

The logo for HKEX, featuring the letters 'HKEX' in a bold, white, sans-serif font. The 'X' is stylized with a red and white graphic element.

香港交易所

ENFORCEMENT NEWSLETTER

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INTRODUCTION

Welcome to the latest edition of the Enforcement Newsletter.

Our feature article highlights the important role that the Exchange fulfils when interacting with other regulatory agencies in Hong Kong. In particular, we co-ordinate and co-operate extensively with the Securities and Futures Commission (**SFC**) in relation to investigations and legal proceedings. Both the SFC and the Exchange have a statutory duty to maintain an orderly, informed and fair market for the trading of securities listed on the Exchange. As a result, it is important and necessary for the SFC and the Exchange to work closely together in relation to investigations and enforcement work generally.

We also outline the 2019 Enforcement Statistics. These statistics, including the number of investigations and the number of directors subject to disciplinary action, reflect our continued determination to address and curb inappropriate behaviour.

Finally, we provide our regular update of enforcement cases and outcomes. A total of ten news releases were published in the six-month period ended 31 December 2019. These cases involved a number of different issues, but also reflect some common themes such as financial reporting obligations, internal controls and compliance with notifiable or connected transaction requirements. In terms of individual accountability, a number of the cases highlight the consequences of breaches of obligations

under the Listing Rules by directors, compliance officers, supervisors and controlling shareholders. In particular there were four cases involving conduct which was considered to be a persistent, wilful and/or blatant disregard for directors' responsibilities and obligations under the Listing Rules.

We hope you will find the contents of this edition informative and helpful. Anyone involved in Listing Rule compliance and corporate governance in Hong Kong is encouraged to read this Newsletter to ensure they stay on top of current and future trends in enforcement at the Exchange including awareness of the Exchange's continuing expectations in relation to compliance with the Listing Rules.

HOW THE ENFORCEMENT DEPARTMENT INTERACTS WITH OTHER REGULATORS

Cases involving suspected breaches of the Listing Rules by listed issuers and directors may sometimes involve potential breaches of the laws or other regulations. This article describes how the Exchange works with other regulators to ensure that a co-ordinated effort is made to contain behaviour which is detrimental to the securities market in Hong Kong.

General overview

The Exchange is the frontline regulator of all listing-related matters in Hong Kong. It has a statutory duty to ensure, as far as reasonably practicable, an orderly, informed and fair securities market in Hong Kong.

The Enforcement Department (within the Listing Division) is responsible for the enforcement of breaches of the Listing Rules by way of conducting investigations and ultimately taking disciplinary action in appropriate cases, including against listed issuers and directors.

In discharging this statutory duty, the Enforcement Department co-operates with other regulatory bodies and law enforcement agencies, such as the SFC, the Independent Commission Against Corruption (**ICAC**), the Commercial Crime Bureau of the Hong Kong Police Force (**CCB**) and the Financial Reporting Council (**FRC**).

Referrals to and co-operation with the SFC

In the case of the SFC, if the Listing Division identifies conduct which may give rise to a breach of the Securities and Futures Ordinance (**SFO**), we will make a referral to the SFC.

The SFC and the Exchange regularly provide information and referrals to each other based on suspected misconduct. During the course of 2019, the Listing Division referred a total of 20 cases of alleged or suspected breaches of the SFO and the Codes on Takeovers and Mergers and Share Buy-backs to the SFC⁽¹⁾. Following a referral, the Enforcement Department and the SFC will continue to co-ordinate and co-operate.

Any referral made by the Listing Division to the SFC may also ultimately result in concurrent investigations by both the Enforcement Department and the SFC. The concurrent investigations may relate to the same listed issuer or individual and arise out of the same set of facts. Despite this, in most cases, concurrent investigations by the Exchange and the SFC are necessary given that the Enforcement Department's investigations involve possible breaches of the Listing Rules, whilst the SFC's investigations involve suspected breaches of the SFO.

For example, the Enforcement Department may conduct an investigation in relation to a listed issuer providing misleading or deceptive information in an announcement in breach of Listing Rule 2.13. The referral to the SFC by the Enforcement Department may then result in a concurrent investigation by the SFC for the suspected provision of false or misleading information under the SFO, which in turn may be relevant to the SFC's investigation of suspected market misconduct.

The table below shows the number of cases involving overlapping investigations and co-operation between the Enforcement Department and the SFC during 2019 and the two preceding years.

