



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)  
(「聯交所」)

**THE STOCK EXCHANGE OF HONG KONG LIMITED**  
(A wholly-owned subsidiary of Hong Kong Exchanges and Clearing Limited)  
(“Exchange”)

21 January 2015

**The Listing Committee of The Stock Exchange of Hong Kong Limited (the “Listing Committee”) censures:**

- (1) Richly Field China Development Limited (“Company”) (Stock Code: 313) for breaching:**
  - (a) Rules 14A.45, 14A.47, 14A.48, 14A.49 and 14A.52 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, circular and/or independent shareholders’ approval requirements in relation to four connected transactions; and**
  - (b) Rules 13.46(1), 13.48(1), 13.49(1) and 13.49(6) of the Exchange Listing Rules for its delay in the publication and despatch of three sets of financial results and reports;**
- (2) Mr He Guang (“Mr He”), former Chairman and a former executive director of the Company (resigned effective 28 January 2014) for his breaches of Rule 3.08(f) of the Exchange Listing Rules and his obligations under the Declaration and Undertaking with regard to Directors given to the Exchange in the form set out in Appendix 5-B to the Exchange Listing Rules (the “Undertaking”); and**
- (3) Mr Wong Kin Fai (“Mr Wong”), a former executive director of the Company (resigned effective 23 April 2014) for his breach of the Undertaking.**

**The Listing Committee also expresses its view that, had Mr He remained in office, the Listing Committee would have directed publication of a statement that in the Exchange’s opinion, the retention of office by Mr He would have been prejudicial to the interests of investors. The Listing Committee further states that, in the event that Mr He should wish to become a director of another issuer in the future, his conduct in this matter will be taken into account in assessing his suitability under Rule 3.09 of the Exchange Listing Rules.**

**The Listing Committee also criticises the following former non-executive directors (the “NEDs”) and former independent non-executive directors (the “INEDs”) of the Company:**

- (4) Mr Huang Shao Xiong (“Mr Huang”), a NED, resigned effective 10 January 2014;**

- (5) **Mr Wang Yuan Xun (“Mr Wang”), a NED, resigned effective 28 January 2014;**
- (6) **Ms Cho Yee Man (“Ms Cho”), an INED, resigned effective 20 March 2012;**
- (7) **Mr He Chuan (“Mr C He”), an INED, resigned effective 11 June 2012; and**
- (8) **Mr Liu Ming Fang (“Mr Liu”), an INED, resigned effective 25 April 2012,**

**for their respective breaches of the Undertaking. All seven directors identified at (2) to (8) above are collectively referred to as the “Relevant Directors”.**

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

On 2nd December 2014, 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**

At the relevant time, the financial year end date of the Company was 31 March.

### ***Four Connected Transactions***

Between March 2011 and November 2012, two principal subsidiaries of the Company entered into four transactions which were connected transactions of the Company under the Exchange Listing Rules.

#### ***Transaction One***

On 4 March 2011 Richly Field (Beijing) Investment Consulting Co., Ltd. (“**RF Beijing**”), a wholly owned subsidiary of the Company, entered into an agreement with Qionghai Millennium Investment Co., Ltd. (瓊海千禧投資有限公司) (“**Qionghai Investment**”) which provided for RF Beijing’s payment of RMB32.2 million to Qionghai Investment for a term of one year for deposit/expense required for any potential property development projects Qionghai Investment might be able to identify and refer to the Company.

Qionghai Investment was a company in which Mr Leung Ho Hing (“**Mr Leung**”) had 54.3 per cent interest. Mr Leung was a substantial shareholder of the Company holding more than 26 per cent interest in the issued shares of the Company.

Mr He authorised the transaction, signed the agreement for Transaction One on behalf of RF Beijing but did not notify the Company’s board (the “**Board**”) of the Transaction.

The Auditors engaged to audit the Company's annual results for year ended 31 March 2011 uncovered the transaction. The Board ratified the transaction (the first time) on 30 June 2011. At the time the Relevant Directors were not aware that the transaction was a connected transaction. That the transaction was a connected transaction was uncovered by the Auditors during their audit of the Company's annual results for the year ended 31 March 2012 (the "**FY2012**").

