

STATEMENT OF DISCIPLINARY ACTION

Exchange's Disciplinary Action against Three Directors of Inno-Tech Holdings Limited (Delisted) (Previous Stock Code: 8202)

SANCTIONS

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

IMPOSES A PREJUDICE TO INVESTORS' INTERESTS STATEMENT against:

- (1) **Mr Wong Kam Fai, Samuel (Mr Wong)**, former executive director (**ED**) and Chief Executive Officer (**CEO**) of Inno-Tech Holdings Limited (delisted) (previous Stock Code: 8202) (**Company**);
- (2) **Mr Zheng Pin (Mr Zheng)**, ED and Chairman of the Company at the time of delisting;
- (3) **Mr Cao Xinhua (Mr Cao)**, non-executive director (**NED**) of the Company at the time of delisting.

(The directors identified at (1) to (3) above are collectively referred to as the **Relevant Directors**.)

The statements made in respect of the Relevant Directors above are made in addition to a public censure against each of them. The Prejudice to Investors' Interests Statement is a statement that, in the Exchange's opinion, had Mr Wong, Mr Zheng and Mr Cao remained on the board of directors of the Company, their retention of office would have been prejudicial to the interests of investors.

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SUMMARY OF FACTS*Announcement*

On 7 January 2020, the Company published an announcement (**Announcement**) regarding the appointment of a new auditor in place of its former auditor (**Elite**). The Announcement stated that both Elite and the Company's board of directors (**Board**) had confirmed there were no matters / circumstances in respect of the change of auditor that needed to be brought to the attention of the Company's shareholders.

Before its publication, the Announcement was approved at a Board meeting during which Mr Wong (then ED and CEO) represented to the Board that Elite had given such confirmation. The Announcement was inaccurate and misleading as Elite had not made such a confirmation. On 13 January 2020, the Company published an announcement clarifying that, among other things, Elite had never given the confirmation (**Clarification Announcement**). The Company admitted its breach of Rule 17.56(2) of the GEM Listing Rules (**GLR**) in respect of the Announcement.

CA Direction

On 12 September 2018, following a previous disciplinary action against the Company and its then directors, the GEM Listing Committee directed the Company to appoint an independent compliance adviser for two years (**CA Direction**).

Since September 2018, the Company had appointed three compliance advisers for a total period of about one year and nine months only. Each of the engagements with the compliance advisers was terminated due to the Company's failure to settle the compliance adviser's fees. The Company did not consult its then compliance adviser before publishing the Announcement and the Clarification Announcement, and admitted its breach of the CA Direction in relation to the Announcement.

In May 2019, the Board decided to seek a replacement compliance adviser with lower fees to replace its first compliance adviser. However, there is no evidence that any steps were taken to identify and appoint a replacement compliance adviser.

Mr Wong was re-designated as the ED and CEO of the Company in May 2019. As the CEO, he had the ultimate authority to approve the Company's payments. Mr Wong persistently withheld the Company's payments to its compliance advisers during his tenure.

Before the appointment of the second compliance adviser, the Exchange specifically enquired with the Company on its ability to settle its second compliance adviser's fees. In response, the Company confirmed that it would be able to ensure timely payment of the second compliance adviser's fees. Despite the Company's confirmation, Mr Wong withheld the second compliance adviser's fees shortly after the engagement.

Non-cooperation

Between May and November 2020, the Division made numerous enquiries with the Company and its directors, including Mr Wong, in relation to the above matters and the discharge of directors' duties. Mr Wong failed to provide timely and/or substantive responses to the Division's direct enquiries with him.

At the material time, Mr Zheng and Mr Cao were an ED and NED of the Company, respectively. They were involved in the Company's earlier responses to the Division and, hence, were aware of the Company's investigation. However, they did not procure the Company to respond to the Division's last enquiry letter.

RULE REQUIREMENTS

GLR 17.56(2) requires a listed issuer to ensure that the information contained in any announcement or corporate communication must be accurate and complete in all material respects and not be misleading or deceptive.

Under GLR 17.55A, a listed issuer is required to provide to the Exchange as soon as possible, or otherwise in accordance with the time limits imposed by the Exchange, among others, any information or explanation that the Exchange reasonably requires for investigating a suspected breach of or verifying compliance with the GLR.

Under GLR 5.01, 5.03 and 17.03, directors of listed issuers are collectively and individually responsible for the issuer's management and operations, and are collectively and individually responsible for the issuer's full compliance with the GLR. GLR 5.01 further provides that directors must apply 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.

Pursuant to the Declaration and Undertaking with regard to Directors in the form of Appendix 6A to the GLR (**Undertaking**), each director is under an obligation (i) to comply with the GLR to the best of his ability, (ii) to use his best endeavours to procure the Company's GLR compliance and (iii) cooperate in any investigation conducted by the Division, including promptly and openly answering any questions addressed to him and promptly providing any relevant documents.

GEM LISTING COMMITTEE'S FINDINGS OF BREACH

The GEM Listing Committee found as follows:

- (1) Mr Wong breached:
 - (a) GLR 5.01 and the Undertaking to comply with the GLR to the best of his ability and/or to use his best endeavours to procure the Company's compliance with (A) GLR 17.56(2) in relation to the Announcement and (B) the CA Direction:
 - (i) he failed to confirm the contents of the draft Announcement with Elite despite the Company's procedures. At the Board meeting on 7 January 2020, he made incorrect and misleading representations regarding Elite's confirmation, which caused the Company to publish an inaccurate and misleading Announcement in breach of GLR 17.56(2);
 - (ii) as the CEO of the Company since May 2019, he had the ultimate authority to approve the Company's payments. He persistently withheld the Company's payments to its compliance advisers during his tenure. In particular, before the engagement of the second compliance adviser, the Company had confirmed its ability to ensure timely payment of the adviser's fees (which Mr Wong admitted to be insignificant). Notwithstanding the confirmation, Mr Wong withheld payments to the second compliance adviser shortly after the engagement; and
 - (b) the Undertaking by failing to cooperate in the Division's investigation to provide timely and/or substantive responses to the Division's enquiries:
 - (i) he repeatedly disregarded the deadlines imposed on him in responding to the Division's enquiries; and
 - (ii) he did not provide the information requested in the Division's last enquiry letter despite the Division's verbal and written reminders.

- (2) Mr Zheng and Mr Cao breached their obligations under the Undertakings to use their best endeavours to procure the Company's compliance with GLR 17.55A and to cooperate in the Division's investigation:
- (a) as directors of the Company, they were under an obligation to procure the Company's compliance with GLR 17.55A to provide information and documents reasonably required for the Division's investigation. The Company's failure to respond to the Division's last enquiry letter constituted a breach of GLR 17.55A;
 - (b) in light of the Company's earlier submissions, Mr Zheng and Mr Cao were aware of the Division's investigation;
 - (c) they have breached their obligations under the Undertaking by failing to procure the Company's GLR compliance and failing to cooperate in the Exchange's investigation. A breach of the Undertaking constituted a breach of the GLR.
- (3) The Relevant Directors' failure to discharge their responsibilities under GLR 5.01 and/or the Undertakings was wilful and/or persistent.

CONCLUSION

The GEM 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 and direction apply only to the Company and the Relevant Directors, and not to any other past or present directors of the Company.

Hong Kong, 5 August 2022