	2019	2018	2017
No. of investigations overlapping with SFC	43	55	40
No. of referrals to SFC (excluding referral cases involving disclosure of inside information as defined under the SFO)	20	14	8
No. of documents/information requests from SFC	19	29	18
No. of witness statements executed for SFC	1	2	2



Referrals to other agencies

In addition to active co-operation with the SFC, the Enforcement Department and other departments within the Listing Division make a number of referrals each year to other relevant law enforcement agencies, including the ICAC, CCB and FRC.

For 2019, the Listing Division has referred over ten cases to these other law enforcement agencies. The Listing Division may also make referrals to other professional bodies, such as The Law Society of Hong Kong and The Hong Kong Institute of Certified Public Accountants, where there are possible breaches of professional codes of conduct.

In this regard, the Exchange is party to a number of memorandums of understanding (**MOU**) with other professional bodies. These MOUs govern the way in which we co-operate with and make referrals to them, and typically provide that disciplinary action by the Exchange against professional advisers will relate to matters governed by or arising out of the Listing Rules.

Impact on enforcement investigations

There may be situations where concurrent investigations by different regulators result in a cross-over of potential outcomes. In those circumstances, the Exchange's Enforcement Policy Statement⁽²⁾ clearly sets out that enforcement of the law takes priority over enforcement of the Listing Rules.

Although in the majority of cases the Exchange will continue with its own investigation of the relevant conduct, the Exchange may also, either at the request of the relevant law enforcement authority or by its own volition, temporarily suspend its investigation or action. During 2018 and 2019, a total of 16 investigation cases were suspended, of which the large majority were suspended at the request of the other law enforcement agency, for example, when cases being investigated by the ICAC have not turned overt. The remaining cases

were suspended as the Exchange considered appropriate, due to the particular circumstances of the individual case.

Further assistance

Finally, in addition to referrals to other regulatory bodies and law enforcement agencies, the Exchange provides assistance to other regulators by responding to their requests for information and/or documents. For example, the Exchange may provide witness statements on the interpretation of the Listing Rules, or provide certain documents relating to a listed issuer or a relevant individual. The relevant statistics are set out in the table on page 6 of this Newsletter.

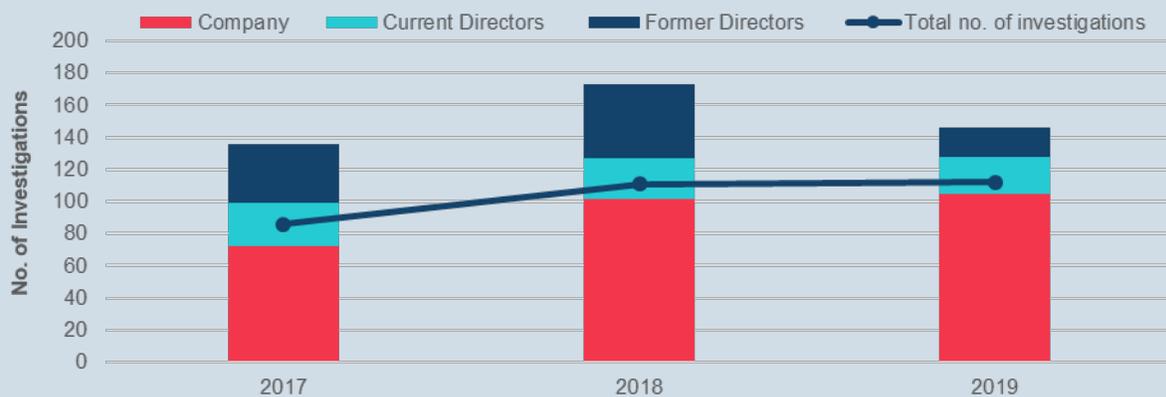
- ⁽¹⁾ Excludes referral cases involving disclosure of inside information as defined under the SFO.
- ⁽²⁾ [Enforcement of the Listing Rules – Policy Statement](#), Revised (17 February 2017).

ENFORCEMENT STATISTICS

1. Investigations

The number of investigations⁽¹⁾ carried out by the Enforcement Department in 2019 remained consistent with the same period last year. However, both 2018 and 2019 represent a steady increase when compared with previous years.

⁽¹⁾ Figures cover all cases investigated during the period (both concluded cases and cases that remain ongoing). Please refer to the [statistics](#) published on the Exchange's website on 7 February 2020.