#### *Transaction Two*

On 16 June 2011 RF Beijing entered into an agreement with Guangzhou Outlets World Brands Discount City Company Limited (廣州奧特萊斯名牌折扣城有限公司) ("**Guangzhou Outlets**") (which was 100 per cent owned by Mr Leung) for RF Beijing's disposal of 50 per cent interest in a subsidiary to Guangzhou Outlets at a consideration of RMB3 million. Mr He authorised the transaction, signed the agreement for the transaction but did not notify the Board of the transaction.

#### *Transaction Three*

On 16 December 2011, Hunan Richly Field Outlets Real Estate Limited ("**Hunan RF**"), another principal subsidiary of the Company in which the Company had 50.75 per cent interest, entered into an entrusted mortgage guarantee contract with Guangzhou Haimozhai Culture Activities Planning Company Limited (廣州海墨齋文化活動策劃有限公司) ("**Haimozhai**") under which Hunan RF:

- (1) agreed to provide to a bank a guarantee for a maximum amount of RMB22.23 million and mortgage a parcel of land (valued at RMB40 million) to the bank as security for Haimozhai's repayment of RMB20 million credit facility granted by the bank to Haimozhai, for one year; and
- (2) was to receive a guarantee fee RMB1 million from Haimozhai for doing so.

Haimozhai was wholly-owned by Mr Leung. On 16 December 2011, Hunan RF and the bank entered into a guarantee contract for the term of one year and a mortgage contract regarding Hunan RF's mortgage of the land to the bank for the term of five years.

Mr He was the only Board member who had knowledge of and involvement in Transaction Three. He did not notify the Board of the transaction.

#### *Transaction Four*

On 7 November 2012 RF Beijing entered into an agreement with Zhongrong International Trust Company Limited (中融國際信託有限公司) ("**Zhongrong Trust**") to acquire from the latter its 49.25 per cent interest in Hunan RF at a cash consideration of RMB224 million. The remaining 50.75 per cent interest in Hunan RF was held by Globe Outlets City Holdings Limited (奧特萊斯世界名牌折扣城控股有限公司) ("**Globe Outlets**"), a subsidiary of the Company. Transaction Four was completed on 13 November 2012.

Mr He was the only Board member who had knowledge of and involvement in Transaction Four. He did not notify the Board of the transaction.

Transactions Two, Three and One (or that they were connected transactions) and the related rule breaches were uncovered between June and September 2012 by the Auditors in the course of the Company's FY2012 audit process. The transactions were ratified by the Board (as it then was, which did not include Ms Cho, Mr C He and Mr Liu) and announcements were published by the Company to disclose the transactions. Transactions One to Three were reported as connected transactions in the Company's 2012 Annual Report, whereas Transaction Four in the 2013 Annual Report. Given that the repeated connected transactions were uncovered only after they had been executed or completed, the Company instructed an external firm to conduct a review of its internal controls. Transaction Four occurred in November 2012 but was uncovered only in April 2013 during the course of the internal control review which was still ongoing at the time. The Board (as it then was, which did not include Ms Cho, Mr C He and Mr Liu) ratified the transaction. The Company disclosed the transaction in its announcement of 30 May 2013 and despatched a circular on the transaction on 31 March 2014. On 15 April 2014, the shareholders approved Transaction Four. The internal control review report completed in August 2013 identified various deficiencies in the Company's internal controls.

### ***Late Accounts***

The Company's annual results and report for the year ended 31 March 2012 (the "**2012 Annual Results/Report**"), due for publication and despatch on 30 June and 31 July 2012 respectively, were published and despatched on 14 and 25 March 2013 respectively (i.e. delay of about eight months).

The Company's interim results and report for six months ended 30 September 2012 (the "**2013 Interim Results/Report**"), due for publication and despatch on 30 November and 31 December 2012 respectively, were published and despatched on 28 March and 5 April 2013 respectively (i.e. delay of about four months).

The Company's annual results and report for year ended 31 March 2013 (the "**2013 Annual Results/Report**"), due for publication and despatch on 30 June and 31 July 2013 respectively, were published and despatched on 9 and 24 December 2013 respectively (i.e. delay of about five months).

