

## STATEMENT OF DISCIPLINARY ACTION

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Exchange's Disciplinary Action against China Tangshang Holdings Limited  
(Stock Code: 674) and its executive directors

### SANCTIONS

The Listing Committee of the Exchange (**Listing Committee**)

### **CENSURES:**

- (1) **China Tangshang Holdings Limited** (Stock Code: 674) (**Company**);
- (2) **Mr Zhou Hou Jie**, executive director of the Company (**Mr Zhou**);

### **CRITICISES:**

- (3) **Mr Chen Wei Wu**, executive director and Chairman of the Company (**Mr Chen**);

### **AND FURTHER DIRECTS:**

A review of the Company's internal controls for procuring compliance with Chapters 13 and 14 of the Listing Rules; and

21 hours of training, for Mr Zhou and Mr Chen, on regulatory and legal topics including Listing Rule compliance.

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## **SUMMARY OF FACTS**

On 3 September 2019, the Company's indirect non-wholly owned subsidiary (**Guarantor**), provided a guarantee for the repayment obligation of up to RMB100 million plus related charges of an independent third party under a loan facility (**Guarantee**). The Guarantee was provided by the Guarantor's management without notice to the board of the Company at the material time.

The provision of the Guarantee constituted a major transaction and an advance to an entity (which exceeded 8 per cent of the assets ratio) by the Company. The Company did not comply with the procedural requirements under the Listing Rules.

This is the third time the Company has breached the Listing Rules in respect of guarantees entered into by the Guarantor. On the previous occasions, the Company received letters from the Exchange, warning that if the Company breaches the Listing Rules again, disciplinary action may be taken against it.

Mr Zhou and Mr Chen failed to implement effective internal controls for ensuring the Company's compliance with the Listing Rules in respect of the Guarantor's transactions. They also failed to take timely steps to appoint a replacement for an employee (**Responsible Person**), who was appointed to a committee established by the Company (**Regulation Committee**) and delegated with the responsibility of liaison with the Guarantor to ensure the Company's Listing Rule compliance in respect of the Guarantor's transactions. In particular, Mr Zhou, as a member of the Regulation Committee, failed to fulfil such duty or ensure the Regulation Committee was performing its delegated functions at the material time.

The Company, Mr Zhou and Mr Chen admitted their respective breaches and accepted the sanctions and directions imposed upon them by the Listing Committee as set out below.

## **LISTING RULE REQUIREMENTS**

Listing Rules 13.13 and 13.15 require the Company to announce details of an advance to an entity as soon as reasonably practicable, where the relevant advance exceeds 8 per cent under the assets ratio as defined under the Listing Rules.

Listing Rules 14.34 and 14.40 require the Company to publish an announcement as soon as possible after the terms of a major transaction have been finalised, and to seek its shareholders' approval for any major transaction.

Listing Rule 3.08 provides that directors, both collectively and individually, are expected to fulfil duties of skill, care and diligence to a standard at least commensurate with the standard established by Hong Kong law. Specifically, under Listing Rule 3.08(f), directors have 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*”.

Pursuant to the Director’s Undertaking, each director is required to comply to the best of his ability, and to use his best endeavours to procure the Company’s compliance, with the Listing Rules.

### **LISTING COMMITTEE’S FINDINGS OF BREACH**

The Listing Committee found as follows:

- (1) The Company breached Listing Rules 13.13, 13.15, 14.34 and 14.40.
- (2) Mr Zhou and Mr Chen breached (a) Listing Rule 3.08(f); and (b) their Director’s Undertakings to comply with the Listing Rules to the best of their abilities, and use their best endeavours to procure the Company’s compliance with the Listing Rules:
  - (i) They, together with other directors of the Company, were collectively responsible for the Company’s management and operations. They failed to take timely steps to appoint a replacement for the Responsible Person, which partly contributed to the Company’s breaches.
  - (ii) Mr Zhou, as a member of the Regulation Committee, failed to fulfil his duty or ensure the Regulation Committee was performing its delegated functions.
  - (iii) They failed to implement effective internal controls for ensuring the Company’s compliance with the Listing Rules in respect of the Guarantor’s transactions.

**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, Mr Zhou and Mr Chen, and not to any other past or present members of the board of directors of the Company.

Hong Kong, 14 April 2021