

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)

This decision emphasises the importance of compliance with securities dealing restrictions within the GEM Listing Rules.

Directors are restricted from dealing in securities during Blackout Periods to remove or mitigate any suspicion of abuse by directors of listed issuers. Directors' strict compliance is of fundamental importance to the integrity and confidence in the governance of listed issuers and the securities market in Hong Kong.

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

CRITICISES:

Mr Guo Xia William ("Mr Guo"), executive director ("**ED**") and Chairman of China Health Group Inc. ("**Company**") (Stock Code: 8225) for his breaches of Rule 5.56(a)(ii) of the *Rules Governing the Listing of Securities on GEM of The Stock Exchange of Hong Kong Limited* ("**GEM Listing Rules**") and his obligations under the *Declaration and Undertaking with regard to Directors* given to the Exchange in the form set out at Form A at Appendix 6 to the GEM Listing Rules ("**Undertaking**") by failing to comply with the GEM Listing Rules to the best of his ability.

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

HEARING

On 10 September 2019, the Committee conducted a hearing into Mr Guo's conduct in relation to his obligations under the GEM Listing Rules and the Undertaking.

GEM LISTING RULE REQUIREMENTS

Rule 5.56(a)(ii) of the GEM Listing Rules provides, among other matters, that a director must not deal in any securities of the listed issuer on any day on which its financial results are published and during the period of 30 days immediately preceding the publication date of the quarterly results and half-year results ("**Blackout Period**").

Pursuant to the Undertaking, Mr Guo was under an obligation to comply with the GEM Listing Rules to the best of his ability.

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FACTS

The Company announced its financial results on:

- (a) 10 May 2017 for the three months ended 31 March 2017;
- (b) 14 August 2017 for the six months ended 30 June 2017; and
- (c) 14 November 2017 for the nine months ended 30 September 2017.

The Blackout Periods commenced 30 days immediately prior to the dates of the announcement for each of the financial results.

Mr Guo purchased a total of 6,020,000 shares in the Company (“**Shares**”) between April and November 2017 (collectively, “**Transactions**”):

Transaction dates (2017)	Number of Shares purchased	Blackout Period (2017)
24 to 28 April	780,000	10 April – 10 May
2 & 5 May	1,000,000	
21 & 24 July	80,000	15 July – 14 August
28 July & 2 August	440,000	
7 August	40,000	
18 & 20 October	1,020,000	15 October – 14 November
25 to 27 October	720,000	
31 October to 3 November	1,940,000	
Total	6,020,000	

Mr Guo’s position is that the Transactions were caused by his securities brokers not paying attention to the Blackout Periods and his office assistant not complying with his instructions:

- (a) he had notified his office assistant in respect of each Transaction before giving trading instructions to his securities brokers (during the Blackout Periods) and he asked his office assistant to “*comply with the Exchange’s requirements*”;
- (b) while he did not follow up with his securities brokers every day, he had reminded his securities brokers to take note of the Company’s financial results announcements and not to purchase any Shares during any Blackout Period; and
- (c) he received Ms Song’s (current ED of the Company) written clearances before each of the Transactions.

FINDINGS OF BREACH BY THE COMMITTEE

The Committee, having considered the written submissions of the Listing Department and Mr Guo and the oral submissions of the Listing Department, makes findings of breach and concludes as follows:

Breach of Rule 5.56(a)(ii) of the GEM Listing Rules

The Transactions were conducted during the Blackout Periods. Accordingly, Mr Guo breached Rule 5.56(a)(ii) of the GEM Listing Rules.

Breach of the Undertaking

Mr Guo failed to take adequate steps to ensure GEM Listing Rule compliance. In discharge of his Undertaking to comply with the GEM Listing Rules to the best of his ability, Mr Guo:

- (a) should have adequately supervised his office assistant;
- (b) should have informed his securities brokers in advance of the commencement of the Blackout Periods; and
- (c) ultimately, should have ensured that the Transactions did not occur during the Blackout Periods.

Notwithstanding the fact that he had sought dealing clearances to carry out the Transactions during the Blackout Periods, in this case, Mr Guo also breached his Undertaking to comply with the GEM Listing Rules to the best of his ability.

REGULATORY CONCERN

The Committee regards the breaches in this matter as serious:

- (a) The requirements governing directors' securities dealings are designed to remove/mitigate any suspicion of abuse by directors of listed companies of price sensitive or inside information that they may have or be thought to have, especially during periods immediately before publication of financial results. Directors' strict compliance with the securities dealing requirements under Rule 5.56(a) is of fundamental importance to the integrity and confidence in the governance of individual listed issuers and the wider securities market in Hong Kong.
- (b) The Exchange views the strict compliance with the securities dealing requirements seriously. Directors must exercise due care in conducting and authorising securities dealings.

- (c) The Transactions spanned over three Blackout Periods and involved 32 transactions. The seriousness of Mr Guo's breaches in this case is aggravated by his repeated failures to comply with the securities dealing restrictions.
- (d) A specific function may be delegated to appropriately qualified staff but not the ultimate responsibility for performance of that function by Directors. Mr Guo was obliged to consider the GEM Listing Rule implications, adequately supervise the performance of the delegated function, and apply his mind to GEM Listing Rule compliance. Mr Guo did not take sufficient steps in this case to ensure the compliance with Rule 5.56(a)(ii).

SANCTION AND DIRECTIONS

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

- (1) criticise Mr Guo for his breaches of Rule 5.56(a)(ii) and the Undertaking;
- (2) direct that Mr Guo (a) undergo 3 hours of training on directors' duties and the obligations and requirements under Chapter 5 of the GEM Listing Rules (including the requirements on directors' dealings), 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 ("**Training**"), to be completed within six months 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 completion of the Training;
- (3) direct that Mr Guo procure the Company to publish an announcement to confirm that Mr Guo has fully complied with the Training requirement within two weeks after the fulfilment of the direction in paragraph (2). Mr Guo is to procure the Company to submit a draft of the announcement for the Department's comment and the Company may only publish the announcement after the Department has confirmed it has no further comment on it; and
- (4) 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 (2) to (3) above are to be directed to the Department for consideration and approval. The Department should refer any matters of concern to the Committee for determination.