18.79
3	1H2013/14 results/report	6 months ended 30/9/2013 (14/11/2013)	15/1/2015 19/5/2015	14 18	18.53, 18.54 & 18.78
4	3Q2013/14 results/report	9 months ended 31/12/2013 (14/2/2014)	16/2/2015 19/5/2015	12 15	18.66, 18.67 & 18.79
5	<b>FY2013/14 results/report</b> (auditors' disclaimer of opinion)	year ended 31/3/2014 (30/6/2014)	30/4/2015 7/5/2015	10.5 11	18.03, 18.48A, 18.49, & 18.50C
6	1Q2014/15 results/report	3 months ended 30/6/2014 (14/8/2014)	19/6/2015 24/6/2015	10 10.5	18.66, 18.67 & 18.79
7	1H2014/15 results/report	6 months ended 30/9/2014 (14/11/2014)	23/6/2015 24/6/2015	7 7	18.53, 18.54 & 18.78
8	3Q2014/15 results/report	9 months ended 31/12/2014 (14/2/2015)	both 25/6/2015	both 4	18.66, 18.67 & 18.79
9	<b>FY2014/15 results/report</b> (auditors' qualified opinion)	year ended 31/3/2015 (30/6/2015)	13/7/2015 14/7/2015	0.5 0.5	18.03, 18.48A, 18.49, & 18.50C

The first set of Late Accounts ie the FY2012/13 results and report, due in June 2013, involved a substantial delay and contributed towards the delay in the publication of the subsequent results. The delays resulted in a suspension of trading in the Company's shares for over two years from 2 July 2013 to 15 July 2015.

According to the Company, the main reasons for the FY2012/13 results/report are: (a) insufficient audit evidence from an associate in the PRC to ascertain the Company's share of its profit and loss, and (b) assessment on impairment loss of certain of the Company's subsidiaries.

### Internal controls

The investigation conducted by the Listing Department ("**Department**") leading to the disciplinary action has established that the Company did not have adequate or proper internal controls in place between April 2012 and September 2013 ("**Core Period**") as evidenced by the following:

- (a) Each of the Company's annual reports for FY2010/11, FY2011/12, FY2012/13 and FY2013/14 contained the same disclosure: *"the Board has overall responsibility for the establishment, maintenance and review of the Group's system of internal control. The Board has conducted a review of the system of internal control of the Group, and made suggestions to improve the system. The Board is satisfied that the internal control system of the Group, after implementing the suggested improvements, will be effective"*. However, none of the Relevant Directors could give meaningful details of internal controls the Company was purported to have at the time.
- (b) In the audit of the Company's FY2012/13 and FY2013/14 results, the Company's auditors identified various shortcomings in internal controls including the lack of monitoring of significant investments and material acquisitions of the Company and its subsidiaries ("**Group**"). The inadequacies caused or contributed to certain matters or circumstances underlying the disclaimer of opinion the auditors expressed on the two sets of annual results including *"management of the Company represented that substantially all of the books and records of the Company's subsidiaries established in the PRC for the period subsequent to 31 March 2013 are not available for [the auditors'] examination"*.
- (c) The Company under different management (ie with most members of the board of directors ("**Board**") being appointed after the Core Period) could not locate any documented internal control policy in the Company's office for the period before they were appointed.
- (d) The internal control review conducted in fulfillment of the resumption conditions imposed by the Exchange identified various weaknesses in the Company's internal controls. Major findings included: the lack of *"formal financial policy on timing of handing financial information of subsidiary to the Group"*, *"lack of closing checklist for quarter, interim and annual financial closing to monitor timeliness and accuracy of closing procedures in accordance with"* the GLR, and *"lack of post-investment/post-acquisition monitoring policy and procedures"*.

#### **LISTING DEPARTMENT'S ASSERTION OF BREACHES BY THE DIRECTORS**

Of the 17 Relevant Directors,

- (a) 16 (except Mr Wong) were in office during the Core Period; and
- (b) Mr Wong was an ED and the Chairman of the Company from March 2010 as well as the Compliance Officer from 4 August 2010. He resigned from all these positions on 5 January 2012 (ie just three months before the Core Period commenced).

