

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)

**An issuer and its directors must familiarise themselves with all relevant Exchange Listing Rules concerning continuing obligations, in particular, Chapter 14A of the Exchange Listing Rules which governs connected transactions and maintain adequate and effective internal controls in the issuer for procuring its compliance with the Exchange Listing Rules, including appropriate measures to manage and monitor the reporting of connected transactions at the subsidiary level.**

**The issuer should not rely on its subsidiaries to identify and report continuing connected transactions for Exchange Listing Rule compliance without establishing a mechanism by which reporting by subsidiaries could be effectively supervised and monitored, and providing clear guidance, training and/or written procedural manuals to the staff members who are charged with the responsibility of reporting.**

**The issuer should recognise the importance of internal controls and that the INEDs are primarily responsible for implementing and ensuring that the internal control system works and remains effective.**

**Directors must take immediate steps to procure the issuer to comply with the Exchange Listing Rules governing continuing connected transactions as soon as possible after non-compliance is discovered.**

**If they have any doubt in respect of Exchange Listing Rule requirements, the issuer and its directors should seek professional advice or consult the Exchange.**

For the avoidance of doubt, The Stock Exchange of Hong Kong Limited (the “**Exchange**”) confirms that the sanctions and directions in this news release apply only to the Company and the Relevant Directors (defined below), and not to any other past or present members of the board of directors of the Company.

**The Listing Committee of the Exchange (the “Listing Committee”)**

**CENSURES:**

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- (1) **Chengdu PUTIAN Telecommunications Cable Company Limited** (the “**Company**”) (Stock Code: 1202) for breaching the then Rules 14A.35, 14A.37 to 14A.40, 14A.46 to 14A.48 (in effect before 1 July 2014) and the current Rules 14A.35 and 14A.36 (equivalent to the then Rules 14A.47 and 14A.48 respectively) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Exchange Listing Rules**”) for failing to comply with the reporting, announcement, annual review and independent shareholders’ approval requirements in conducting continuing connected transactions identified below;

(For ease of reference, the above Exchange Listing Rules are referred to collectively as the “**Chapter 14A Rules**”. Unless otherwise stated, references to the Chapter 14A Rules in this news release are to the rules in the previous version of Chapter 14A which were in effect when the Past CCTs (defined below) took place and were in effect before 1 July 2014.);

- (2) **Mr Zhang Xiao Cheng** (“**Mr Zhang**”), chairman and executive director (“**ED**”) of the Company;
- (3) **Mr Fan Xu** (“**Mr Fan**”), ED of the Company;
- (4) **Mr Chen Ruo Wei** (“**Mr Chen**”), former ED of the Company;
- (5) **Ms Fu Ruo Lin** (“**Ms Fu**”), former ED of the Company;
- (6) **Mr Jiang Jian Ping** (“**Mr Jiang**”), former ED of the Company;
- (7) **Mr Su Wen Yu** (“**Mr Su**”), former ED of the Company;
- (8) **Mr Ping Hao** (“**Mr Ping**”), former ED of the Company;
- (9) **Mr Cong Hui Sheng** (“**Mr Cong**”), former ED of the Company;
- (10) **Mr Du Xin Hua** (“**Mr Du**”), former ED of the Company;
- (11) **Mr Choy Sze Chung Jojo** (“**Mr Choy**”), a former independent non-executive director (“**INED**”) and chairman of the audit committee (the “**AC**”) of the Company;
- (12) **Mr Xiao Xiao Zhou** (“**Mr Xiao**”), an INED and AC member of the Company;
- (13) **Mr Wu Zheng De** (“**Mr Wu**”), a former INED and AC member of the Company;
- (14) **Mr Li Yuan Peng** (“**Mr Li**”), a former INED and AC member of the Company;

**AND CRITICISES:**

- (15) **Mr Wang Mi Cheng** (“**Mr Wang**”), ED of the Company

for failing to use their best endeavours to procure the Company's Exchange Listing Rule compliance, breaching their obligations under the Declarations and Undertakings with regard to Directors given to the Exchange in the form set out in Appendix 5H to the Exchange Listing Rules (the "**Directors' Undertakings**").