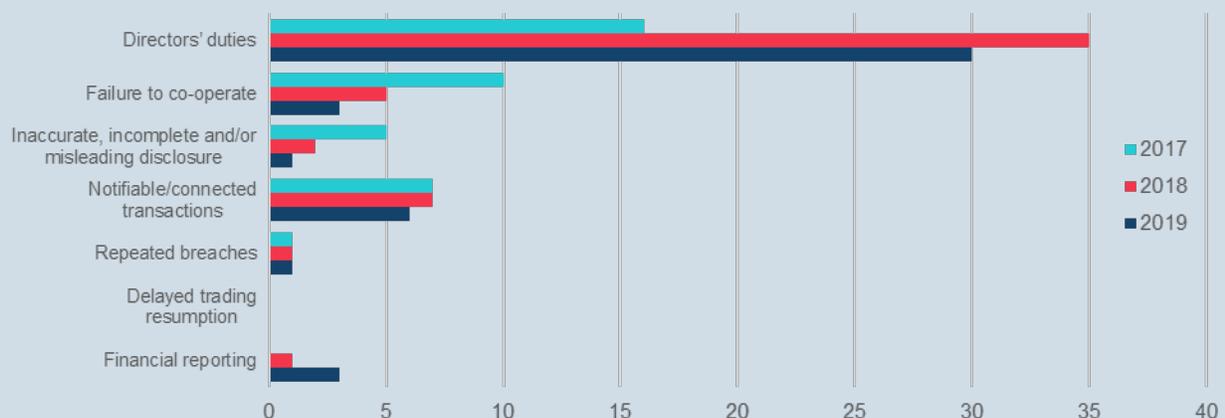


2. Issues under Investigation

Whilst the Enforcement Department continues to have the ability to pursue any breach of the Listing Rules (as per the Enforcement Policy Statement), during 2019, 93% of all investigations⁽¹⁾ related to one or more of the enforcement themes⁽²⁾ identified below.

⁽¹⁾ Figures cover all cases investigated during the period (both concluded cases and cases that remain ongoing).

⁽²⁾ Enforcement themes represent those that are the main focus of an investigation (whether or not it involves other issues). An investigation covering more than one theme is disclosed under Multiple Themes, as set out in the [statistics](#) published on the Exchange's website on 7 February 2020.



3. Outcome of Disciplinary Actions by Listing Committee and Enforcement Department

The Enforcement Department's average investigation time remained consistent with previous years. For the twelve months ended 31 December 2019, the average time for completion of an investigation was 9.6 months⁽¹⁾.

	Twelve months ended 31/12/2019			Twelve months ended 31/12/2018			Twelve months ended 31/12/2017		
	MB	GEM	Total	MB	GEM	Total	MB	GEM	Total
Sanctions imposed⁽²⁾									
Public censures	9	2	11	14	7	21	7	1	8
Public statements involving criticism	1	1	2	0	0	0	1	0	1
Other public statements ⁽³⁾	3	0	3	1	2	3	0	0	0
Directions involving⁽⁴⁾:									
Internal control review	2	0	2	1	1	2	0	0	0
Retention of compliance adviser	2	1	3	2	6	8	1	0	1
Training of directors	7	2	9	6	6	12	4	0	4

⁽¹⁾ From commencement of investigation to the decision as to the regulatory action to be taken.

⁽²⁾ These figures represent the primary regulatory sanction imposed in a disciplinary action and save for (3) below, do not include other sanctions that may be imposed in the same action or private reprimands. See "Other Information on Regulatory Activities" below for statistics on the number of warning and caution/guidance letters issued by the Listing Division.

⁽³⁾ Includes Rule 2A.09(7) statements (GEM Listing Rule 3.10(7)) where, in the case of wilful or persistent failure by a director to discharge his responsibilities under the Listing Rules, the Exchange states its opinion that the retention of office by that director is prejudicial to the interests of investors; and also where the Listing Committee expresses its views that it would be minded to make such a statement had the resigned director stayed in office. These figures are in addition to and do not form part of the total number of primary regulatory sanctions imposed.

⁽⁴⁾ These figures represent the total number of directions given in addition to the primary regulatory sanction imposed in a disciplinary action.

4. Number of Directors Subject to Disciplinary Sanctions

During 2019, the Exchange took disciplinary action and obtained public sanctions against 63 directors, together with three supervisors of an issuer and a controlling shareholder of another issuer. Whilst the total number of directors subject to disciplinary sanctions was lower than 2018, there remains a total of 16 disciplinary actions pending conclusion as at 31 December 2019. This indicates that a relatively large number of matters are likely to be resolved in the first half of 2020.

