

STATEMENT OF DISCIPLINARY ACTION

Exchange's Disciplinary Action against Sun Cheong Creative Development Holdings Limited (Delisted) (Previous Stock Code: 1781) and Eight Former Directors

SANCTIONS AND DIRECTIONS

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

CENSURES:

- (1) **Sun Cheong Creative Development Holdings Limited** (Delisted) (Previous Stock Code: 1781) (**Company**);

IMPOSES:

A DIRECTOR UNSUITABILITY STATEMENT against:

- (2) **Mr Tong Ying Chiu**, former Chairman and executive director (**ED**) of the Company (**Founder**);
- (3) **Ms Ng Siu Kuen Sylvia**, former ED of the Company (**Wife**);
- (4) **Mr Tong Bak Nam Billy**, former Chief Executive Officer and ED of the Company (**Son**);
- (5) **Mr Un Ge Wei**, former ED of the Company (**Mr Un**);

CENSURES:

- (6) **Mr Chan Kam Hon Ivan**, former ED of the Company (**Mr Ivan Chan**);
- (7) **Mr Chan Sai On Bill**, former ED of the Company (**Mr Bill Chan**);
- (8) **Mr Ng Chun Chung**, former ED of the Company (**Mr Ng**); and

.../2

CRITICISES:

(9) **Mr Sze Chun Wai**, former independent non-executive director of the Company (**Mr Sze**).

(The directors identified at (2) to (9) above are collectively referred to as the **Relevant Directors**.)

The statement made in respect of the Founder, the Wife, the Son and Mr Un above is made in addition to a public censure against each of them. The Director Unsuitability Statement is a statement that, in the Exchange's opinion, the Founder, the Wife, the Son and Mr Un are unsuitable to occupy a position as director or within senior management of the Company or any of its subsidiaries.

AND FURTHER DIRECTS:

17 hours of training on regulatory and legal topics and Listing Rule compliance, including at least three hours on each of (a) directors' duties; (b) the Corporate Governance Code; and (c) the Listing Rule requirements for Chapter 2, including Rules 2.12A and 2.13 for each of the Relevant Directors (except the Founder, the Wife, the Son and Mr Un).

SUMMARY OF FACTS

The Company grew from a family business established by the Founder and his Wife (collectively, the **Founders**). By the time of listing in October 2018, the Founder, his Wife and their Son were all EDs of the Company. The Founder and the Son were also respectively the Chairman and the CEO.

On 6 December 2019, the Founder and the Wife resigned from the board with immediate effect. No arrangements had been made to allow the continuation of the Group's business, management and operation after their departure. This included, amongst other things, failure to (a) maintain books and records from the subsidiaries and a joint venture company (**JV**), and (b) put in place any arrangements which would allow the remaining or any new directors to manage the Company's subsidiaries in Mainland China (**PRC**).

The Founder and the Son also resigned as directors from the JV on 9 December 2019 and 9 January 2020 respectively without informing the board. The Son remained on the Company's board at that time but had no substantive contact with the other board members and played no part in continuing the Company's business and operations. He eventually resigned on 2 June 2020.

On 17 January 2020, the Company's PRC factories were sealed off by the court (**Factory Seal-off**) due to non-payment of wages and social insurance to the employees who worked there.

In March 2020, certain PRC employees whose salaries had not been paid seized the subsidiaries' accounting records and demanded payment from the Company in exchange for their return.

The Company was supposed to publish its financial results for the year ended 31 December 2019 by the end of March 2020. On 30 March 2020, the Company published its unaudited 2019 financial results. The Company applied for, and was granted, a time extension to publish its audited 2019 financial results by 15 May 2020. Trading in the Company's shares continued.

By May 2020, the Company's legal advisers informed the Company about the Factory Seal-off.

In May and June 2020, the Company sought a further time extension for publication of its audited 2019 financial results. An extension was granted to 30 June 2020.

Misleading announcements and communications

During the period from May to June 2020, the Company published several announcements (including announcements on 4 May, 20 May and 26 June 2020), and provided several submissions to the Exchange, in relation to the delay in publication of its financial results (collectively, **Misleading Communications**).

In the Misleading Communications, the Company attributed the delay solely to the impact of the COVID-19 pandemic. The Company failed to disclose the material difficulties that it was facing to control and operate the Group following the departure of the Founders and the Son, or to obtain materials required by the auditors.

When the Company published its 2019 financial results on 1 July 2020, they were subject to a disclaimer of opinion by the auditors. The disclaimer was due to a number of issues, including the Company's inability to obtain the books and records of its PRC subsidiaries and the JV. Trading in the Company's shares was suspended on that day. On 23 May 2022, the listing of the Company's shares was cancelled.

The Company's 2019 financial results announcement and annual report published on 1 and 7 July 2020 respectively contained further inaccuracy as they named Ms Yeung Ching Man as its company secretary (**Company Secretary**). However, she had resigned with effect from 31 March 2020. The Company announced her resignation on 20 August 2020, and that announcement incorrectly stated that her resignation was effective on that day.