(The directors identified at (2) to (15) above are collectively referred to as the "**Relevant Directors**".)

On 10 April 2018, the Listing Committee conducted a hearing into the conduct of the Company and the Relevant Directors in relation to their obligations under the Directors' Undertakings.

### **KEY FACTS**

On 12 May 2015, the Company announced that the Group had entered into three series of continuing connected transactions (the "**CCTs**") with:

- (1) China PUTIAN Corporation and its subsidiaries (excluding the Company) (the "**Potevio Group**") which was the controlling shareholder group holding 60 per cent equity interest in the Company since the Company was listed on the Exchange;
- (2) Sumitomo Electric Industries, Ltd. ("**Sumitomo**") and its subsidiaries (the "**Sumitomo Group**") which was a substantial shareholder group of Chengdu SEI Optical Fiber Co., Ltd. ("**SEI Optical**"), a non-wholly owned subsidiary of the Company (60% equity interest) since 1998; and
- (3) Jiangsu Fasten Hongsheng Group Co., Ltd. and its subsidiaries, (the "**Fasten Group**") which was a substantial shareholder group of Putian Fasten Cable Telecommunication Co., Ltd. (the "**Putian Fasten JV**"), a non-wholly owned subsidiary of the Company since 2013 after its accounts have been consolidated into the Group's,

without complying with the reporting, announcement, annual review and independent shareholder approval requirements under Chapter 14A of the Exchange Listing Rules; and the Company had quantified the CCTs which occurred between 1 January 2012 and 31 December 2014 (namely, the "**Past CCTs (Potevio)**", the "**Past CCTs (Sumitomo)**" and the "**Past CCTs (Fasten)**" respectively, and collectively, the "**Past CCTs**"). According to the Company, the CCTs with the Potevio Group and the Sumitomo Group had occurred for many years before 2012.

The details and breakdown of the Past CCTs are as follows:

	<u>2012 (RMB)</u>	<u>2013 (RMB)</u>	<u>2014 (RMB)</u>	<u>Applicable percentage ratios</u>
Past CCTs (Potevio)				
- Purchase	Nil	0.002m	2.1m	<0.1% (2013) 0.1% to 5% (2014)
- Sales	10.7m	50.2m	51.9m	>5%
Past CCTs (Sumitomo)	79.1m	91.9m	152m	>5%
Past CCTs (Fasten)	Nil	347m	366.3m	>5%

On 24 September 2015, the Company issued a circular to convene a shareholders' meeting on 12 November 2015. On the following day, the Company announced that it had entered into framework agreements with the same connected persons for a term of 3 years commencing retrospectively from 1 January 2015 in respect of the CCTs (namely, the "Renewed CCTs (Potevio)", the "Renewed CCTs (Sumitomo)" and the "Renewed CCTs (Fasten)" respectively, and collectively, the "**Renewed CCTs**") which had occurred since that date. Only the framework agreement in respect of the Renewed CCTs (Potevio) was subject to the reporting, announcement and independent shareholder approval requirements under Chapter 14A of the Exchange Listing Rules, whereas the other two agreements were only subject to the reporting and announcement requirements.

On 12 November 2015, the independent shareholders at the EGM voted down the Past CCTs (Potevio) but approved the Past CCTs (Sumitomo and Fasten) and the Renewed CCTs (Potevio).

#### Past CCTs

According to the Company:

- (1) There was no framework agreement governing each of the Past CCTs. The Past CCTs and the Renewed CCTs, which included a considerably large number of transactions, were carried out at the subsidiaries level. They were negotiated, concluded and handled by the sales team and sales managers of the relevant subsidiaries without involving or reporting to the Directors before the breaches were discovered;
- (2) The Board had not discussed or approved the Past CCTs before they were carried out;
- (3) The Company had mis-interpreted the Exchange Listing Rules and had failed to regard the Putian Fasten JV as its subsidiary under the Exchange Listing Rules despite consolidation of its financial results into the Group since 2013. This, in turn, had led to a failure to include the connected persons of the Putian Fasten JV as connected persons;

- (4) There were “miscommunications” within the Group on whether the transactions should be reported to the Company and the subsidiaries did not have well-established and clear reporting procedures;
- (5) The CCTs were handled by different sales and marketing personnel who lacked the knowledge of regulatory compliance and sense of reporting; and
- (6) It first became aware of its failure to comply with Chapter 14A requirements in respect of the Past CCTs in October 2014 when it received from the Exchange an enquiry on certain information in its 2013 annual report.