Breach of the Undertakings to use their best endeavours to procure the Company's GLR compliance ("Best Endeavours Undertaking")

The Relevant Directors were collectively and individually responsible for the Company's GLR compliance. The Board was collectively responsible for ensuring that the Company had adequate and effective internal controls in place. The Department asserted that:

- (a) 16 Relevant Directors were therefore responsible for the Company's internal control deficiencies during the Core Period; and
- (b) Mr Wong was also responsible given he occupied important positions in the Company and given the close proximity of his period of office with the Core Period as described above.

Further, none of the Relevant Directors had been able to give meaningful details of the Company's internal controls that were alleged to exist at the relevant time. A number of them acknowledged that they had "no recollection" about the Company's internal controls at all. This indicated that (a) whatever internal controls the Company had in place (if any), they were not made known to the Relevant Directors; and/or (b) the Relevant Directors did not make any genuine effort to find out and make enquiries with the Company to familiarize themselves with the internal controls.

The Department therefore asserted that all Relevant Directors breached their Best Endeavours Undertakings by failing to ensure adequate and effective internal controls were in place.

Breach of GLR 5.01(6)

The Department asserted that by reason of their failure to ensure adequate and effective internal controls were in place within the Company, all 17 Relevant Directors have also respectively breached GLR 5.01(6) by failing to exercise care, skill and diligence as expected of them in performance of their directors' duties.

The Department further asserted that 15 of the Relevant Directors (Mr Wong, Mr Chan, Mr Ip, Ms Wong, Ms Ju, Mr Zhang, Mr Han, Ms Huang, Dr Pan, Mr Dai, Ms Xiao, Ms Hu, Mr Xu, Mr Tan and Mr YS Chan), also breached GLR 5.01(6) as evidenced by their different conduct: total reliance on other Directors or other parties for fulfillment of director's duties; failure to exercise independent judgment; subordinating the director's power and performance of duty to the will of others; signing of Board minutes upon request without inquiry; and persistent absence from or low rate of attendance at Board meetings to participate in the consideration and approval of matters pertaining to the Company's business and affairs.

11 Directors – Ms Ju, Mr Zhang, Mr Han, Ms Huang, Dr Pan, Mr Dai, Ms Xiao, Ms Hu, Mr Xu, Mr Tan and Mr YS Chan – had a poor rate of attendance at Board meetings ("**BM**") and Audit Committee meetings ("**ACM**");

	FY2011/12	FY2012/13	FY2013/14	FY2014/15
Ms Ju	BM 1/2	BM 0/25	BM 1/7	BM 4/40
Mr Zhang	BM n/a	BM 1/13	BM 0/7	BM 0/40
Mr Han	BM 2/4	BM 0/25	BM 0/7	BM 0/21
Ms Huang	BM 1/2	BM 1/25	BM 4/7	BM 0/33
Dr Pan	BM 4/4	BM 0/25	BM 0/7	BM 0/40
Mr Dai	BM n/a	BM 0/19	BM 0/7	BM 2/40
Ms Xiao	BM n/a	BM 0/13	BM 0/7	BM 1/40
Ms Hu	BM 1/2 ACM 0/1	BM 2/25 ACM 4/4	BM 0/7 ACM nil	BM 2/40 ACM 1/11
Mr Xu	BM 2/2 ACM 1/2	BM 0/25 ACM 4/4	BM 0/7 ACM nil	BM 2/34 ACM 1/5
Mr Tan	n/a	BM 1/6	BM 2/7	BM 3/17
Mr YS Chan	BM n/a	BM 2/4 ACM n/a	BM 0/7 ACM nil	BM 18/40 ACM 10/11

Some of the Directors offered explanations for their persistent poor attendance at meetings – eg taking care of sick family member, non-payment of director’s fees, resignation as a director of the Company was subject to the decision of the shareholder whose interest he represented on the Board, illness and hospitalization and the Company’s failure to provide draft financial information. The Department did not accept them to be valid reasons to justify their prolonged non-participation in the meetings. The Department asserted that such persistent absence from Board meetings (some of them for years) amounted to a failure to take active interest in the affairs of the Company. They did not resign but continued to hold key positions within the Board of the Company while for years did not actively involve themselves in Board meetings (which is one basic and minimum requirement for directors).