The Founders, the Son and Mr Un failed to respond to the Exchange's enquiries concerning matters relating to the present case.

RULE REQUIREMENTS

Under Rule 13.49, the Company was required to publish its audited 2019 financial results announcement and annual report by 31 March and 30 April 2020 respectively. According to Rule 13.50, if the Company was unable to publish the audited financial results by the deadline, trading in its shares would normally be suspended.

In light of COVID-19, from February 2020, the Securities and Futures Commission and the Exchange issued a joint statement and some guidance materials concerning financial results announcements. These materials provided information to issuers and their auditors in respect of disclosure of financial information during the COVID-19 pandemic and, in particular, the circumstances under which the Exchange might allow time extensions to the issuers to publish their audited financial results, during which trading would normally not be suspended. The joint statement reminded issuers that they should be reasonably satisfied that the information provided to the Exchange must be accurate and complete in all material respects.

Under Rule 2.12A, the Company must provide to the Exchange as soon as possible any information that the Exchange reasonably considers appropriate to protect investors or ensure the smooth operation of the market and any other information or explanation that the Exchange may reasonably require for the purpose of, amongst others, verifying compliance with the Listing Rules.

Rule 2.13(2) provides that the information contained in any announcement or corporate communication required under the Listing Rules must be accurate and complete in all material respects and not be misleading or deceptive.

Rule 3.08 provides that directors must fulfil both fiduciary duties and duties of skill, care and diligence to a standard at least commensurate with the standard established by Hong Kong law. Under Rule 3.08, directors must, amongst other matters, act honestly and in good faith in the interests of the issuer as a whole, act for proper purpose, and 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. Directors must also take an active interest in the issuer's affairs and must follow up anything untoward that comes to their attention.

Each of the Relevant Directors is subject to the obligations in the Director's Undertaking to the Exchange in the form of Appendix 5B to the Listing Rules (**Undertaking**), which include, among others, that he/she will comply with the Listing Rules to the best of his/her ability, use his/her best endeavours to procure the Company's compliance with the Listing Rules, and cooperate in any investigation conducted by the Exchange.

LISTING COMMITTEE'S FINDINGS OF BREACH

The Listing Committee found as follows:

Company

The Company breached Rule 2.12A in respect of the submissions to the Exchange, and Rule 2.13(2) in respect of the announcements, in the Misleading Communications.

The Company had been unable to obtain the books and records of the PRC subsidiaries and the JV. The Company was aware that the underlying reasons for the difficulty in obtaining the books and records included the departure of the Founders and the Son, and the problematic situation immediately thereafter. However, the Company did not disclose these matters in the Misleading Communications. The non-disclosure rendered the relevant announcements inaccurate, incomplete, misleading and/or deceptive. The Company also misled the Exchange in its application for an extension of time for publishing its financial results.

The Company also breached Rule 2.13(2) due to the errors regarding the resignation of the Company Secretary in the Company's announcement of 20 August 2020, 2019 financial results announcement and annual report.

Founders and Son

The Founders and the Son breached their Rule 3.08 duties and Undertakings. They also breached their obligations to cooperate with the Exchange's investigation by failing to respond to the Exchange's enquiries.

The Founders and the Son failed to discharge their directors' duties in managing the Company. They failed to take reasonable steps during their directorships to ensure that the Group's business, management and operations could continue. These steps should have included at least ensuring that proper books and records concerning the PRC subsidiaries and/or the JV were kept and available to the succeeding management / board. The Son also failed to perform any of his director's duties from December 2019 to June 2020, and failed to report to the board matters concerning the PRC subsidiaries and the JV, including his own resignation from the JV.

Other Relevant Directors

Mr Ivan Chan, Mr Bill Chan, Mr Ng and Mr Sze breached their directors' duties under Rule 3.08 and their Undertakings in respect of compliance with the Listing Rules by them and by the Company.

These directors had been or should reasonably have been aware that the delay in the Company's financial reporting for 2019 was not just due to the COVID-19 pandemic but also the other material matters described above. However, they did not procure the Company to disclose those matters in the Misleading Communications, and instead approved the issuance of communications which misleadingly continued to refer solely to the pandemic as the cause of the delay. The conduct of Mr Bill Chan and Mr Ng, in particular their reliance on the representations of Mr Ivan Chan without exercising their independent judgment in respect of the submissions to the Exchange and the Misleading Communications, fell short of the required standards expected of directors with knowledge, experience and the office they held.

Mr Sze's responses to the Exchange's enquiries on certain key issues were direct, unequivocal and helpful to the Exchange's investigation and understanding of the relevant key events. The sanction imposed on Mr Sze took into account his level of cooperation during the Exchange's investigation.

Mr Un was aware of the Exchange's investigation and that he had to provide a submission in response to the Exchange's enquiries, but he chose not to do so. He breached his obligation to cooperate with the Exchange's investigation. This breach was not rectified by attending at the disciplinary hearing of the Listing Committee.

CONCLUSION

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

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

Hong Kong, 21 November 2023