#### Renewed CCTs

The Listing Committee noted that the Company did not announce and obtain prior shareholder approval for the Renewed CCTs because:

- (1) The EDs discussed the Renewed CCTs in early 2015, and then directed its then general manager to collect information and ascertain if there would be new CCTs. However, that general manager left the Company in March 2015 and there was interruption in reporting to the new general manager (being Mr Wang (also the Vice Chairman of the Board)).
- (2) There were verbal miscommunications between the Company and the professional parties who had difficulties in giving exact fee quotations to the Group. The Company also faced difficulties in locating independent financial advisers who had the capacity to assist on the matter. The EDs, including Mr Wang, had discussed about the delay and urged the handling staff and professional parties to speed up the progress. However, despite its request, no supporting evidence was provided to the Listing Department of the Exchange (the “**Department**”) to show that the professional parties had difficulties in giving exact quotations.

#### Exchange Listing Rule Requirements

At the relevant times, Rule 14A.35 provided that a listed issuer must enter into a written agreement with the connected person, set an annual cap for the transactions, and comply with the reporting (Rules 14A.45 and 14A.46), announcement (Rule 14A.47, equivalent to current Rule 14A.35) and annual review (Rules 14A.37 to 14A.40) requirements for non-exempted CCTs and, additionally, the independent shareholder approval requirement (Rule 14A.48, equivalent to current Rule 14A.36) for the CCTs of which the percentage ratios were not less than 5 per cent or they were less than 25 per cent and the annual consideration was less than \$10 million.

#### **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:

## **Company's breaches**

The Listing Committee found, and noted that the Company had admitted, that each of the relevant members of the Potevio Group, the Sumitomo Group and the Fasten Group was a connected person of the Company when the Company entered into the CCTs with them during its financial years ended 31 December 2012, 2013 and 2014 (“FY2012”, “FY2013” and “FY2014” respectively) and when the Past CCTs were renewed.

The Listing Committee further concluded that the Company was required, but had failed, to comply with the following requirements and therefore breached the corresponding Exchange Listing Rules. The Company had admitted these breaches:

- (1) The requirements to enter into written agreement(s) with the connected persons and set an annual cap in respect of each of the Past CCTs under Rules 14A.35(1) and (2);
- (2) The reporting requirement under Rule 14A.46, the announcement requirement under Rule 14A.47, the annual review requirements under Rules 14A.37 to 14A.40, and the independent shareholder approval requirements under Rule 14A.48(2) for the Past CCTs for FY2012 to FY2014; and
- (3) The announcement requirement for the Renewed CCTs (Sumitomo) and the Renewed CCTs (Fasten), and the announcement and independent shareholder approval requirements for the Renewed CCTs (Potevio), under the current Rules 14A.35 and 14A.36.

## **Internal control deficiencies**

The Listing Committee found the following material deficiencies in the Company's internal controls which partly caused the Company's breaches set out above:

- (1) There was no clear and well established system for identification of connected persons for the purposes of Chapter 14A of the Exchange Listing Rules, and by which the CCTs would be identified and escalated to the Board for Rule compliance consideration and action.
- (2) While the responsibility for reporting the CCTs to the Company lay with the Company's subsidiaries, they did not have a well-established and clear procedure for reporting the CCTs to the Company. Nor were there written manuals or guidelines provided to the subsidiaries.
- (3) At the Company level, there was no system to monitor compliance with the reporting obligations of subsidiaries.
- (4) There was no system to equip its staff members charged with the reporting responsibility with relevant knowledge on Rule compliance and/or internal reporting procedures. At the material time, the CCTs were handled by different sales and marketing personnel who lacked the knowledge of regulatory compliance and sense of reporting. No training on connected transactions or other related guidance or written manuals of the procedures were given to the relevant personnel at the subsidiary level. The Company also had not provided relevant training to the staff of the Business Development Department in the Company to whom the subsidiaries were supposed to report regarding the CCTs.