	Twelve months ended 31/12/2019			Twelve months ended 31/12/2018			Twelve months ended 31/12/2017		
	MB	GEM	Total	MB	GEM	Total	MB	GEM	Total
Executive directors	26	5	31	41	30	71	16	1	17
Non-executive directors	7	5	12	5	5	10	4	0	4
Independent non-executive directors	17	3	20	17	22	39	3	0	3
Total	50	13	63	63	57	120	23	1	24

OTHER INFORMATION ON REGULATORY ACTIVITIES

	Twelve months ended 31/12/2019	Twelve months ended 31/12/2018	Twelve months ended 31/12/2017
1. Disciplinary proceedings			
Disciplinary reports issued	24	13	22
Issuers and directors involved in ongoing and concluded disciplinary actions	145	172 ⁽¹⁾	162
Disciplinary proceedings pending conclusion ⁽²⁾	16	8	17
2. Interaction with other law enforcement agencies			
Referrals made by the Listing Division to SFC, ICAC or CCB ⁽³⁾	21	32	24
Witness statements given by the Listing Division's personnel in relation to investigations of SFC, ICAC or CCB	7	7	9
Information and document production requests handled by the Listing Division in relation to investigations of SFC, ICAC or CCB	51	72	55
3. Warning and caution/guidance letters			
Issued by the Listing Division	626	401	331

⁽¹⁾ The number should be 172 and not 109 as previously disclosed in the Enforcement Newsletter for the twelve months ended 31 December 2018.

⁽²⁾ A disciplinary action is concluded after the hearing/final review and: (i) where a public sanction is imposed, its outcome is published; or (ii) where no public sanction is imposed, the decision letter is issued.

⁽³⁾ Referrals which arose out of an enquiry/investigation for potential breach of the Listing Rules but exclude those which solely involve a possible breach of Part XIVA of the Securities and Futures Ordinance.

ENFORCEMENT CASES

We set out below an index of the news releases published during the six-month period ended 31 December 2019.

News release	Summary of conduct	Page
15 July 2019	<ul style="list-style-type: none"> Listed issuer's breach relating to its use of listing proceeds Directors' failure to procure listed issuer's compliance Breach of compliance officer's duties for failing to advise the listed issuer to ensure Rule compliance 	8
29 July 2019	<ul style="list-style-type: none"> Breach of controlling shareholder's obligation in relation to disposal of his interest in the listed issuer 	8
29 July 2019	<ul style="list-style-type: none"> Directors' failure to take timely action in addressing the matters giving rise to the auditor's disclaimer opinion in financial statements 	9
6 September 2019	<ul style="list-style-type: none"> Listed issuer's disclosure of inaccurate and misleading financial information Delegation of an executive director (and chairman)'s responsibilities to another director for a prolonged period Internal control and risk management deficiencies Breach of directors' and supervisors' duties 	9
20 September 2019	<ul style="list-style-type: none"> Director's failure to attend training as directed by the Listing Committee 	10
27 September 2019	<ul style="list-style-type: none"> Listed issuer's failure to comply with the announcement and independent shareholder approval requirements for connected and continuing connected transactions 	11
2 December 2019	<ul style="list-style-type: none"> Director's failure to comply with the securities dealing restrictions under the Listing Rules 	11
11 December 2019	<ul style="list-style-type: none"> Listed issuer's late publication of financial statements caused by internal control deficiencies 	12
20 December 2019	<ul style="list-style-type: none"> Listed issuer and directors' failure to co-operate with the Exchange's investigation 	12
30 December 2019	<ul style="list-style-type: none"> Director's wilful and persistent failure to comply with the securities dealing requirements under the Listing Rules 	13

CHINA REGENERATIVE MEDICINE INTERNATIONAL LIMITED (STOCK CODE: 8158)

News release of 15 July 2019

THEMES

- Directors' duties
- Failure to comply with procedural requirements in respect of notifiable/connected transactions

KEY MESSAGES

- Money raised by issuers should be used for the intended purposes as disclosed to the market and its shareholders.
- Pending investment in described projects, placing proceeds should be safeguarded, and directors should exercise proper oversight of placing proceeds.
- Listed issuers are required to seek the Exchange's consent prior to adopting any alternative size tests.

This case concerns the issuer's use of placing proceeds by granting loans to third parties, without disclosing and/or obtaining shareholders' approval for such loans.

