



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 July 2015

A director’s compliance with his Director’s Undertaking to cooperate in the Exchange’s investigation into possible Exchange Listing Rule breaches is of utmost importance in enabling the Exchange to discharge its function to maintain and regulate an orderly market. Failure to comply with the Exchange’s requests in connection with its investigation without reasonable excuse will, in appropriate cases, lead to public sanction or be subject to more serious consequences.

Such a breach will be taken into account in the Exchange’s consideration of suitability of the individual concerned to be appointed as a director of a listed issuer in Hong Kong in the future under the Exchange Listing Rules, which require that each director of a listed issuer must satisfy the Exchange that he has the character, experience and integrity and is able to demonstrate a standard of competence commensurate with his position as a director of a listed issuer.

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

CENSURES:

Mr Xu Lian Guo (“Mr LG Xu”), an executive director of Zhongda International Holdings Limited, stock code: 909 (the “Company”) for breaching his obligations under the Declaration and Undertaking with regard to Directors (the “Director’s Undertaking”) given to the Exchange in the form set out in Appendix 5B to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Exchange Listing Rules”), by way of his failure to cooperate in an investigation conducted by the Listing Department into possible breaches of the Exchange Listing Rules by the Company and/or any of its directors; and

FURTHER DIRECTS:

publication of a statement that:

- (1) by reason of Mr LG Xu’s wilful and persistent breaches of the Director’s Undertaking, in the Exchange’s opinion, the retention of office by Mr LG Xu is prejudicial to the interests of investors under Rule 2A.09(7); and

- (2) given Mr LG Xu's repeated breaches of the Director's Undertaking in this and past disciplinary actions, including his failure to cooperate in the Exchange's investigation, his conduct in this matter and previous disciplinary actions against him will be taken into account in assessing his suitability under Rule 3.09 of the Exchange Listing Rules in the event that he should wish to become a director of another issuer in the future.

For the avoidance of doubt, the Exchange confirms that the above sanction and direction apply only to Mr LG Xu and not to any other past or present members of the board of directors of the Company.

On 16 June 2015, the Listing Committee conducted a hearing into the conduct of Mr LG Xu in relation to his obligations under the Director's Undertaking.

REGULATORY CONCERN

Pursuant to the Director's Undertaking, Mr LG Xu was required to, amongst other things, cooperate in any investigation conducted by the Listing Department and/or the Listing Committee, including answering promptly and openly any questions addressed to him.

The Listing Department submitted that it failed to obtain Mr LG Xu's cooperation in its investigation of possible Exchange Listing Rule breaches by the Company and/or any of its directors.

BACKGROUND

Mr LG Xu was appointed as executive director of the Company since 28 September 2000. He was also the chairman of the Company until 1 September 2011 when his duties were suspended.

According to the Company's announcements:

- (a) Mr LG Xu had failed to provide reasonable and satisfactory explanation as to his failure to make the transfer of approximately RMB 150 million maintained in a bank account of the Company's subsidiary as instructed by the Board on 14 June 2011;
- (b) the publication of the Company's annual and interim results since the year ended 31 December 2011 and subsequent periods was delayed by reason of Mr LG Xu's failure (together with the failure on the part of Mr Xu Lian Kuan, who was an executive director of the Company) to provide the Company with the financial information of some of its subsidiaries; and
- (c) the Company discovered on 30 May 2013 that there was a disposal of its 20 per cent interest in an associated company in July 2011, without any knowledge of the Company or authorisation from the board. The disposal was a connected transaction and was subject to reporting, announcement and shareholders' approval requirements under Chapter 14A of the Exchange Listing Rules, with which the Company did not comply. One of the parties who signed the relevant agreement for the disposal on behalf of the associated company purported to be Mr LG Xu.

The Listing Department has been investigating possible breaches of the Exchange Listing Rules by the Company and/or its directors in respect of, amongst other things:

- (a) the alleged failure by Mr LG Xu to supervise the application of a RMB150 million deposit according to the instructions given by the board;
- (b) the Company's delay in publishing its financial results and reports for the year ended 31 December 2011 and subsequent periods; and
- (c) the Company's disposal of its 20 per cent interest in an associated company, which appeared to have been a connected transaction under Chapter 14A of the Exchange Listing Rules.

In light of the above, the Listing Department sent an enquiry letter to Mr LG Xu, followed by written and verbal reminders. However, Mr LG Xu failed to cooperate in the Listing Department's investigation despite repeated requests.

LISTING COMMITTEE'S FINDINGS OF BREACH

The Listing Committee considered the written and oral submissions of the Listing Department and concluded that Mr LG Xu has breached the Director's Undertaking for failing to cooperate with the Listing Department in its enquiries.

The Listing Committee regards Mr LG Xu's breach in this matter serious and considers that Mr LG Xu has persistently and wilfully failed in his responsibilities under the Exchange Listing Rules:

- (1) given the compliance history of the Company (when he was the chairman and executive director of the Company) and his own compliance history in past disciplinary actions (see the Exchange's news releases dated 11 February 2004, 14 June 2006 and 26 February 2008). In those disciplinary actions -
 - (a) the Company was publicly censured or criticised for its breaches of the Exchange Listing Rules;
 - (b) Mr LG Xu was publicly censured or criticised for breach of the Director's Undertaking for failing to procure the Company's compliance with the Exchange Listing Rules; and
 - (c) he was also publicly censured for breach of the Director's Undertaking for failing to cooperate in the Listing Department's investigation;
- (2) this is not the first incident where Mr LG Xu is found to have breached the Director's Undertaking, including the undertaking to cooperate in the Exchange's investigation; and
- (3) the failure of Mr LG Xu to respond to the Listing Department's enquiries for a prolonged period adversely affected its investigation and assessment of the relevant issues involving the Company's and/or its directors' compliance with the Exchange Listing Rules.

SANCTIONS

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

- (1) censure Mr LG Xu for breach of the Director's Undertaking for failing to cooperate in the Exchange's investigation; and
- (2) state that:
 - (a) by reason of Mr LG Xu's wilful and persistent breaches of the Director's Undertaking, in the Exchange's opinion, the retention of office by Mr LG Xu is prejudicial to the interests of investors under Rule 2A.09(7); and
 - (b) given Mr LG Xu's repeated breaches of the Director's Undertaking in this and past disciplinary actions, including his failure to cooperate in the Exchange's investigation, his conduct in this matter and previous disciplinary actions against him will be taken into account in assessing his suitability under Rule 3.09 of the Exchange Listing Rules in the event that he should wish to become a director of another issuer in the future.