### **Directors' breach of the Directors' Undertakings**

Under Rules 3.08, 3.16 and 13.04 of the Exchange Listing Rules, the Board is collectively responsible for the Company's management and operations, and the Directors (together with the CEO) are collectively and individually responsible for ensuring the Company's full compliance with the Exchange Listing Rules.

The Corporate Governance Code ("CG Code") in Appendix 14 to the Exchange Listing Rules (in effect until January 2016) stated that:

- (1) "The board should ensure that the issuer maintains sound and effective internal controls to safeguard shareholders' investment and the issuer's assets." (C.2 Principle)
- (2) "The directors should at least annually conduct a review of the effectiveness of the issuers' and its subsidiaries' internal control systems and report to shareholders that they have done so in their Corporate Governance Report. The review should cover all material controls, including financial, operational and compliance controls and risk management functions." (C.2.1 Code Provision)
- (3) "The board's annual review should, in particular, consider the adequacy of resources, staff qualifications and experience, training programmes and budget of the issuer's accounting and financial reporting function." (C.2.2 Code Provision)

### **Relevant Directors**

The Listing Committee noted the Relevant Directors' submissions (except Mr Cong who had not responded to the Department's investigation nor provided any submission) that they were not aware of the Past CCTs as those transactions were not reported as CCTs to the Board. The former Relevant Directors submitted that, based on their recollection, they were not aware of the Past CCTs during their respective directorships in the Company and/or only became aware of them being CCTs when the Exchange raised the matter when reviewing the related party transactions disclosed in the FY2013 report in October 2014.

### **EDs (except Mr Wang)**

The Listing Committee noted that some of the Relevant Directors who are/were EDs (being Mr Zhang, Mr Chen, Ms Fu, Mr Jiang and Mr Su) had been on the Board for a considerable period of time before the Company's Exchange Listing Rule breaches identified herein were discovered. The other EDs (being Mr Fan, Mr Ping, Mr Cong and Mr Du but excluding Mr Wang) had been on the Board for at least two years before the Company's Exchange Listing Rule breaches were discovered.

The Listing Committee noted that, notwithstanding their period of directorship (and in the case of Mr Zhang, Mr Chen, Mr Fu, Mr Jiang and Mr Su, long period of directorship), they had not identified:

- (1) the relevant members of the Potevio Group and the Sumitomo Group as connected persons and the transactions with these counterparties as CCTs;

- (2) the relevant members of the Fasten Group as connected persons after the Fasten Group's accounts had been consolidated into the Group's and the transactions with these counterparties as CCTs (except Mr Fu, Mr Jiang and Mr Su whose directorship ceased before the relevant members of the Fasten Group became connected persons); and
- (3) the deficiencies in the Company's internal controls for procuring compliance with Chapter 14A of the Exchange Listing Rules.

The Listing Committee also found that the EDs (except Mr Fu, Mr Jiang, Mr Su and Mr Wang) also had not taken immediate steps to procure the Company to announce and/or obtain shareholders' approval in respect of the Renewed CCTs even after they became aware of the Company's Exchange Listing Rule non-compliance in respect of the Past CCTs in October 2014, and allowed the Renewed CCTs to be carried out from 1 January 2015 without complying with the Chapter 14A Rules.