From March to July 2015, the issuer completed three share placings, raising a total of HK\$1.549 billion. It transpired that from March to August 2015, the issuer granted 19 loans in excess of HK\$1.3 billion to third parties (**Loans 1 to 19**). The granting of loans was not within the issuer's usual and ordinary course of business, and the loans were not disclosed by the issuer. In May 2016, after the commencement of the Division's investigation into Loans 1 to 19, a subsidiary of the issuer granted a further loan to a third party (**Loan 20**), which was announced as a discloseable transaction.

The Listing Committee found that Loans 1 to 19 were major transactions subject to announcement and shareholder approval requirements, with which the issuer did not comply, in breach of GEM Listing Rules

19.34 and 19.40. In respect of Loan 20, the Listing Committee found that this was also a major transaction, for which shareholders' approval was not sought, in breach of GEM Listing Rule 19.40. The issuer also failed to consult the Exchange and to submit an alternative size test to the Exchange for consideration in respect of Loan 20, in breach of GEM Listing Rule 19.20.

In respect of the 12 directors on the Board at the relevant time, the Listing Committee found that each of them had breached GEM Listing Rule 5.01(6) and their Undertakings. Two of those directors, Mr Dai Yu Min and Mr Wong Sai Hung, were also found to have breached GEM Listing Rule 5.20 as compliance officers of the issuer.

The Listing Committee imposed public sanctions against the issuer and the 12 directors, and made directions on the appointment of a compliance adviser and directors' training. The findings of the Listing Committee, together with the sanctions and directions imposed, were upheld by the Listing Appeals Committee upon review.

MR LIANG JIAN HENG

FORMER CONTROLLING SHAREHOLDER OF WAN CHENG METAL PACKAGING COMPANY LIMITED
(STOCK CODE: 8291)

News release of 29 July 2019

THEMES

- Not applicable

KEY MESSAGES

- Controlling shareholders of listed issuers are obliged to comply with their obligations under the Listing Rules.
- Professional advice on Listing Rule implications should be sought where appropriate.
- Where certain conduct may lead to a breach of the Listing Rules, one should consider seeking from the Exchange a waiver from compliance with the Listing Rules.

This case concerns a former controlling shareholder disposing of his entire interest in the issuer during the seventh month from the issuer's listing and therefore ceased to be a controlling shareholder. He breached the then GEM Listing Rule 13.16A(1)(b) and his undertaking to the Exchange, which provided that a controlling shareholder of the issuer shall not, during the seventh to the twelfth month from the date on which dealings in the issuer's securities commence on the Exchange, dispose of any of his interest in the securities of that issuer if, immediately following such disposal, he would cease to be a controlling shareholder. He did not consider or obtain professional advice on the possible implications of the GEM Listing Rules in relation to the disposal, or seek a waiver from compliance from the Exchange.

The Listing Committee imposed a public censure against Mr Liang.

AMAX INTERNATIONAL HOLDINGS LIMITED

(STOCK CODE: 959)

News release of 29 July 2019

THEMES

- Directors' duties
- Financial reporting – delays, internal controls and corporate governance issues

KEY MESSAGES

- An issuer's financial statements in an annual report should provide a true and fair view of the issuer's state of affairs and of the results of its operations and its cash flow.
- A disclaimer of opinion deprives the shareholders and investing public of the right to quality information relating to the issuer to appraise the issuer's position and to make informed investment decisions, which in turn destroys transparency, trust and confidence in the market.
- Directors are responsible for the issuer's financial statements. They must exercise

such degree of skill, care and diligence as may be reasonably expected under Rule 3.08(f) of the Listing Rules including in respect of the issuer's financial reporting obligations.

- Directors must take substantive steps in a timely manner towards resolving the issues that have given rise to the disclaimer of opinion in the issuer's financial statement. Failure to do so by a director demonstrates a lack of proactivity and diligence on his part in procuring compliance with the issuer's financial reporting obligations, and may amount to a breach of the director's duties.

This case concerns the directors' failure to take substantive steps in a timely manner towards resolving issues that have given rise to the disclaimer of opinion in the issuer's financial statements for seven years.

The Listing Committee imposed public censures against the relevant directors. It also made directions on training for the directors.

SHANDONG MOLONG PETROLEUM MACHINERY COMPANY LIMITED

(STOCK CODE: 568)

News release of 6 September 2019

THEMES

- Directors' duties
- Inaccurate, incomplete and/or misleading disclosure in corporate communication
- Financial reporting - delays, or internal controls and corporate governance issues

KEY MESSAGES

- An issuer's periodic financial results are relevant to shareholders and investors for their appraisal of the issuer's performance and future prospect.

