

## STATEMENT OF DISCIPLINARY ACTION

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### Exchange's Disciplinary Action against IntelliCentrics Global Holdings Ltd (Stock Code: 6819) and Two Executive Directors

#### **SANCTIONS**

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

#### **CENSURES:**

- (1) **IntelliCentrics Global Holdings Ltd** (Stock Code: 6819) (**Company**);
- (2) **Mr Lin Tzung-Liang**, executive director (**ED**) and Chairman of the Company (**Mr Lin**); and
- (3) **Mr Michael James Sheehan**, ED and Chief Executive Officer of the Company (together with Mr Lin, **Relevant Directors**).

#### **SUMMARY OF FACTS**

The Company was listed on 27 March 2019 and raised approximately US\$60.6 million in IPO proceeds. According to the Company's prospectus, US\$55.5 million of the IPO proceeds was intended for (a) funding potential acquisitions and developing strategic alliances (8.8 per cent), (b) sales and marketing efforts (54.1 per cent), (c) repayment of a bank facility (27.1 per cent), and (d) working capital and other general corporate purposes (10 per cent). The prospectus also specified that the proceeds not immediately used for the abovementioned purposes may be allocated to "*short-term interest-bearing deposits and/or money-market instruments and/or principal-guaranteed wealth management products with authorised financial institutions and/or licensed banks*".

The Company's interim results for the six-months ended 30 June 2019 revealed that on the day of the Company's listing, the Company used US\$55 million of its IPO proceeds to purchase certain promissory notes. Details of the promissory notes acquired by the Company (**Promissory Notes**) are set out in the Company's announcement of 19 May 2020 (**Announcement**).

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The Promissory Notes were acquired by the Company through AMTD Global Markets Limited (**AMTD**), which was the joint global coordinator and joint bookrunner of the Company's IPO. The issuers of the Promissory Notes are all offshore private companies, details of whom are set out in the Announcement. The Company stated in the Announcement that save as disclosed, *"the Company is not aware of the identity of the ultimate beneficial owners of the issuers of the Promissory Notes and the relationship among the issuers of the Promissory Notes"*.

The Company admitted in the Announcement that its acquisition of the Promissory Notes constituted major transactions and advances to entities, and that the relevant provisions of the Listing Rules had not been complied with in a timely manner. The Company also admitted that it did not consult its compliance adviser prior to the purchase of the Promissory Notes. The Relevant Directors were the directors responsible for the decision to invest in the Promissory Notes.

The Company and the Relevant Directors do not contest their respective breaches and accepted the sanctions imposed upon them by the Listing Committee as set out below.

### **LISTING RULE REQUIREMENTS**

Rule 14.34 provides that a listed issuer must publish an announcement as soon as possible after the terms of, *inter alia*, a discloseable or a major transaction have been finalised.

Rules 14.38A and 14.40 provide that a listed issuer which has entered into a major transaction must send a circular to its shareholders, and the transaction must be made conditional on approval by shareholders.

Rules 13.13 and 13.15 provides that where the relevant advance to an entity exceeds 8 per cent under the assets ratio, the issuer must announce details of the relevant advance, including details of the balances, the nature of events or transactions giving rise to the amounts, the identity of the debtor group, interest rate, repayment terms and collateral.

Rule 3A.23 provides that during the fixed period, a listed issuer must consult with and, if necessary, seek advice from its compliance adviser on a timely basis where, *inter alia*, (a) a transaction, which might be a notifiable or connected transaction, is contemplated, or (b) the listed issuer proposes to use the proceeds of the initial public offering in a manner different from that detailed in the listing document.

Rule 3.08 provides that the Exchange expects the 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 (Rule 3.08(f)).

Each of the Relevant Directors have given the Director's Undertaking, which provides, *inter alia*, that he undertakes to comply with the Listing Rules to the best of his ability, and to use his best endeavours to procure the Company's Listing Rule compliance.

**LISTING COMMITTEE'S FINDINGS OF BREACH**

The Listing Committee found as follows:

- (1) The Company breached Rules 3A.23, 13.13, 13.15, 14.34, 14.38A and 14.40:
  - (i) The Company submitted that its acquisition of the Promissory Notes was a temporary and interim measure for the management of idle IPO proceeds. Even if this was the case, the Listing Committee considers that the issuers of the Promissory Notes were not authorised financial institutions and/or licensed banks.
  - (ii) In any event, the Company's acquisition of the Promissory Notes constituted "transactions" for the purposes of the Listing Rules.
  - (iii) The Company failed to consult its compliance adviser in breach of Rule 3A.23, and failed to comply with the relevant Listing Rule provisions on major transactions and advances to entities.
- (2) The Relevant Directors breached (a) Rule 3.08(f) and (b) their Directors' Undertaking to comply with the Listing Rules to the best of their ability, and to use their best endeavours to procure the Company's compliance with the Listing Rules:
  - (i) The Relevant Directors failed to correctly consider the Listing Rule implications of the Company's acquisition of the Promissory Notes or to obtain independent advice, and therefore did not procure the Company to consult its compliance adviser on the same, and only relied upon AMTD's advice that there were no specific disclosure and approval requirements for the Promissory Notes under the Listing Rules.
  - (ii) The Relevant Directors failed to conduct sufficient due diligence on the issuers of the Promissory Notes, and only relied upon AMTD's assurances as to the background of the issuers. Given that the repayment obligation lies with the issuers of the Promissory Notes, it was imperative for the Relevant Directors to have conducted proper, adequate and independent due diligence on such issuers.

**CONCLUSION**

The 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 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, 29 June 2021