The Department therefore asserted that the 15 Directors’ conduct identified above amounted to their dereliction of duties as directors of the Company and resulted in their breach of GLR 5.01(6).

#### Breach of GLR 5.20

Mr Wong, Mr Chan and Mr Liu were successive Compliance Officers (Mr Wong from 4 August 2010 to 5 January 2012; Mr Chan from 6 January 2012 to 24 December 2012; and Mr Liu from 25 December 2012 to 29 July 2014). The Company’s internal controls during the Core Period were grossly inadequate. There was nothing to suggest or demonstrate that any of the three Compliance Officers had taken any step in performance of their duty of “*advising on and assisting the Board in implementing procedures to ensure the Company’s GLR compliance*” – a minimum required of Compliance Officers under GLR 5.20.

The Department therefore asserted that each of Mr Wong, Mr Chan and Mr Liu breached GLR 5.20.

Breach of Undertakings to comply with the GLR to the best of their abilities

The Department also asserted that by reason of their respective breaches of GLR 5.01(6) and 5.20 referred to above, the Relevant Directors also breached their Undertakings to comply with the GLR to the best of their abilities.

**GEM LISTING COMMITTEE'S FINDINGS OF BREACH**

Having considered the Department's submissions and the submissions of the Company and the Relevant Directors, the GEM Listing Committee concluded as follows:

**Company**

Given the delay with which the Company published its nine sets of financial results and reports as referred to above, the GEM Listing Committee concluded that the Company had repeatedly breached GLR 18.03, 18.48A, 18.49, 18.50C, 18.53, 18.54, 18.66, 18.67, 18.78, and 18.79.

**Internal Controls**

The GEM Listing Committee also concluded, based on the materials and submissions presented, that the Company did not have adequate and effective internal controls during the Core Period to ensure the Company's compliance with the GLR.

**Relevant Directors**

(a) **Breach of Best Endeavours Undertakings and GLR 5.01(6)**

The Relevant Directors were in office during or shortly before the Core Period when serious internal control deficiencies existed.

There was no information to suggest that the Relevant Directors had taken any steps during the Core Period to ensure that the Company had in place adequate and effective internal controls in place towards its GLR compliance. Most of the Relevant Directors could not point to any internal controls or related documentation. Review by parties outside the Company, ie auditors and professional advisers which conducted an internal control review, repeatedly identified weaknesses and inadequacies in internal controls pertaining to financial reporting etc.

Separately, the conduct of 15 Directors namely, Mr Wong, Mr Chan, Mr Ip, Ms Wong, Ms Ju, Mr Zhang, Mr Han, Ms Huang, Dr Pan, Mr Dai, Ms Xiao, Ms Hu, Mr Xu, Mr Tan and Mr YS Chan described above clearly fell short of the care, skill and diligence required of them as directors of the Company.

The GEM Listing Committee agreed with the Department's assertions of breaches by the Relevant Directors and the grounds advanced in support as set out above. The GEM Listing Committee therefore concluded that each of the Relevant Directors breached (a) his/her Best Endeavours Undertakings; and (b) GLR 5.01(6).

**(b) Mr Wong, Mr Chan and Mr Liu – Breach of GLR 5.20**

The GEM Listing Committee concluded that each of Mr Wong, Mr Chan and Mr Liu breached GLR 5.20 (ie failed to advise on and assist the Board in implementing procedures to ensure the Company's GLR compliance as required under GLR 5.20).

**(c) Breach of Undertakings to comply with the GLR to the best of their abilities**

The GEM Listing Committee also concluded that by reason of their respective breaches described above, the Relevant Directors also breached their Undertakings to comply with the GLR to the best of their abilities.