The Listing Committee concluded that the EDs (except Mr Wang) had failed to use their best endeavours to procure the Company to comply with the Chapter 14A Rules in respect of the Past CCTs and/or the Renewed CCTs by failing to:

- (1) be alerted by the FY2012 and FY2013 reports when they approved them for publication or after they were published which identified the members of the Potevio Group, SEI Optical and the members of the Fasten Group as "related parties" in the "Related Party Transactions" section under the Notes to the Financial Statements, and therefore procure the Company to consult professional advisers and/or the Exchange as to whether:
  - (i) the members of the Potevio Group and the Sumitomo Group were connected persons of the Company; and
  - (ii) the relevant members of the Fasten Group had become connected persons of the Company since 2013 (except Mr Fu, Mr Jiang and Mr Su whose respective directorships had ceased by that time),

and therefore whether the Group's transactions with each of these counterparties were CCTs, for the purposes of Chapter 14A of the Exchange Listing Rules;

- (2) consider the Exchange Listing Rule implications, and report the Past CCTs and the Renewed CCTs (except Mr Fu, Mr Jiang and Mr Su) for the attention of the entire Board for information, consideration and discussion on Exchange Listing Rule implications and compliance, as soon as they had identified the transactions;
- (3) take steps to procure the Company to announce the Past CCTs and the Renewed CCTs (except Mr Fu, Mr Jiang and Mr Su) as soon as possible and obtain the required shareholder approval before they were conducted;
- (4) take immediate steps to procure the Company to comply with the applicable Chapter 14A requirements in respect of the Renewed CCTs once the Company's breaches in respect of the Past CCTs had been identified (except Mr Fu, Mr Jiang and Mr Su); and

- (5) take steps to ensure the Company had established and maintained an adequate and effective internal control system governing the entire Group through which the Company's Exchange Listing Rule compliance could have been procured and achieved.

Mr Wang (ED)

The Listing Committee noted that Mr Wang has only been on the Board since 12 March 2015, and agreed with the Department that Mr Wang should not be held responsible for the Company's breaches in respect of the Past CCTs or the internal control deficiencies identified above.

However, the Listing Committee also noted that after the Company discovered in October 2014 that it had not complied with the Chapter 14A Rules in respect of the Past CCTs, the Group had carried on the Renewed CCTs from 1 January 2015 without entering into any written agreement, and without complying with the announcement and shareholder approval requirements under the Exchange Listing Rules. The Company only announced the Renewed CCTs on 25 September 2015 and obtained shareholder approval for the Renewed CCTs (Potevio) on 12 November 2015.

The Listing Committee noted that Mr Wang was assigned by the Board to ascertain new CCTs (ie the Renewed CCTs) for Rule compliance purposes. He also knew, or should have known, that the carrying on of the Renewed CCTs (the nature of, and the parties to, which were the same as the Past CCTs) was in breach of the announcement and shareholder approval requirements under the current Rules 14A.35 and 14A.36.

Despite the reasons for the delay in announcing the Renewed CCTs as asserted by the Company (endorsed by Mr Wang), no supporting evidence had been produced by the Company or Mr Wang notwithstanding the Department's request to show how Mr Wang had used his best endeavours to deal with those alleged issues from 12 March to 25 September 2015. There was, however, evidence showing that Mr Wang had made some efforts to improve the Company's internal controls on managing future CCTs in his first six months with the Company. The Listing Committee accordingly concluded Mr Wang failed to use his best endeavours to procure the Company to announce the Renewed CCTs and obtain prior shareholders' approval for the Renewed CCTs (Potevio) as soon as possible.

INEDs

The Listing Committee noted that most of the INEDs (being Mr Choy, Mr Wu and Mr Li) are/were long serving members of the Board and of the AC. Mr Xiao has been an INED on the Board and an AC member since 31 July 2013.

