

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)

The Exchange Listing Rules on disclosure of transactions, and most importantly connected transactions are designed to safeguard minority shareholders, promote transparency of material information concerning the affairs of the issuer and dispel any conflict or perception of conflict.

Inaccurate, incomplete and misleading disclosures damage the integrity of the market and corrodes investor confidence. In this case, the Company omitted material information in its announcements concerning a connected transaction at the relevant time leading to the investing public trading on incomplete information for around six months.

The Exchange takes non-compliance with disclosure obligations seriously and will continue to take action against issuers and directors who breach their disclosure obligations.

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

CENSURES:

- (1) **Great Wall Belt & Road Holdings Limited (formerly known as e-Kong Group Limited) (“Company”)** (Stock Code: 524) for breaching:-
 - (a) Rules 14.34, 14A.35, 14A.36, 14A.39 and 14A.46 of the *Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited* (“**Exchange Listing Rules**”) in respect of the Disposal and Additional Transactions (defined below);
 - (b) Rule 2.13(2) in respect of announcements published on 16 June and 21 July 2017;

FURTHER CENSURES:

- (2) **Mr Yeung Chun Wai, Anthony (“Mr A Yeung”)**, former executive director (“**ED**”) and Chairman of the Company;

for breaching Rules 3.08(d), (e) and (f) of the Exchange Listing Rules, and the obligations under the *Declaration and Undertaking with regard to Directors* given to the Exchange in the form set out in Appendix 5B to the Exchange Listing Rules (“**Undertaking**”) for failing to comply to the best of his ability, and use his best endeavours to procure the Company’s compliance, with the Exchange Listing Rules;

AND STATES in the Exchange’s opinion, by reason of his wilful and/or persistent failure to discharge his responsibilities under the Exchange Listing Rules, had he remained in office, Mr A Yeung’s retention of office would have been prejudicial to the interests of investors;

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The Listing Committee also CRITICISES:

- (3) **Mr Chan Chi Yuen**, former ED of the Company;
- (4) **Mr Wong Xiang Hong**, former ED of the Company;
- (5) **Mr Yeung Chun Sing Standly**, former ED of the Company; and
- (6) **Mr Fung Chan Man Alex**, former independent non-executive director (“**INED**”) of the Company;

for breaching Rule 3.08(f) of the Exchange Listing Rules, and their Undertaking for failing to comply with the Exchange Listing Rules to the best of their ability and failing to use their best endeavours to procure the Company’s compliance with the Exchange Listing Rules.

(The directors identified at (3) to (6) above are collectively referred to as the “**Relevant Directors**”).

For the avoidance of doubt, the Exchange confirms that the sanctions in this news release apply only to the Company, Mr A Yeung and the Relevant Directors and not to any other past or present directors of the Company.

HEARING

On 21 January 2020, the Listing Committee conducted a hearing into the conduct of the Company, Mr A Yeung and the Relevant Directors in relation to their obligations under the Exchange Listing Rules and the Undertaking.

FACTS*The Disposal*

On 9 June 2017, by written resolutions, the Relevant Directors approved a disposal (**Disposal**) of 5.7 million shares of SingAsia Holdings Limited (stock code: 8293) (**SingAsia**) by a subsidiary of the Company (**Subsidiary**) to Mr A Yeung at \$4.65 per share (**Agreed Price**). The written resolutions stated *inter alia* the Company was in immediate need of cash to satisfy its payment obligations to a bank. It did not state when the Disposal would take place.

Mr A Yeung executed the Disposal on 9 June 2017 (without the knowledge of the board of directors of the Company (**Board**) on market at an average price of around \$7.316 per share (**Transaction Price**). The Agreed Price represented a 36.47 per cent discount on the Transaction Price of the SingAsia shares.

The Disposal was announced on 16 June 2017 (**June Announcement**). While the Company noted the connected transaction, it stated it was exempt from shareholders’ approval. Under the “*Reasons for and the benefits of the Disposal*” section, the Company stated the purpose was to realise investment gain, obtain additional cash flows and use the sale proceeds as general working capital of the Company. The announcement did not disclose the Transaction Price.

The Company issued a further announcement on 21 July 2017 (**July Announcement**) elaborating on the Transaction Price and a mechanism to refund the price difference to Mr A Yeung. Although the Company alluded to a pressing need for cash, it did not provide any explanation as to the reasons for such need. The July Announcement was also silent on how the Agreed Price was arrived at, or its implications on the gain of investment.

