

STATEMENT OF DISCIPLINARY ACTION

Exchange's Disciplinary Action against China Ruifeng Renewable Energy Holdings Limited (Stock Code: 527) and its Executive Director, Mr Peng Zi Wei

SANCTIONS AND DIRECTIONS

The Stock Exchange of Hong Kong Limited

CRITICISES:

- (1) **China Ruifeng Renewable Energy Holdings Limited** (Stock Code: 527) (**Company**); and
- (2) **Mr Peng Zi Wei**, executive director of the Company (**Mr Peng**);

AND DIRECTS:

A review of the Company's internal controls for procuring compliance with Chapters 14 and 14A of the Listing Rules; and

18 hours of training for Mr Peng on regulatory and legal topics and Listing Rule compliance, including three hours on each of (a) directors' duties; (b) the Corporate Governance Code; and (c) the Listing Rule requirements for Chapter 14, within 90 days.

SUMMARY OF FACTS

On 20 June 2017, Mr Peng executed a US\$100 million guarantee on behalf of the Company (**Guarantee**). The Guarantee was provided to facilitate the proposed acquisition of an offshore reinsurance company by a third party. The third party had approached Mr Peng to see if the Company would be interested in purchasing the reinsurance company if it was successful in the proposed acquisition.

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The Guarantee constituted a major transaction of the Company subject to announcement, circular and shareholders' approval requirements under Chapter 14.

Mr Peng did not inform the rest of the Board about the Guarantee and did not comply with the Company's internal control procedures prior to executing the Guarantee. Mr Peng also failed to procure the Company's compliance with the requirements for major transactions under Chapter 14 of the Listing Rules. Mr Peng submitted that he signed a supplemental agreement which purportedly protected the Company from liability under the Guarantee in the event that the proposed acquisition was unsuccessful, which effectively negated the Guarantee. As such, he came to the view that this arrangement did not constitute a "transaction" under the Listing Rules, without taking any legal or professional advice. Even if this was true, Mr Peng's analysis cannot be correct as the Guarantee was intended to be legally binding if the proposed acquisition had gone ahead. The supplemental agreement did not mean that the arrangement was no longer a transaction or otherwise excuse non-compliance with Chapter 14 requirements.

The proposed acquisition did not proceed, and the Company was released from its obligations under the Guarantee. However, the Exchange did not agree with Mr Peng's submission given that the Guarantee was intended to be legally binding if the proposed acquisition had gone ahead.

LISTING RULE REQUIREMENTS

Rule 14.34 provides that a listed issuer must publish an announcement as soon as possible after the terms of, *inter alia*, a discloseable or a major transaction have been finalised.

Rules 14.38A and 14.40 provide that a listed issuer which has entered into a major transaction must send a circular to its shareholders, and the transaction must be made conditional on approval by shareholders.

Rule 3.08 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 (Rule 3.08(f)).

Mr Peng has given the Director's Undertaking, which provides, *inter alia*, that he undertakes to comply with the Listing Rules to the best of his ability, and to use his best endeavours to procure the Company's Listing Rule compliance.

ACCEPTANCE OF SANCTIONS AND DIRECTIONS

The Company and Mr Peng accepted their respective breaches and the sanctions and directions imposed upon them by the Listing Committee as set out below.

LISTING COMMITTEE'S FINDINGS OF BREACH

The Listing Committee found as follows:

- (1) The Company breached Rules 14.34, 14.38A and 14.40 in respect of the Guarantee.
- (2) Mr Peng breached Rule 3.08(f) and his Directors' Undertaking to comply with the Listing Rules to the best of his ability, and to use his best endeavours to procure the Company's compliance with the Listing Rules, by signing the Guarantee on behalf of the Company without (i) informing the Board or obtaining Board approval, (ii) complying with the Company's internal controls, and (iii) procuring the Company's compliance with the Listing Rules.

CONCLUSION

The Listing Committee decided to impose the sanctions and directions 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 Company and Mr Peng, and not to any other past or present members of the board of directors of the Company.

Hong Kong, 15 November 2021