

STATEMENT OF DISCIPLINARY ACTION

Exchange's Disciplinary Action against TANSH Global Food Group Co., Ltd
(Stock Code: 3666) and Two Former Directors

SANCTIONS

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

CENSURES:

- (1) **TANSH Global Food Group Co., Ltd** (Stock Code: 3666) (**Company**);
- (2) **Ms Wang Hui Min (Ms Wang)**, former executive director (**ED**) and Chairlady of the Company;
- (3) **Ms Zhu Xiao Xia (Ms Zhu)**, former ED of the Company;

(The directors identified at (2) to (3) above are collectively referred to as the **Directors**)

AND STATES:

in the Exchange's opinion, had Ms Wang and Ms Zhu remained on the Board, the retention of office by them would have been prejudicial to the interests of investors.

HEARINGS

On 13 April 2021, the Listing Committee conducted a hearing into the conduct of the Company and the Directors in relation to the performance of their obligations under the Listing Rules (**Rules**) and/or the Declaration and Undertaking with regard to Directors in the form set out in Appendix 5B to the Rules (**Undertaking**).

On 17 November 2021, the Listing Review Committee conducted a hearing of the review application of, amongst others, Ms Wang and the Company with respect to the findings of breaches and sanctions imposed by the Listing Committee.

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SUMMARY OF FACTS

Between November 2017 and December 2018, the Company entered into four groups of transactions (comprising advances to entities and procurement transactions) with its connected persons, being companies in which Ms Wang and Ms Zhu were the controlling shareholders or joint owners, or which were controlled by Ms Wang (**Transactions**).

The advances comprised 44 interest-free and collateral-free fund transfers in the total sum of over RMB386.7 million. The procurement transactions involved the Company's purchase of pre-packed food in an aggregate amount of RMB4.1 million between 2018 and February 2019. The Transactions, especially the advances, exposed the Company to significant financial risks.

The Transactions constituted advances to entities, financial assistance, notifiable transactions and/or connected transactions. The Company failed to comply with the written agreement, notification, announcement (including, among other information, details required under Rule 13.15), circular and/or independent shareholders' approval requirements under the Rules. It only initially announced 40 of the Transactions on 31 March 2019, and the remaining four on 14 December 2020. The Company admitted the Rule breaches.

Ms Wang and/or Ms Zhu approved the Transactions. Ms Zhu asserted that she was only aware of the remaining four Transactions after the Company announced them on 14 December 2020.

LISTING RULE REQUIREMENTS

Rule 13.13 requires issuers to announce as soon as reasonably practicable details of any advance to an entity which exceeds 8 per cent under the assets ratio.

Rules 14.34, 14.38A and 14.40 impose notification, announcement, circular and shareholder approval requirements on discloseable and major transactions.

Rules 14A.34, 14A.35, 14A.36 and 14A.46 require issuers to comply with the written agreement, announcement, circular and/or independent shareholder approval requirements for continuing connected transactions.

Under Rule 3.08, the board of directors of an issuer is collectively responsible for its management and operations. In particular, Rule 3.08 provides that the directors must:

- (a) act honestly and in good faith in the interests of the issuer as a whole (Rule 3.08(a));
- (b) act for proper purpose (Rule 3.08(b));
- (c) be answerable to the issuer for the application and misapplication of its assets (Rule 3.08(c));
- (d) avoid potential and actual conflicts of interest and duty (Rule 3.08(d));

- (e) 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)). The Note to Rule 3.08(f) provides that directors must take an active interest in the issuer's affairs and must follow up anything untoward that comes to his attention.

Pursuant to the Undertaking, each director is required to comply to the best of his ability, and to use his best endeavours to procure the issuer's compliance, with the Rules.

FINDINGS OF BREACH

The Exchange found as follows:

- (1) The Company breached Rules 13.13, 14.34, 14.38A, 14.40, 14A.34, 14A.35, 14A.36 and 14A.46 and its interests were seriously jeopardised by the Transactions.
- (2) Ms Wang and Ms Zhu breached (i) Rules 3.08(a) to (d) and (f), (ii) their Undertakings to comply with the Rules to the best of their ability, and (iii) their Undertakings to use their best endeavours to procure the Company's compliance with the Rules. They failed to ensure that the Company maintained an effective internal control system to monitor and handle advance to entities and notifiable and connected transactions.
- (3) The failure by Ms Wang and Ms Zhu to discharge their duties under Rule 3.08 and their Undertakings was wilful and/or persistent in the light of the following circumstances:
 - (a) Both of the Directors must or should have been aware of the advances and that the advances were to entities connected to them. Ms Wang's conduct in applying the Company's assets was at the very least wholly reckless.
 - (b) The advances were connected transactions. The Company derived no commercial benefit from them, but the counterparties did. Further, Ms Wang and Ms Zhu did not declare their interests in the Transactions. Ms Zhu abused her authority for the sole benefit of Ms Zhu and/or Ms Wang's entities, and Ms Wang's conduct given her obvious conflicts of interest could not be regarded as in the best interests of the Company or for a proper purpose. Both of the Directors put the Company's interests at risk.
 - (c) The advances took place from 16 November 2017 to 27 December 2018. Ms Wang and/or Ms Zhu approved those transactions without:
 - (i) escalating any of the transactions to the Board for their information, and consideration and/or discussion on Rule compliance;
 - (ii) dealing with the possible Rule implications such as seeking professional advice; and

- (iii) taking any steps to procure the Company's Rule compliance in respect of those transactions.

CONCLUSION

The Exchange 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 the Directors, and not to any other past or present members of the board of directors of the Company.

Hong Kong, 12 January 2022