The Listing Committee:

- (1) noted the Company's AC Rules in effect from 27 March 2012 to 12 November 2015 (before they were amended) set out the AC's duties and functions, including reviewing the internal control system of the Company and auditing material connected transactions, and establishing an effective internal control system, including whether its personnel possess adequate qualifications and experience and staff training programmes;
- (2) confirmed that the Directors' duties under the CG Code identified above also applied to the INEDs;

- (3) took the view that, as INEDs, Mr Choy, Mr Xiao, Mr Wu and Mr Li were expected to exercise their independent judgement and to give the Board the benefit of their skills, expertise and varied backgrounds and qualifications through active participation (see Code Provision A.6.7 of the CG Code in effect at that time); and
- (4) concluded that the INEDs had not exercised their independent judgement to identify and raise to the entire Board for consideration and discussion:
  - (a) the same issues that the EDs (except Mr Wang) should have raised when they approved the FY2012 and FY2013 reports for publication or after they were published which identified the members of the Potevio Group, SEI Optical and the members of the Fasten Group as “related parties” in the “Related Party Transactions” section under the Notes to the Financial Statements, and therefore procure the Company to consult professional advisers and/or the Exchange as to whether:
    - (i) the members of the Potevio Group and the Sumitomo Group were connected persons of the Company; and
    - (ii) the relevant members of the Fasten Group had become connected persons of the Company since 2013;
  - (b) the Rule implications for carrying on the Renewed CCTs since 1 January 2015; and
  - (c) the deficiencies in the Company’s internal control system identified above.

The Listing Committee further concluded that the INEDs had breached their Directors’ Undertakings to use their best endeavours to procure the Company’s compliance with the Chapter 14A Rules in respect of the Past CCTs and the Renewed CCTs (except Mr Wu who resigned before the Renewed CCTs were conducted) by failing to at least take the following steps:

- (1) be alerted by the FY2012 and FY2013 reports (and in the case of Mr Xiao, the FY2013 report) when they approved them for publication or after they were published, and procure the Company to consult professional advisers on the matters concerning the Past CCTs;
- (2) review the effectiveness of the Group’s internal control system at least annually, discuss the internal control system with management, including whether the Group had adequate resources and whether its personnel possessed adequate qualifications and experience, and received adequate training for reporting the CCTs for compliance with the Chapter 14A Rules;
- (3) procure the Company to comply with the applicable Chapter 14A Rules in respect of the Renewed CCTs once the Company’s breaches in respect of the Past CCTs had been identified (except Mr Wu);
- (4) ensure the Company had established and maintained an adequate and effective internal control system governing the entire Group for Exchange Listing Rule compliance;

- (5) audit material connected transactions; and
- (6) discharge the AC's duties to ensure that the Company's Exchange Listing Rule obligations in respect of connected transactions were fully complied with.

The Listing Committee concluded that the failure to take the steps in the preceding paragraph demonstrated a lack of proactivity on the part of the INEDs in procuring the Company's Exchange Listing Rule compliance.

## **REGULATORY CONCERN**

The Listing Committee regards the breaches in this matter as serious:

- (1) The Company had not identified all the CCTs with the Potevio Group and the Sumitomo Group which had occurred for many years as the Company admitted (which could be back to 1994 and 1998 respectively). The Past CCTs and Renewed CCTs entered into with these two counterparties and covered in this news release only represent those that occurred from 1 January 2012 onwards. Notwithstanding the considerable time span of the Past CCTs and their value (some of which required independent shareholders' approval), none of them was uncovered until the Exchange made enquiries of the Company in October 2014 after reviewing the Company's FY2013 report.
- (2) There was heavy reliance by the Company on the subsidiaries for identifying and reporting CCTs to the Company for the purposes of Listing Rule compliance. No training on connected transactions or other related guidance or written manuals of the procedures were given to the relevant personnel at the subsidiary level. Nor did the Company itself establish and maintain a mechanism by which reporting by subsidiaries could be effectively supervised and monitored.
- (3) There were material deficiencies in the Company's internal controls for procuring the Company's compliance with the Chapter 14A Rules, which partly led to the Company's breaches. Although the Board was expected under the CG Code to review the soundness and effectiveness of the internal controls at least annually, the evidence showed that the reviews conducted from 2011 to 2014 only focused on prevention and detection of fraud and errors.
- (4) The Company had misinterpreted the Exchange Listing Rules and failed to identify the members of the Fasten Group as connected persons. It was not aware that the transactions with the members of the Potevio Group and Sumitomo and/or members of its group constituted the CCTs. None of the Relevant Directors had discovered the CCTs, the misinterpretation and the material internal control deficiencies during their directorship. These clearly demonstrate that the Relevant Directors did not have a proper understanding of the Exchange Listing Rules governing CCTs and/or a lack of proactivity on their part in procuring the Company's compliance with the Exchange Listing Rules governing CCTs.
- (5) There is serious concern about the Company's Listing Rule compliance attitude in light of the fact that it carried on the Renewed CCTs since 1 January 2015 after the Past CCTs were discovered in October 2014 without complying with the announcement and shareholders' approval requirements until September and November 2015.

