

香港聯合交易所有限公司

(香港交易及結算所有限公司全資附屬公司)

THE STOCK EXCHANGE OF HONG KONG LIMITED

(A wholly-owned subsidiary of Hong Kong Exchanges and Clearing Limited)

STATEMENT OF DISCIPLINARY ACTION

Exchange's Disciplinary Action against Alltronics Holdings Limited (Stock Code: 833) and Ten Directors

SANCTIONS

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

CENSURES:

- (1) **Alltronics Holdings Limited** (stock code: 833) (**Company**);
- (2) **Mr Lam Yin Kee**, executive director (**ED**) of the Company (**Mr Lam**);
- (3) **Mr Lam Chee Tai Eric**, ED of the Company;
- (4) **Mr So Kin Hung**, ED of the Company;
- (5) **Ms Yeung Po Wah**, ED of the Company;
- (6) **Ms Liu Jing**, former ED of the Company;
- (7) **Mr Fan Chung Yue William**, non-executive director of the Company;
- (8) **Mr Yau Ming Kim Robert**, independent non-executive director (**INED**) of the Company;
- (9) **Mr Yen Yuen Ho Tony**, INED of the Company;
- (10) **Mr Lin Kam Sui**, INED of the Company; and

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CRITICISES:

(11) **Mr Pang Kwong Wah**, INED of the Company (**Mr Pang**); and

DIRECTS each of the directors identified at (2) to (11) above (**Relevant Directors**) to attend 21 hours of training on regulatory and legal topics including Listing Rule compliance.

SUMMARY OF FACTS

On 20 December 2018, the Company entered into and announced (1) a disposal (**Disposal**) of its subsidiary group (**Subsidiary**) to a purchaser for RMB100 million and guaranteed by a guarantor (**Guarantor**); and (2) a debt undertaking (**Debt Undertaking**) essentially by the Subsidiary and the Guarantor that they repay the debt that the Subsidiary owed to the Company (RMB189.8 million as at 30 September 2018) within one year from the date of completion of the Disposal (collectively, the **Transactions**).

The Disposal constituted a very substantial disposal and connected transaction. The Debt Undertaking constituted a discloseable and connected transaction.

It was initially agreed between the parties that the purchaser would pay RMB30 million to the Company by 15 January 2019, and RMB30 million and RMB40 million respectively in 3 and 6 months after completion, for the Disposal. The purchaser applied for a three-month time extension to 15 April 2019 (**1st Extension**) before completion for making the first RMB30 million payment. The independent shareholders approved the Transactions including, inter alia, the 1st Extension.

Subsequently, Mr Pang raised concerns and asked about the status of the first payment (RMB30 million) at a board meeting. The Company then consulted its legal advisers on whether it could proceed to completion even though the first payment had not been received. The Company was advised that the first payment was not a condition precedent to completion. The Company subsequently allowed the purchaser to defer the payments (including the first RMB30 million payable by 15 April 2019 to 31 July 2019, and the second and the third payments (RMB30 million and RMB40 million to 31 October 2019 and 31 January 2020 respectively)) (**2nd Extension**), and proceeded to completion on 15 April 2019 (**Completion**) without seeking the independent shareholders' approval again.

On 2 May 2019, the Company announced that a PRC court freezing order had been imposed, (as announced on the Shanghai Stock Exchange) against certain assets of the Guarantor on 4 and 5 April 2019 respectively (ie about ten days before Completion).

On 30 July 2019, the Company announced that the purchaser had applied for a further time extension for six months until 31 January 2020 for settling the payments for the Disposal but that this had been rejected by the Company.

The purchaser and the Guarantor have failed to pay any of the agreed sums to the Company.

Mr Lam (ED, chairman and the then CEO) was the director primarily in charge of the Transactions. He concluded that it would be in the Company's best interest to grant the 2nd Extension and proceed with Completion rather than to terminate the Transactions or defer Completion.

All the other Relevant Directors agreed with Mr Lam and approved the decision to grant the 2nd Extension and proceed with Completion on 15 April 2019, and believed at that time that proceeding with the Transactions was in the Company's best interest.

LISTING RULE REQUIREMENTS

Rules 14.49 and 14A.36 required the Disposal be made conditional on approval by independent shareholders in general meeting. No written shareholders' approval would be accepted.

Rules 14.36 and 14A.35 required the Company to re-comply with the relevant Rules (including, among others, the circular and shareholders' approval requirements) if there was any material variation of the transaction terms previously announced.

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 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 Relevant Director was 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.

ACCEPTANCE OF SANCTIONS AND DIRECTIONS

The Company and the Relevant Directors have agreed with the Exchange to settle the disciplinary action commenced against them. They did not contest their respective breaches, and accepted the sanctions and directions imposed on them by the Listing Committee, as set out below.

LISTING COMMITTEE'S FINDINGS OF BREACH

The Listing Committee found as follows:

- (1) The payment deferrals (in particular, the first RMB30 million originally payable pre-completion until after completion), together with the decision to complete without receipt of any consideration, constituted a material variation of the terms of the Disposal and, therefore, the Company was required to seek independent shareholders' approval again. As the Company did not do so, it breached Rules 14.49 and 14A.36 by failing to obtain the required shareholders' approval.
- (2) The Relevant Directors breached:
 - (i) Rule 3.08(f) and their Undertakings to comply with the Rules to the best of their ability by failing to exercise reasonable skill, care and diligence to protect the Company's interests in the Transactions, in particular as a result of their failure to conduct sufficient due diligence on the financial capability of the Guarantor before allowing the 2nd Extension and Completion in the circumstances; and
 - (ii) their Undertakings to use their best endeavours to procure the Company's compliance with Rules 14.49 and 14A.36 by procuring the Company to seek professional advice on the Rule implications of the 2nd Extension and Completion, and obtain the required shareholders' approval again.

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 members of the board of directors of the Company.

Hong Kong, 28 June 2021