**REGULATORY CONCERNS**

The GEM Listing Committee regarded the breaches and the Relevant Directors' conduct in this matter as serious and egregious. They reflect:

- (a) extremely poor corporate governance in the Company;
- (b) lack of adequate internal controls;
- (c) seriously deficient Board practices and questionable delegation/reliance by Directors of their decision-making duties;
- (d) pervasive deviations from the corporate governance standards set out in the Code Provisions in the Corporate Governance Code at Appendix 15 of the GLR by the Company and the Relevant Directors;
- (e) the Relevant Directors' lack of proper regard to GLR compliance required of the Company and themselves; their lack of proper understanding of their directors' duties and their blatant breach of directors' duties in the exercise of care, skill and diligence; and
- (f) the failure of successive Compliance Officers to appreciate and discharge the duties required by that office.

Further, the prolonged trading suspension resulted in the shareholders and investors not being able to trade in the Company's shares on the market during the period. With the auditors' disclaimer of opinion expressed on the Company's financial results, those results were of limited value to investors and shareholders of the Company.

The GEM Listing Committee noted that a former INED Mr YS Chan had taken various steps, albeit only after the Core Period, to review and establish internal controls in and after 2014. This was reflected in the sanction imposed on him.

## **SANCTIONS**

Having made the findings of breach stated above, and having concluded that the breaches are egregious, the GEM Listing Committee decides to:

- (1) censure the Company for its breach of GLR 18.03, 18.48A, 18.49, 18.50C, 18.53, 18.54, 18.66, 18.67, 18.78, and 18.79 during the Core Period;
- (2) censure each of Mr Wong, Mr Chan, Mr Ip, Ms Wong, Ms Ju, Mr Zhang, Mr Han, Mr Liu, Ms Huang, Dr Pan, Mr Dai, Ms Xiao, Mr Tang, Ms Hu, Mr Xu, and Mr Tan for his/her breach of GLR 5.01(6), his/her Best Endeavours Undertaking and the Undertaking to comply with the GLR to the best of his/her abilities;
- (3) criticise Mr YS Chan for his breach of GLR 5.01(6), his Best Endeavours Undertaking and the Undertaking to comply with the GLR to the best of his ability; and
- (4) censure each of Mr Wong, Mr Chan and Mr Liu for his breach of GLR 5.20.

The GEM Listing Committee also states that whilst all Relevant Directors have resigned, had they remained in office, in the opinion of the Exchange, their retention of office would have been prejudicial to the interests of investors. Their breaches and conduct in the matter will be taken into account in the Exchange's assessment of their suitability to be appointed directors of issuers listed or to be listed on the Exchange should any of them seek to be so appointed in future.

The GEM Listing Committee further directs:

- (1) The Company to appoint an independent Compliance Adviser (as defined in GLR Chapter 6A namely, any corporation or authorised financial institution licensed or registered under the Securities and Futures Ordinance for Type 6 regulated activity and permitted under its licence or certificate of registration to undertake work as a sponsor and, as applicable, which is appointed to undertake work as a Compliance Adviser) satisfactory to the Department on an ongoing basis for consultation on GLR compliance for two years within four weeks from the publication of this news release. The Company is to submit the proposed scope of retainer to the Department for comment before appointment of the Compliance Adviser. The Compliance Adviser shall be accountable to the Audit Committee of the Company.

- (2) Should any of the Relevant Directors subsequently be deemed suitable to be appointed as a director of any company listed or to be listed on the Exchange, such person as a pre-requisite to such appointment (a) attend 24 hours of training on GLR compliance, director's duties and corporate governance matters together with four hours on GLR Chapter 18 and Appendix 15 (Corporate Governance Code) compliance (altogether 28 hours) to be 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 Department, to be completed before the effective date of any such appointment; and (b) provide the Department with the training provider's written certification of full compliance.
- (3) The Company is to publish an announcement to confirm that the direction in paragraph (1) above has been fully complied with within two weeks after the fulfillment of such direction.
- (4) The Company is to submit drafts of the announcement referred to in paragraph (3) above for the Department's comment and may only publish the announcement after the Department has confirmed it has no further comment on it.
- (5) 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 (1) to (4) above are to be directed to the Department for consideration and approval. The Department should refer any matters of concern to the GEM Listing Committee for determination.

For the avoidance of doubt, the Exchange confirms that the sanctions and directions detailed in this news release apply only to the Company with regard to the Core Period and the Relevant Directors identified above and not to any other past or present board members of the Company.

Hong Kong, 29 May 2018