- (6) The interest of the Company's shareholders had been prejudiced in terms of their right to timely receipt of information concerning the CCTs, and to vote on those requiring their approval before they were carried out.
- (7) Directors have an obligation to ensure that the Company notifies the shareholders (and obtains their approval if required) and the market of transactions falling within the scope of Chapter 14A of the Exchange Listing Rules as soon as possible after the terms of the transaction have been finalised. Failure to do so destroys transparency, trust and confidence in the market.

## **SANCTIONS**

Having made the findings of breaches stated above, and having concluded that the breaches were serious, the Listing Committee hereby:

- (1) Censures the Company for its breaches of Listing Rules 14A.35, 14A.37 to 14A.40, 14A.46 to 14A.48, and the current Listing Rules 14A.35 and 14A.36;
- (2) (a) Censures the Relevant Directors (except Mr Wang); and (b) criticises Mr Wang for breach of their Directors' Undertakings to use their best endeavours to procure the Company to comply with the Exchange Listing Rules mentioned above.

The Listing Committee further directs:

### Internal control review

- (1) The Company to retain an independent professional adviser satisfactory to the Committee and/or the Department (the "**Adviser**") to conduct a thorough review of and make recommendations to improve the Company's internal controls to ensure compliance with the Exchange Listing Rules, within two weeks from the date of publication of this news release; and provide the Department with the written report of the Adviser containing such recommendations within two months 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 Adviser; and
- (2) The Company to furnish the Department with the Adviser's written report on the Company's full implementation of the Adviser's recommendations within a further period of two months.

Compliance Adviser appointment

- (3) The Company to appoint an independent Compliance Adviser (as defined in Rule 3A.01 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 under Rule 3A.19 or Rule 3A.20 to undertake work as a Compliance Adviser) satisfactory to the Department on an ongoing basis for consultation on Exchange Listing Rule 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 AC of the Company.

Director training

- (4) Mr Zhang, Mr Fan, Mr Wang and Mr Xiao to each (a) attend 24 hours of training on Exchange Listing Rule compliance and director's duties, including four hours of training on the requirements under the Exchange Listing Rules in respect of notifiable and connected transactions (the "**Training**"), 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. The Training is to be completed within 90 days from the publication of this news release; and (b) provide the Department with the Training provider's written certification of full compliance within two weeks after Training completion.
- (5) Although Mr Choy has resigned as a director of the Company, he remains a director of five other companies listed on the Exchange and should (a) attend the Training 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. The Training is to be completed within 90 days from the publication of this news release; and (b) provide the Department with the Training provider's written certification of full compliance within two weeks after Training completion.
- (6) As a pre-requisite of any future appointment as a director of any company listed on the Exchange, Mr Chen, Ms Fu, Mr Jiang, Mr Su, Mr Ping, Mr Cong, Mr Du, Mr Wu and Mr Li, who are not currently a director of any other company listed on the Exchange, (a) to attend the Training 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. The Training is to be completed before the effective date of any such appointment; and (b) to provide the Department with the Training provider's written certification of full compliance.
- (7) The Company to publish an announcement to confirm that the directions in paragraphs (1) to (4) above have been fully complied with within two weeks after the respective fulfillment of each of those directions.

- (8) The Company to submit drafts of the announcements referred to in (7) above for the Department's comment and may only publish the announcements after the Department has confirmed it has no further comment on them.
- (9) 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 (8) above are to be directed to the Department for consideration and approval. The Department should refer any matters of concern to the Listing Committee for determination.

Hong Kong, 5 July 2018