

STATEMENT OF DISCIPLINARY ACTION

Exchange's Disciplinary Action against Yihua Overseas Investment Ltd (delisted, previous debt Stock Code: 5293) and its Authorised Representative

SANCTIONS

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

CENSURES:

Yihua Overseas Investment Ltd (Issuer) (the issuer of the delisted YIHUA OVS N2010 under previous debt Stock Code: 5293) (**Debt**);

AND FURTHER CENSURES:

Ms Liu Shaoxiang, authorised representative of the Issuer (as at the date of delisting) (**Ms Liu**).

SUMMARY OF FACTS

This case concerns the Issuer's (i) delay in announcing information including inside information to avoid a false market, (ii) failure to apply for a trading suspension, and (iii) delay in providing information requested by the Exchange, in relation to the Debt; and Ms Liu's failure to fulfil her responsibilities as the Issuer's authorised representative, who was also the sole director, by failing to be the principal channel of communication between the Exchange and the Issuer.

Debt and Default

On 24 October 2017, the Debt issued by the Issuer was listed under Chapter 37 of the Listing Rules. Pursuant to the offering memorandum of the Debt, interest at 8.5 per cent per annum was to be paid to noteholders semi-annually and in arrears on 23 April and 23 October of each year until its maturity on 23 October 2020. Payment of the principal and interest under the Debt was guaranteed by the Issuer's parent company (**Guarantor**).

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An event of default under the Debt would occur if, among other things, there was a default in payment of interest on any note, and such default continued for a period of 30 consecutive days (**Grace Period**). The Issuer (and the Guarantor) failed to pay interest due on 23 April 2020 (**Due Date**) and within the Grace Period (ie by 23 May 2020), leading to a default (**Default**) under the Debt.

The Exchange directed a trading suspension of the Debt with effect from 4 August 2020. The suspension continued until the delisting of the Debt upon its maturity on 23 October 2020.

Failure to make a timely announcement and apply for a trading suspension

The Issuer had knowledge of its inability to meet its payment obligation in the days preceding the Due Date but did not announce its failure to pay interest on the Due Date and the Default until 20 November 2020, which was after (i) the Debt had been delisted upon maturity; and (ii) the commencement of the Exchange's investigation.

The Issuer did not apply for a trading suspension.

Failure to provide information requested by the Exchange in a timely manner

From 29 July 2020, the Exchange repeatedly made attempts to contact the Issuer through Ms Liu as its authorised representative, requesting information on the status of the Issuer's payment of interest under the Debt, but the Issuer did not respond until November 2020.

Ms Liu's conduct

During the material time when the Exchange was making enquiries with the Issuer, Ms Liu was the authorised representative of the Issuer.

LISTING RULE REQUIREMENTS

Issuer

Rule 2.12A requires listed issuers to provide to the Exchange any information it requires for, among other things, investigating a suspected breach of, or verifying compliance with, Rules in accordance with time limits imposed by the Exchange.

Rule 37.47B(a) requires a listed issuer to announce any inside information simultaneously where it is required to disclose the same under the Securities and Futures Ordinance.

Rule 37.47(b) requires an issuer to consult with the Exchange immediately if it believes that there is likely to be a false market in the listed debt securities, and to announce any information necessary to avoid a false market after such consultation.

Rule 37.47C requires an issuer to apply for a trading halt or suspension promptly where there is, among other things, information required to be disclosed under Rules 37.47B(a) or 37.47(b) above but it cannot be announced promptly.

Authorised representative

Rule 3.06(1) requires an authorised representative to be at all times the principal channel of communication between the Exchange and the issuer.

LISTING COMMITTEE'S FINDINGS OF BREACH

Following a hearing, the Listing Committee concluded as follows:

- (1) The Issuer breached:
 - (a) Rule 2.12A in respect of its delay in providing information requested by the Exchange;
 - (b) Rules 37.47B(a) and 37.47(b) in respect of its delay in announcing information about its inability to pay interest on the Due Date and about the Default, given that such information constituted inside information and there was consequently a false market in relation to the Debt; and
 - (c) Rule 37.47C in respect of its failure in applying for a trading suspension.
- (2) Ms Liu breached Rule 3.06(1) by failing to be the principal channel of communication between the Exchange and the Issuer.

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 Issuer and Ms Liu, and not to any other past or present members of the board of directors or authorised representatives of the Issuer.

Hong Kong, 19 January 2022