STATEMENT OF DISCIPLINARY ACTION

Exchange's Disciplinary Action against Eight Former Directors of China E-Information Technology Group Limited (Delisted, Previous Stock Code: 8055)

SANCTIONS

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

IMPOSES:

A DIRECTOR UNSUITABILITY STATEMENT and **CENSURE** against:

(1) **Mr Yuan Wei**, former executive director (**ED**) and chief executive officer of China E-Information Technology Group Limited (**Company**);

(2) **Ms Zhang Jianxin**, former ED of the Company;

(3) **Mr Zheng Zhijing**, former ED of the Company;

(4) **Ms Lin Yan**, former ED of the Company;

(5) **Ms Lu Xiaowei**, former independent non-executive director (**INED**) of the Company;

(6) **Ms Yang Qingchun**, former INED of the Company;

(7) **Mr Tang Jiuda**, former INED of the Company; and

(The directors identified at (1) to (7) above are collectively referred to as the **Non-Cooperating Directors**.)

A PREJUDICE TO INVESTORS' INTERESTS STATEMENT and **CENSURE** against:

(8) **Ms Wong Hiu Pui**, former ED of the Company (**Ms Wong**).

(The directors identified at (1) to (8) above are collectively referred to as the **Relevant Directors.**)

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The Director Unsuitability Statement is a statement that, in the Exchange's opinion, each of the Non-Cooperating Directors is unsuitable to occupy a position as director or within senior management of the Company or any of its subsidiaries.

The Prejudice to Investors' Interests Statement is a statement that, in the Exchange's opinion, had Ms Wong remained on the board of directors of the Company (**Board**), her retention of office would have been prejudicial to the interests of investors.

SUMMARY OF FACTS

Financial Advisory Agreement

In July 2015, the Company entered into a financial advisory agreement, under which Celestial Depot Investments Limited (**CDI**) was to provide financial advisory services (**Financial Advisory Agreement**). The Company prepaid $60 million (**Prepayment**) to CDI. The Prepayment consisted of $40 million investment funds and $20 million advisory fees.

The Financial Advisory Agreement did not refer to any specific investment project or any mechanism for refund of the Prepayment in case of termination or expiry of the Financial Advisory Agreement and/or any relevant investment projects falling through.

The Board did not consider or approve the Company's entry into the Financial Advisory Agreement. The Board was not provided with any background information on CDI, and no due diligence was conducted. It is unclear why the Company prepaid the investment funds to CDI, rather than paying any investment counterparties direct.

Repayment Agreement

In March 2018, the Company and CDI entered into a repayment agreement for the refund of the balance of the Prepayment (**Repayment Agreement**). The balance was stated to be $55 million as CDI had charged and deducted $5 million as consultancy fees.

CDI repaid $10 million to the Company in March 2018, and agreed to repay the remaining $45 million to the Company in two equal tranches by 19 September 2018 and 19 March 2019 (ie $22.5 million each).

The Company and Relevant Directors provided no information about what steps the Board had taken in respect of the Prepayment during the period of about two years between the expiry of the Financial Advisory Agreement and the execution of the Repayment Agreement. It is also unclear why the Company agreed to allow CDI an additional year to repay the balance of the Prepayment without demanding any security or interest.

Between September 2018 and November 2020, the Company extended the date for repayment by CDI on six occasions.

The Relevant Directors approved the Repayment Agreement and/or related extensions at their Board meetings. Some of the Board minutes recorded that the Company's finance department had raised concerns about the relevant transactions. The finance department reminded the Board that, based on the bank and cash account balance of the Company and its subsidiaries (**Group**) at the relevant time, there was a high likelihood that the Group would not be able to comply with the going-concern provisions. The finance department noted that this would give rise to a risk of a suspension from trading or the Company being delisted. The Relevant Directors were reminded to recover the outstanding receivables as soon as possible to mitigate the going-concern risk.

The Relevant Directors were aware of the matters raised by the finance department. However, there was no evidence that the Relevant Directors addressed the concerns or took any follow-up action in relation to the problematic transactions.

As of 12 July 2022, the outstanding balance of the Prepayment was about $40.25 million. This amount accounted for about 32.9% of the Group's then total assets of $122.17 million (based on the Company's annual report for the financial year ended 31 December 2020) (**Total Assets**).

Loans

Between November 2018 and March 2019, the Company granted loans of $42 million in total (**Loans**) to one corporate and three individual borrowers (**Borrowers**) with an interest rate of 6% per annum. The Company subsequently gave each Borrower between three and eight repayment extensions.

The Relevant Directors approved the Loans and/or related extensions at their Board meetings. Similar to the Repayment Agreement and its extensions, the Company's finance department had also expressed concerns to the Board about the transactions relating to the Loans. There was again no evidence that the Relevant Directors addressed these concerns or took any follow-up action.