The Company subsequently sought independent shareholders' ratification for the Disposal which was refused. This resulted in Mr A Yeung's agreement to return the SingAsia shares to the Company. To date, only 4 million shares have been returned and the balance of 1.7 million shares remain outstanding.

Additional Transactions

During the period from August 2015 to June 2017, the Subsidiary and Mr A Yeung executed seven other connected transactions with respect to the sale/purchase of shares from other listed companies (**Additional Transactions**) without the Board's knowledge or approval. Details of the Additional Transactions were announced by the Company on 24 November 2017. Independent shareholders' approval for these Additional Transactions where required, was not obtained.

Exchange Listing Rule Requirements

Rule 2.13(2) provides that the information contained in an announcement by the Company must be accurate and complete in all material respects and not misleading.

Rule 14.34 provides that a listed issuer must inform the Exchange and publish an announcement as soon as possible after the terms of, *inter alia*, a discloseable transaction has been finalised.

Rule 14A.35 provides that a listed issuer must announce a connected transaction as soon as practicable after its terms have been agreed.

Rules 14A.36, 14A.39 and 14A.46 provide that a connected transaction must be conditional upon shareholders' approval at a general meeting held by the listed issuer, and a circular must be issued to shareholders.

Rule 3.08 provides that the Exchange expects the 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 (i) a duty to avoid actual and potential conflicts of interest and duty (Rule 3.08(d)), (ii) a duty to disclose fully and fairly his interests in contracts with the issuer (Rule 3.08(e)); and (iii) a duty to apply such degree of skill, care and diligence as may reasonably be expected of a person of his/her knowledge and experience and holding his/her office within the issuer (Rule 3.08(f)).

The Directors were under an obligation, pursuant to their respective Undertakings, to comply to the best of their ability with the Exchange Listing Rules and to use their best endeavours to procure the Company's compliance with the Exchange Listing Rules.

LISTING COMMITTEE'S FINDINGS OF BREACH

The Listing Committee considered the written and oral submissions of the Listing Division, the Company, Mr A Yeung and the Relevant Directors and concluded as follows:

Company's breaches

The Listing Committee noted that the Company admitted it had breached Rules 14.34, 14A.35, 14A.36, 14A.39 and 14A.46 in respect of the Disposal and the Additional Transactions.

With respect to the June Announcement and the July Announcement, the Listing Committee concluded they were inaccurate, incomplete in all material respects and misleading. Information such as the reasons for the Disposal at a discount, refund mechanism and why the Agreed Price was considered by the Board to be fair and reasonable, on normal commercial terms and in the interests of the Company and the shareholders as a whole were material information (**Material Information**). The stated information was however missing in the two announcements. This was particularly so because the Agreed Price represented a near 36.5 per cent discount on the Transaction Price of the SingAsia shares at the time resulting in a reduction of the investment gain by \$15,196,200.

Internal Control Deficiencies

The Listing Committee agreed with the Company that its internal control policy was “*less than ideal*”.

Mr A Yeung was entrusted with the management of the Company's securities investment business. Given Mr A Yeung's position of power, as an ED, Chairman and Chief Executive Officer of the Company as well as a director of the Subsidiary, the Company should have put in place checks and balances over Mr A Yeung's management of such business to mitigate potential abuse of power or associated risks and conflicts of interest. The Company should also have put in place procedures to restrict a director, who was interested in any connected transactions of the Company, from being involved in approving and executing those transactions. The Company failed to implement any such checks and balance and procedures rendering the internal controls to be inadequate at the time, thereby leading to the breaches of the Exchange Listing Rules.

Directors' breaches

As to Mr A Yeung, the Listing Committee concluded he breached (i) Rules 3.08(d), (e) and (f); and (ii) his Undertaking to comply with the Exchange Listing Rules to the best of his ability and to ensure the Company's compliance with the Exchange Listing Rules:-

- (a) He had placed himself in a position of conflict of interest with respect to the seven Additional Transactions (over 22 months) and as he admitted, he (i) failed to disclose his interest in such transactions to the Company, and (ii) failed to follow the Company's internal policies on monitoring, identifying and reporting of notifiable transactions under Chapter 14 and 14A of the Exchange Listing Rules;
- (b) He also failed to exercise due skill, care and diligence with regard to the Disposal:-
 - (i) He executed the Disposal in apparent haste on 9 June 2017 and did not inform the Relevant Directors of the execution or bring the matter back to them for consideration when the initial disposal method by block trade was not possible;
 - (ii) He failed to clarify with the legal advisers (who were assisting with drafting the announcement) as to the Exchange Listing Rule requirements for the Disposal when his initial mistake that the Disposal was exempt from disclosure was corrected;

