

STATEMENT OF DISCIPLINARY ACTION

Exchange's Disciplinary Action against a Former Director of Global Mastermind Holdings Limited (Stock Code: 8063) (Company)

SANCTIONS

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

IMPOSES A DIRECTOR UNSUITABILITY STATEMENT against **Mr Tse Ke Li**, former executive director (**ED**) of the Company (**Mr Tse**).

The statement made in respect of Mr Tse above is made in addition to a public censure against him. The Director Unsuitability Statement is a statement that, in the Exchange's opinion, Mr Tse is unsuitable to occupy a position as director or within senior management of the Company or any of its subsidiaries.

SUMMARY OF FACTS

Unauthorised Investments and Cash Withdrawals

In July 2020, Solution Apex Investments Limited (**Solution Apex**), an indirect wholly-owned subsidiary of the Company, entered into the following investments (**Investments**):

Date	Investments	Consideration (RMB)	Payment date
24/07/2020	Acquisition A	13,500,000	Terminated on 10/09/2020; no payments made
24/07/2020	Acquisition B	13,500,000	Payment made on 27/07/2020
27/07/2020	Acquisition C	15,000,000	Payment made on 28/07/2020
28/07/2020	Acquisition D	14,200,000	Payment made on 04/08/2020

Payments for the Investments totaled RMB42.7 million.

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In August 2020, the remaining balance in the bank account of Solution Apex, amounting to approximately HK\$11.2 million, was withdrawn in its entirety (**Cash Withdrawals**).

The Company submitted that it was not aware of the Investments or the Cash Withdrawals at the time. They were only discovered after receipt by the Company of a letter on 14 December 2020 from a Mr Ma Chunlong (**Mr Ma**), purportedly on behalf of Solution Apex, alleging, among other things, that he was appointed as the director of Solution Apex, and Solution Apex had conducted the Investments in July 2020.

On 29 December 2020, the Company announced the Investments and Cash Withdrawals. The Company stated that:

- (a) It had no previous knowledge of Mr Ma (referred to as Mr X in the announcement) and had understood that the sole director of Solution Apex was a Mr Allan Yap (**Mr Yap**).
- (b) Upon enquiry with Solution Apex and Durable Gold Investments Limited, the immediate holding company of Solution Apex and a wholly owned subsidiary of the Company (**Durable Gold**, collectively with Solution Apex and other subsidiaries, **Durable Gold Group**), the Company was informed that Mr Yap had ceased to be a director of Solution Apex since 1 December 2020 and had been replaced by Mr Ma. The Company also discovered that Mr Yap had been adjudged bankrupt in early August 2020.
- (c) The Investments and Cash Withdrawals were carried out without the authority of the Company's board of directors (**Board**). The Company immediately resolved to replace all directors of Durable Gold and Solution Apex and establish a team to investigate the incidents.
- (d) In view of the incidents, the Company resolved to make full impairment of the Investments and the inter-company balance owed by Solution Apex to Durable Gold, amounting to approximately HK\$58.7 million in aggregate.

The Company engaged an independent risk advisory firm to investigate the Investments and Cash Withdrawals. According to the investigation report and the Company, (a) Mr Tse was involved in and/or had knowledge of the Investments and Cash Withdrawals; (b) there were no due diligence reports and no financial statements of the acquisition targets available, and there was no evidence of either the share transfers or ownership of the acquisition targets; and (c) bank statements obtained by the Company did not show the recipients of the payments for the Investments or the Cash Withdrawals.

In fact, during the Listing Division's investigation, it was found that the amounts of Investments and Cash Withdrawals were included in a version of the draft interim results of the Company for the nine months ended 30 September 2020 prepared by Mr Tse's personal assistant. However, when the final version was presented to the Board for approval on 11 November 2020, it did not include this information. Mr Tse remained silent, and the Board approved the final draft interim results with the omissions.

Mr Tse did not bring the Investments to the attention of the Board, and appears to have actively concealed them. There was also no evidence of any research being carried out or information being obtained by Mr Tse about the Investments which are, in the circumstances in which they were made, of questionable legitimacy. Similarly, Mr Tse appeared to have allowed the Cash Withdrawals to occur without the supporting documents normally required for such payments, such as those containing payee particulars and a description of the payment.

Non-cooperation

The Division made several attempts to contact Mr Tse but no response was received from him.

GLR REQUIREMENTS

GLR 5.01 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 a duty 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 (GLR 5.01(6)).

Mr Tse is subject to the obligations in the Declaration and Undertaking with regard to Directors in the form set out in Appendix 6A to the GEM Listing Rules (**Undertaking**), which provides, *inter alia*, that he undertakes to (a) comply with the GLR to the best of his ability, (b) cooperate in any investigation conducted by the Division, and (c) update his contact details with the Exchange.

GEM LISTING COMMITTEE'S FINDINGS OF BREACH

The GEM Listing Committee found as follows:

- (1) Mr Tse breached GLR 5.01 and his Undertaking by failing to exercise reasonable skill, care and diligence to safeguard the assets and interests of the Company and its shareholders as a whole, and follow the Investment Policies and Restrictions and Policy of Expenditure Cycle of the Company that were in place in respect of the Investments and Cash Withdrawals:
 - (a) Mr Tse had overall supervision and oversight of the business and affairs of the Durable Gold Group (including Solution Apex) when the Investments and Cash Withdrawals took place. As a director of the Company, Mr Tse was required and/or expected to bring relevant matters and issues to the attention of the Board.
 - (b) The agreements for each of the Investments were signed by Mr Yap who reported to Mr Tse at the relevant time. Mr Tse was expected to have knowledge about the Investments and Cash Withdrawals. However, Mr Tse failed to:
 - (i) notify the Board about either the Investments and/or the Cash Withdrawals during regular updates or otherwise in accordance with the internal control policies that were in place; and
 - (ii) take steps to ensure the Cash Withdrawals were carried out with supporting documents as required.
- (2) Mr Tse breached his Undertaking by failing to cooperate in the Division's investigation. This represented a serious failure to discharge his obligations under the Undertaking.

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 apply only to Mr Tse, and not to the Company and any other past or present directors of the Company.