As of 29 December 2021, the outstanding balance of the Loans was about $40.6 million, accounting for about 33.23% of the Total Assets.

Internal controls

At the material time, the Company had no written internal control policy or procedure governing loan transactions. It appears that the Company did not perform any internal control reviews.

Investigation

In October 2021, the Board engaged an external investigator (**Investigator**) to investigate the Repayment Agreement, Loans and related extensions. In January 2022, the Investigator issued its investigation report, which contained the following key findings:

(a) The Company extended the repayments by CDI and the Borrowers without any legitimate reason, which increased the risk of bad debts.

(b) At the material time, money lending was not a primary business of the Company. This gave rise to concerns over whether the Company's management was capable of performing effective risk assessments and ongoing monitoring of the transactions relating to the Repayment Agreement and the Loans.

(c) The agreements used for the Loans did not contain many standard loan provisions, including in relation to the mode of repayment, warranties and undertakings, default interest, dispute resolution and governing law.

(d) The arrangements in connection with the Repayment Agreement and/or the Loans went against reasonable business judgement. The Company did not conduct sufficient assessment of the background and repayment capabilities of CDI and the Borrowers, and also did not require CDI or the Borrowers to pledge any tangible asset as security.

In July 2022, the Company published an announcement and noted that:

(a) Some transactions related to the Financial Advisory Agreement, Repayment Agreement, some of the Loans and related extensions had not been notified and announced by the Company and/or approved by its shareholders in a timely manner, in breach of Chapters 17 and 19 of the GEM Listing Rules (**Rules**).

(b) The Board considered that the Repayment Agreement, some of the Loans and related

extensions were not fair and reasonable, and were not conducted on normal commercial terms or in the interest of the Company and its shareholders, because (i) the Board did not conduct adequate due diligence or proper credit assessment against CDI and the Borrowers at the material times; and (ii) no security was obtained for some of the Loans and their respective extensions.

As part of an investigation into, amongst other things, whether the Relevant Directors had discharged their duties and obligations under the Rules, the Division sent investigation and reminder letters to the Non-Cooperating Directors. The Division did not receive any response from the Non-Cooperating Directors during its investigation.

RULE REQUIREMENTS

Under Rules 5.01, 5.03 and 17.03, the board of directors is collectively responsible for the Company's management and operations, and the directors are collectively and individually responsible for the issuer's compliance with the Rules.

Rule 5.01 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.

Under Rules 5.02B, 5.02C and 5.13A, a director has obligations to:

(a) use his best endeavours to procure the issuer's compliance with the Rules;

(b) cooperate in any investigation conducted by the Division, which includes promptly and openly answering any questions, promptly providing any documents and attending any meeting or hearing requested of him;

(c) inform the Exchange of any change to his contact details for correspondence from and service of notices and other documents by the Exchange, during the directorship and for a further period of three years from the date on which he ceases to be a director of the issuer; and

(d) keep the Exchange informed of his up-to-date contact details. If he fails to provide the Exchange with his up-to-date contact details or arrange for notices, documents or correspondence to be forwarded to him, he may not be alerted to any proceedings commenced against him by the Exchange.

GEM LISTING COMMITTEE'S FINDINGS OF BREACH

The GEM Listing Committee found as follows:

Non-Cooperating Directors

The Non-Cooperating Directors breached Rule 5.02C by failing to cooperate with the Division in its investigation. Their obligations to provide information reasonably requested by the Exchange did not lapse after they ceased to be a director of the Company or the Company's shares ceased to be listed on the Exchange.

Relevant Directors

The Relevant Directors breached Rule 5.01 by failing to discharge their directors' duties to exercise reasonable skill, care and diligence during the transactions of the Repayment Agreement, the Loans and all related extensions.

Before approving the transactions, the Relevant Directors did not conduct or procure sufficient (if any) background checks or due diligence to be conducted against CDI and the Borrowers. Even though the Company's finance department repeatedly raised concerns, the Relevant Directors did not assess or address the default risk of CDI or the Borrowers, or the financial impact of the extensions on the Group.

The Relevant Directors failed to ensure that the Company had adequate and effective internal controls in respect of loans and prepayment transactions.

The Relevant Directors also breached Rule 5.02B by failing to use their best endeavours to procure the Company's compliance with the relevant Chapters 17 and 19 requirements of the Rules.

The Non-Cooperating Directors' conduct amounted to a serious and/or repeated failure to discharge their responsibilities under the Rules.

Ms Wong's conduct amounted to a willful and/or persistent failure to discharge her responsibilities under the Rules.

CONCLUSION

The GEM Listing Committee decided to impose the sanctions 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 Relevant Directors, and not to the Company or any other past or present directors of the Company.

Hong Kong, 18 March 2025