- (iii) When shown the draft announcement which had (correctly) used the Transaction Price for the calculation of the size test, he instructed his staff to replace the size test calculated by reference to the Agreed Price without explanation. This rendered a percentage ratio below 5 per cent, and as such the issuance of a circular and shareholders' approval would not be required under the Exchange Listing Rules;
- (c) He ought to have properly reviewed the announcement to ensure Material Information was included in order for investors to be sufficiently apprised of the circumstances of the Disposal. As such, he failed to ensure the June Announcement and the July Announcement were accurate, complete in all material respects and not misleading;
- (d) He failed to ensure his and the Company's compliance with the Exchange Listing Rules; and
- (e) The Listing Committee regarded Mr A Yeung's breaches in this matter serious and considered that he persistently failed to comply with his obligations under the Exchange Listing Rules as a director and was wilful in executing and handling of the Disposal in the manner that he did.

As to the Relevant Directors, the Listing Committee concluded, by reason of their individual and collective responsibility, they also breached Rule 3.08(f); and their Undertakings to comply with the Exchange Listing Rules to the best of their ability and to ensure the Company's compliance with the Exchange Listing Rules:-

- (a) They failed to put in place adequate internal controls over the securities investment business of the Company. They failed to take steps to ensure checks and balances were in place to monitor Mr A Yeung's control/conduct over the Company's and Subsidiary's day-to-day operations, in particular, the Company's securities transactions which led to Mr A Yeung executing the Disposal in such manner and the Additional Transactions without the Board's knowledge;
- (b) They ought to have properly reviewed the announcement to ensure Material Information is included in order for investors to be sufficiently apprised of the circumstances of the Disposal. As such, they failed to ensure the June Announcement and the July Announcement were accurate, complete in all material respects and not misleading; and
- (c) They failed to ensure their and the Company's compliance with the Exchange Listing Rules.

REGULATORY CONCERN

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

- (a) The Exchange Listing Rules are designed to ensure that investors have a continued confidence in the market and they are kept fully informed of material information concerning the Company. The purpose and intention of Chapters 14 and 14A of the Exchange Listing Rules are aimed to achieve this purpose, to protect the investing public in particular minority shareholders and to dispel any conflict or perception of conflict in respect of transactions entered into by the Company.

- (b) The June and the July Announcements did not contain the material information and all circumstances relevant to the Disposal. As it turned out that the Agreed Price represented a near 36.5 per cent discount on the Transaction Price of the SingAsia shares at the time and the Company failed to disclose the fact that it had agreed to forgo an additional investment gain of \$15,196,200. As such the investing public traded on incomplete information about the Company for six months.
- (c) Directors have an important role in the Company. They have an obligation to *inter alia* procure the Company to disclose and obtain shareholders' approval for notifiable and connected transactions. Failure to do so undermines a director's integrity and does not meet the Listing Division's expectations of and the obligations of a director toward the Company and its shareholders.
- (d) In this case, the Board placed too much reliance on Mr A Yeung to execute the Disposal and management of the securities transactions of the Company and Subsidiary without putting in place any controls, checks and balances to mitigate any potential abuse of power, associated risks and possible conflict of interest situations.
- (e) This case also reveals a serious concern over the competence of Mr A Yeung, as a director and the Chairman of the Board, to ensure that (a) notifiable and connected transactions were identified and reported to the Board for its approval; and (b) the Company fully complied with the applicable Exchange Listing Rules.

SANCTIONS

Having made the findings of breach stated above, the Listing Committee decided to:

- (1) censure the Company for its breaches of Rules 2.13, 14.34, 14A.35, 14A.36, 14A.39 and 14A.46;
- (2) censure Mr A Yeung for his breaches of Rules 3.08(d), (e) and (f) and his Undertaking to the Exchange; and
- (3) state that, in the Exchange's opinion, by reason of Mr A Yeung's wilful and/or persistent failure to discharge his responsibilities under the Exchange Listing Rules, had he remained in office, his retention of office would have been prejudicial to the interests of investors.

The Listing Committee also decided to:

- (4) criticise the Relevant Directors for their breaches of Rule 3.08(f) and their Undertakings to the Exchange.

Hong Kong, 13 March 2020