### **Exchange Listing Rule requirements**

By virtue of Mr Leung's interest in these companies, the counterparties in Transactions One to Three (i.e. Qionghai Investment, Guangzhou Outlets and Haimozhai) were associates of Mr Leung under the Exchange Listing Rules, and hence connected persons of the Company.

Zhongrong Trust being a substantial shareholder of a subsidiary of the Company was also a connected person.

Accordingly, Transactions One to Four constituted connected transactions of the Company and were therefore subject to compliance with Chapter 14A of the Exchange Listing Rules.

Each of Transactions One to Four was a connected transaction subject to:

- (1) reporting requirement under Rule 14A.45 which required that the connected transaction be reported in the next published annual report; and

- (2) announcement requirement under Rule 14A.47 which required that the connected transaction be announced as soon as possible.

Transaction Four was further subject to Rules 14A.48, 14A.49 and 14A.52 which required the Company to despatch a circular and obtain prior independent shareholders' approval.

Rules 13.49(1) and 13.46(1) required that an issuer's annual results/report for a financial year be published/despached not later than three/four months after the end of the financial year.

Rules 13.49(6) and 13.48(1) required that an issuer's interim results/report for the first six months of a financial year be published/despached not later than two/three months after the end of that period of six months.

### **Findings of breach by the Listing Committee**

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

#### ***Company***

##### ***Breach of Rule 14A.45***

Under Rule 14A.45, the Company was required to report Transaction One (occurred on 4 March 2011) in the annual report for year ended 31 March 2011. However, it was only reported in the 2012 Annual Results/Report. The Company therefore breached Rule 14A.45 regarding Transaction One.

##### ***Breach of Rule 14A.47***

The Company breached Rule 14A.47 in relation to each of Transactions One to Four as the Company published announcements to disclose the transactions only months after they had been entered into respectively.

##### ***Breach of Rules 14A.48, 14A.49 and 14A.52***

Transaction Four occurred in November 2012. However, the Company did not despatch a circular as required and did not obtain prior independent shareholders' approval of the transaction. The circular was despatched and shareholders approved the transaction 14 and 15 months respectively after the transaction had been entered into and completed. The Company therefore breached Rules 14A.48, 14A.49 and 14A.52.

##### ***Breach of Rules 13.46(1), 13.48, 13.49(1) and 13.49(6)***

With the delay in the publication and despatch of its (i) 2012 Annual Results/Report; and (ii) 2013 Annual Results/Report, the Company breached Rules 13.49(1) and 13.46(1).

With the delay in the publication and despatch of its 2013 Interim Results/Report, the Company breached Rules 13.49(6) and 13.48(1).

### ***Internal Controls***

The Listing Committee noted the Company's repeated breaches of connected transactions rules; that the transactions and the related rule breaches were not prevented or detected by the Company's internal controls. They were identified on various dates between June 2012 and April 2013 by external parties including the Auditors. The Company has not demonstrated that it had adequate internal controls in place for the identification, reporting and approval of connected transactions. The internal control review report has identified various internal control deficiencies.

The Listing Committee therefore concluded on the evidence presented that the Company did not have adequate and effective internal controls at all material times (2011 and 2012) to ensure the Company's compliance with Chapter 14A of the Exchange Listing Rules.

### ***Mr He's breaches of Rule 3.08(f) and the Undertaking***

Mr He was an experienced director. Mr He was appointed an executive director and the Chairman of the Company on 23 July 2008. At the time, he had been an executive director of another issuer listed on the Exchange for nearly six years since December 2002 and he remained a director of that company until December 2008.

Mr He was the sole director of RF Beijing from September 2009 to August 2012, a director of Hunan RF from February 2009 to November 2011, and the sole director of Globe Outlets. He signed the relevant documents including shareholders' resolutions and agreements in authorising and/or effecting Transactions One to Four. In 2011 and 2012, none of the other Directors of the Company held any office in any of RF Beijing, Hunan RF or Globe Outlets. Neither did the other Directors have any knowledge of or involvement in Transactions One to Four at the time they occurred.

