

STATEMENT OF DISCIPLINARY ACTION

Exchange's Disciplinary Action against Samson Holding Ltd. (Stock Code: 531) and Ms Liu Yi-Mei, Executive Director and Deputy Chairman

SANCTIONS AND DIRECTIONS

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

CRITICISES:

- (1) **Samson Holding Ltd.** (Stock Code: 531) (**Company**); and
- (2) **Ms Liu Yi-Mei**, Executive Director and Deputy Chairman of the Company (**Ms Liu**).

AND DIRECTS:

The Company to conduct an internal control review.

SUMMARY OF FACTS

In July 2018, the Company made a US\$150 million investment (**Investment**) which amounted to a major transaction subject to the announcement, circular and shareholders' approval requirements under Chapter 14 of the Listing Rules (**Rules**). The Company did not comply with the requirements, and the Exchange issued a guidance letter to the Company's board of directors (**Board**) in November 2019 (**Guidance Letter**). Ms Liu received the Guidance Letter but did not circulate it to the Board.

The Company made a partial disposal of the Investment in December 2019 (**Disposal**), which constituted a major transaction subject to the same Rule requirements. However, the Company failed to comply with the requirements due to a misinterpretation of the Rules by Ms Liu. Ms Liu had also failed to report the Disposal to the Board.

Although the Company had an internal control policy with respect to Rule compliance, there were internal control deficiencies:

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- (1) The term “notifiable transactions” under Chapter 14 of the Rules was not defined in the internal control policy;
- (2) There were no procedures for the review, approval or reporting to the Board of the Company’s transactions;
- (3) There were no procedures requiring correspondence from the Exchange on material matters to be reported to the Board; and
- (4) There were no control mechanisms on the powers of the chairman and the deputy chairman to enter into transactions on behalf of the Company.

Ms Liu was the director responsible for the Disposal. The other members of the Board only found out about the Guidance Letter and the Disposal after the commencement of the Exchange’s investigation.

The Company and Ms Liu do not contest their respective breaches and accept the sanctions and/or direction imposed by the Listing Committee as set out below.

RULE REQUIREMENTS

Under Rules 14.34, 14.38A, 14.40, 14.41, where the transaction amounted to a major transaction under the applicable percentage ratios, the Company is required to comply with the announcement, circular and shareholders’ approval requirements.

Rule 3.08 provides that directors, both collectively and individually, are expected 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 applying 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.

Each director of the Company is also subject to the obligations in the Declaration and Undertaking with regard to directors (in the form set out in Appendix 5B to the Rules) (**Undertaking**), which include, among others, that he/she will (i) comply with the Rules to the best of his/her ability; and (ii) use his/her best endeavours to procure the Company’s compliance with the Rules.

LISTING COMMITTEE’S FINDINGS OF BREACH

The Listing Committee found as follows:

- (1) The Company breached Rules 14.34, 14.38A, 14.40, 14.41 by failing to comply with the announcement, circular and shareholders’ approval requirements with respect to the Disposal; and
- (2) Ms Liu breached Rule 3.08 and her Undertaking in relation to her failure to:

- (a) Procure the Company's Rule compliance with respect to the Disposal, for example, she failed to:
 - (i) escalate the Disposal to the Board for its information, and consideration and discussion of its Rule implications;
 - (ii) seek professional advice on the Rule implications of the Disposal;
- (b) Circulate the Guidance Letter to the Board for its information and consideration of the action which needed to be taken in response thereto; and
- (c) Ensure that the Company has established and maintained adequate and effective internal controls.

CONCLUSION

The Listing Committee decided to impose the sanctions and direction set out in this Statement of Disciplinary Action.

For the avoidance of doubt, the Exchange confirms that the above sanctions and direction apply only to the Company and Ms Liu, and not to any other past or present directors of the Company.

Hong Kong, 10 January 2022