

## STATEMENT OF DISCIPLINARY ACTION

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Exchange's Disciplinary Action against Two Former Directors of China Health Technology Group Holding Company Limited (formerly known as China Bozza Development Holdings Limited) (Stock Code: 1069)

### **SANCTIONS**

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

**IMPOSES A DIRECTOR UNSUITABILITY STATEMENT** and **CENSURE** against:

- (1) **Mr Wang Yue (Mr Wang)**, former executive director of China Health Technology Group Holding Company Limited (formerly known as China Bozza Development Holdings Limited) (**Company**); and
- (2) **Ms Tian Guangmei (Ms Tian)**, former independent non-executive director of the Company.

(The directors identified at (1) to (2) above are collectively referred to as the **Relevant Directors**.)

The Director Unsuitability Statement is a statement that, in the Exchange's opinion, Mr Wang and Ms Tian are unsuitable to occupy a position as director or within senior management of the Company or any of its subsidiaries.

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## SUMMARY OF FACTS

### *Grant and/or extension of loans*

The Company commenced its money lending business in 2015. Between 2015 and 2019, its subsidiary (**Forever Biosource**) granted and/or extended eight loans in a total principal sum of HK\$138.3 million (**Loans**). Apart from a minimal amount of principal repayment on one Loan and some interest payments on some of the Loans, all borrowers defaulted on the Loans. Approximately 86% of the Loan receivables were impaired in the Company's annual results for the year ended 31 December 2019 (**2019 Annual Results**).

Each of the borrowers instructed Forever Biosource to pay the Loan proceeds directly to a nominee. Among the Loans, the Company and its subsidiaries (**Group**) paid the proceeds of:

- (a) three Loans (**Uncle Wang Loans**) to Mr Wang's uncle (**Uncle Wang**) and his entity in 2015; and
- (b) one Loan (**Fuyang Loan**) to a private company (**Fuyang Trading**) in 2016.

Mr Wang and his mother held shares in Fuyang Trading until shortly before the Fuyang Loan was granted. Mr Wang and his wife continued to hold senior positions in Fuyang Trading until 2017.

Mr Wang was responsible for monitoring the money lending business. He was involved in the approval and/or extensions of the Loans between 2016 and 2019. He neither informed the Company's board of directors (**Board**) of his relationship with Uncle Wang, nor disclosed the interest and/or positions held by him and his family members in Fuyang Trading. He failed to avoid conflicts of interest. The Board was deprived of the opportunity to consider the potential Listing Rule implications, and to assess and/or address Mr Wang's conflicts.

The Loans were secured by machineries, inventories or personal guarantees. In respect of the Loans for which personal guarantees were provided, the Group checked the value of the properties owned by the borrowers and guarantors in 2016 and/or 2018. Those properties were not pledged as security for the relevant Loans. The Group did not conduct any search to verify whether the properties were subject to any charges, pledges or other encumbrances imposed by other creditors, nor did it seek professional advice in this regard.

Mr Wang failed to ensure that sufficient due diligence, risk analysis and credit assessment were performed before approving the Loans and/or their extension(s) during his tenure. He failed to properly assess and monitor the sufficiency of the pledged assets, and to ensure that any changes in the pledged inventories and/or their value were recorded after December 2018.

As the director in charge of monitoring the money lending business, Mr Wang was expected, but he failed, to:

- (a) exercise reasonable skill, care and diligence in conducting the money lending business;
- (b) carefully consider and put in place measures to ensure that any risks related to the Loans were properly managed, including obtaining sufficient security and continued monitoring of the sufficiency of the security for the Loans;
- (c) consider seeking professional advice, where appropriate, including how the Group's interests could be safeguarded;
- (d) be familiar with the Listing Rule requirements, including those governing directors' duties and notifiable and connected transactions;
- (e) avoid any actual and potential conflicts of interest and duty, and abstain from the decision making process in case of conflicts; and
- (f) alert other directors of his potential conflicts in the Uncle Wang Loans and the Fuyang Loan to enable the Board to consider the potential Listing Rule implications and to assess and address his conflicts.

### *Disposal of the subsidiaries*

The Relevant Directors approved the sale of certain subsidiaries to an independent third-party purchaser (**Purchaser**) for a total consideration of RMB93 million (**Disposal**). Although the completion of the Disposal took place on 14 December 2018, the consideration was to be paid in two tranches on unsecured and interest-free bases by 14 June 2019 and 14 December 2019 (**Delayed Payment Term**). The Purchaser, however, did not pay the consideration, resulting in a full impairment in the 2019 Annual Results.

According to the Company, the Board had considered the price and the Purchaser's reputation, among other things, in approving the Delayed Payment Term. However, there was no evidence of any due diligence or credit assessment on the Purchaser, nor was there any evidence of the Purchaser's purported reputation.

The Relevant Directors failed to (a) ensure sufficient due diligence and legal, risk and credit assessments were performed on the Purchaser, (b) take sufficient steps to address the risks involved in relation to the Disposal, and (c) apply reasonable skill, care and diligence in approving the Delayed Payment Term for the Disposal.

### *Non-cooperation*

The Relevant Directors were clearly aware of the Division's investigation, as they had endorsed the Company's submissions to the Exchange as the then current directors of the Company. However, they did not respond to the Division's investigation and reminder letters after they ceased to be directors of the Company.

## **RULE REQUIREMENTS**

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 duties to avoid actual and potential conflicts of interest and 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.

Under Rules 3.09C and 3.20, a director has obligations to:

- (a) cooperate in any investigation conducted by the Division, which includes promptly and openly answering any questions, promptly providing any documents and attending any meeting or hearing requested of him;
- (b) inform the Exchange of any change to his contact details for correspondence from and service of notices and other documents by the Exchange, during the directorship and for a further period of three years from the date on which he ceases to be a director of the issuer; and

- (c) keep the Exchange informed of his up-to-date contact details. If he fails to provide the Exchange with his up-to-date contact details or arrange for notices, documents or correspondence to be forwarded to him, he may not be alerted to any proceedings commenced against him by the Exchange.

**LISTING COMMITTEE'S FINDINGS OF BREACH**

Mr Wang breached Rule 3.08 in relation to the Loans.

Mr Wang and Ms Tian breached Rule 3.08 in respect of the Disposal and the obligations now set out in Rule 3.09C(2) by failing to cooperate in the Division's investigation.

Their conduct amounted to a serious failure to discharge their responsibilities under the Listing Rules.

**CONCLUSION**

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

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

Hong Kong, 28 May 2025