### ***Breach of Rule 3.08(f)***

Rule 3.08(f) required that every director must, in the performance of his duties as a director, 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.

The Listing Committee concluded that Mr He breached Rule 3.08(f) in relation to Transactions One to Four as:

- (1) Mr He failed to inform or involve other Board members regarding Transactions One to Four and ensure that the Company complied with the Exchange Listing Rules in relation to the transactions;
- (2) in particular Transaction Four occurred after the discovery of Transactions One to Three and the related rule breaches by the Auditors. Nonetheless, Mr He failed to take any steps to ensure the Company complied with the Exchange Listing Rules in relation to Transaction Four notwithstanding that:

- (a) in June and August 2012, Mr He had replied to the written enquiries made of him by the Company's then Audit Committee chairman regarding Transactions Two and Three, reasons for the rule breaches and whether there were any other undisclosed connected transactions;
- (b) various steps were taken by the Company after discovery of Transactions One to Three and the related rule breaches including the Board's ratification of the transactions, publication of announcements to disclose the transactions and the related rule breaches. The rule breaches suggested internal control deficiencies/problems leading to the internal control review, which was ongoing in November 2012. These matters contributed towards the delay in the publication of the 2012 Annual Results/Report and the continuing trading suspension at the time;
- (3) Mr He failed to ensure that for Transactions One to Four which he directly caused the subsidiaries to enter into or in respect of which he had active participation in authorising, facilitating or otherwise effecting, their Exchange Listing Rule implications were duly considered and addressed by the Company and that applicable rules were complied with;
- (4) Mr He failed to take steps to obtain information as to the companies in which Mr Leung had shareholdings, and whether any such companies were connected persons of the Company;
- (5) Mr He failed to procure that the Company obtain professional advice to ensure the Company's rule compliance in relation to Transactions One to Four; and
- (6) Mr He failed to ensure the Company had adequate and effective internal controls in place to ensure the Company's Exchange Listing Rule compliance.

The Listing Committee found that by reference to the foregoing and the evidence presented, and given his knowledge and experience as a Director, Mr He did not exercise his skill, care and diligence as someone of his knowledge and experience.

#### *Breach of the Undertaking*

The Listing Committee also found that:

- (1) with the breach of Rule 3.08(f) as referred to above, Mr He also breached his Undertaking by failing to comply to the best of his ability with the Exchange Listing Rules; and
- (2) Mr He's failure to act as referred to above is inconsistent with his due performance of the Undertaking. Therefore, Mr He also breached his Undertaking to use his best endeavours to procure the Company's rule compliance in relation to connected transactions.

In the view of the Listing Committee, on the basis of the evidence available, Mr He's conduct shows that he persistently failed in his responsibilities to ensure the Company's rule compliance in relation to transactions conducted at the subsidiary level. Mr He's conduct demonstrates a wilful and persistent disregard of the rule requirements and his duties under the Exchange Listing Rules.

***Breach of the Undertaking by six remaining Directors: one Executive Director Mr Wong, Two NEDs Mr Huang and Mr Wang, and three INEDs Ms Cho, Mr C He and Mr Liu***

All six directors were in office when Transactions One to Three occurred although they were not all in office when those transactions were ratified. Ms Cho, Mr C He and Mr Liu resigned after Transaction One was ratified, but before it was ratified as a connected transaction. Mr Wong, Mr Huang and Mr Wang remained in office when Transaction Four occurred.

Mr Huang, Mr Wang and Ms Cho (a) are not contesting their respective breaches of the Undertaking as asserted by the Listing Department; and (b) accept the sanctions and directions to be imposed on them respectively by the Listing Committee as set out below.

On the basis of the facts and circumstances and with Mr Huang, Mr Wang and Ms Cho not contesting their respective breaches of Undertaking, the Listing Committee found that each of Mr Wong, Mr Huang, Mr Wang, Ms Cho, Mr C He and Mr Liu breached their respective Undertakings to use his/her best endeavours to procure the Company's rule compliance in relation to the connected transactions for the following reasons:

- (1) They ratified Transaction One in June 2011. Noting that the undisclosed and unreported transaction had occurred in early March 2011 involving a substantial deposit payment of RMB32.2 million by a principal subsidiary RF Beijing; and that Mr He had failed to notify the Board of the transaction, each of the six directors was put on notice of the need to enquire and establish reasons of and circumstances leading to the non-reporting of the transaction to the Board at the relevant time. Best endeavours would have reasonably required and expected the six directors to:
  - (a) enquire and look into the circumstances and enquired of Mr He as to why he did not inform or involve any other Board members in the consideration and approval of the transaction or why it was not reported to the Board in a timely manner;
  - (b) establish any internal control deficiencies to which the non-reporting of the transaction to the Board might be partly attributable; and take steps to rectify those deficiencies; and
  - (c) consider and enquire of Mr He and management about the Exchange Listing Rule implications of the transaction including whether it required disclosure under the Exchange Listing Rules.

The above enquiries would, in our view, have been steps that could reasonably have been expected of the six directors to ensure that the Company complied with the Exchange Listing Rules regarding Transaction One; and further transactions conducted by the Company and its subsidiaries. There is no evidence that the six directors had taken any of them or any other actions.

- (2) They failed to ensure the Company had adequate and effective internal controls in place to ensure its rule compliance arising from transactions conducted at the subsidiary level; and



- (3) In relation to Mr Wong, Mr Huang and Mr Wang only (who remained in office when Transaction Four occurred), they did not take adequate steps to prevent the Company's further rule breaches arising from the transactions conducted at the subsidiary level. After Transactions One to Three and the related rule breaches had been identified and pending the outcome of the internal control review and recommendations on rectifying deficiencies, they caused the Company to take certain remedial measures. However, the measures taken were inadequate and did not achieve the purpose of alerting and requiring all subsidiaries in particular RF Beijing and Hunan RF to seek the Board's consideration and approval in relation to their proposed significant transactions and that their Exchange Listing Rule implications were considered and addressed to prevent further Exchange Listing Rule breaches from arising.

### **Regulatory concern**

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

- (1) the case reveals serious internal control deficiencies in the reporting and monitoring framework of the Company (and its subsidiaries);
- (2) the Company has repeatedly failed to disclose connected transactions which were primarily attributable to Mr. He's failure to act and the lack of adequate internal controls in the Company;
- (3) the Board's ratification of all four transactions and the independent shareholders' approval of Transaction Four occurred only after the transactions had been executed or completed. The shareholders of the Company and investors have been prejudiced in terms of their right to timely receipt of information on all four transactions, and in the case of Transaction Four, the shareholders' timely receipt of the circular with requisite information for shareholders to consider whether to approve the transaction, before Transaction Four was effected/completed; and
- (4) the issues to be addressed, information to be collated and steps required to be taken by the Company after the identification of the rule breaches arising from the connected transactions contributed towards the delay in the publication and despatch of the 2012 Annual Results/Report and in turn the prolonged trading suspension.

### **Sanctions**

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

- (1) censure the Company for its breach of Rules 13.46(1), 13.48(1), 13.49(1), 13.49(6), 14A.45, 14A.47, 14A.48, 14A.49 and 14A.52;
- (2) censure Mr He for his breach of Rule 3.08(f) and the Undertaking;
- (3) censure Mr Wong for his breach of the Undertaking; and

- (4) criticise Mr Huang, Mr Wang, Ms Cho, Mr C He and Mr Liu for their respective breaches of the Undertaking.

Mr He is no longer a director of the Company. The Listing Committee expresses its view that, had Mr He remained in office, the Listing Committee would have directed publication of a statement that in the Exchange's opinion, the retention of office by Mr He would have been prejudicial to the interests of investors. The Listing Committee further states that in the event that Mr He should wish to become a director of another issuer in the future, his conduct in this matter will be taken into account in assessing his suitability under Rule 3.09 of the Exchange Listing Rules.

The Listing Committee further directs that the Relevant Directors are required to, as a pre-requisite of future appointment as a director of a company listed on the Exchange, attend 24 hours of training on Listing Rule compliance, particularly in relation to notifiable and connected transactions, before the effective date of such appointment. The training should be provided by the Hong Kong Institute of Directors, Hong Kong Institute of Chartered Secretaries or other course providers approved by the Listing Department.