- Directors must read, understand and focus on the contents of the financial information to be disclosed, and take all reasonable steps to ensure that such information is accurate and complete, and not be misleading or deceptive. They must also follow up anything untoward that comes to their attention.
- Directors must review the contribution and ability required of each director in order for him/her to be able to discharge his/her director's duties and responsibilities.
- Supervisors of a PRC issuer are under an obligation to use their best endeavours to procure the issuer's compliance with the Listing Rules.
- Implementation of adequate and effective risk management and internal control systems is vital as they affect the issuer's ability to comply with the Listing Rules.

This case concerns:

- (1) the issuer's disclosure of inaccurate, misleading and deceptive financial results;
- (2) the delegation of responsibilities by Mr Zhang En Rong (executive director and chairman of the board) to another executive director during his absence from office for a prolonged period without effective reporting of the issuer's affairs to Mr Zhang; and
- (3) the directors and supervisors' failure, in breach of Rule 3.08(a), Rule 3.08(f), Director's Undertaking and/or Supervisor's Undertaking, to ensure that the issuer had adequate and effective risk management and internal control systems for its financial reporting obligations under the Listing Rules and effective reporting of the issuer's affairs to Mr Zhang during his absence from office.

The Listing Committee imposed public sanctions against the issuer, the relevant directors and supervisors, and made a statement that had Mr ER Zhang remained as director of the issuer, his retention of office would have been prejudicial to the interests of the investors. The Listing Committee also made directions on the appointment of compliance advisor, internal control review and directors' training.

MR XIANG LIANG

FORMER EXECUTIVE DIRECTOR OF CHINA ENVIRONMENTAL ENERGY INVESTMENT LIMITED (STOCK CODE: 986)

News release of 20 September 2019

THEMES

- Not applicable

KEY MESSAGES

- Breaches of directions made by the Listing Committee are taken seriously, and the Exchange will, where appropriate, take further action for such breaches.
- Such conduct will impact upon the director's suitability under Rule 3.09.

This case concerns the failure of a former executive director of the issuer, Mr Xiang Liang, to comply with a direction of the Listing Committee.

On 21 June 2017, the Listing Division commenced disciplinary proceedings against the issuer and two of its directors, including Mr Xiang, in relation to their breaches of the Listing Rules. On 31 July 2017, the Division entered into an agreement for the settlement of the disciplinary proceedings. As part of the settlement, Mr Xiang agreed, among other things, to a direction by the Listing Committee to attend 24 hours of training on Listing Rule compliance and directors' duties. However, despite having obtained two time extensions, Mr Xiang refused to attend the training and did not provide any valid reason for his refusal.

The Listing Committee censured Mr Xiang and stated that he does not satisfy the suitability requirements under Rule 3.09 to act as a director of any issuer listed, or to be listed, on the Exchange.

YASHILI INTERNATIONAL HOLDINGS LIMITED

(STOCK CODE: 959)

News release of 27 September 2019

THEMES

- Failure to comply with procedural requirements in respect of connected and continuing connected transactions
- Repeated breaches of the Listing Rules

KEY MESSAGES

- Issuers which repeatedly breach the Listing Rules should expect appropriate regulatory action.
- Directors should take active steps to avoid repeated Listing Rule breaches.
- Issuers and directors must maintain adequate and effective internal controls to ensure compliance with the Listing Rules, including appropriate measures to identify connected persons and connected transactions, manage and monitor the reporting of connected transactions at the subsidiary level.
- Issuers should provide clear guidance, training and/or written procedural manuals to staff members who are charged with the responsibility of reporting connected transactions.

This case concerns the issuer's failure to comply with the announcement and independent shareholders' approval requirements for certain connected and continuing connected transactions. The issuer received two caution

letters in 2014 and 2017 in relation to delays in announcing connected transactions. The issuer's Listing Rule breaches were due to inadequate internal controls with respect to connected transactions.

As a result of settlement, the Listing Committee imposed a public statement involving criticism against the issuer. It also made directions on internal control review and training for directors and key staff members of the issuer.

MR GUO XIA WILLIAM

EXECUTIVE DIRECTOR AND CHAIRMAN OF CHINA HEALTH GROUP INC (STOCK CODE: 8225)

News release of 2 December 2019

THEMES

- Not applicable

KEY MESSAGES

- Directors are restricted from dealing in securities during blackout periods. The requirements governing directors' securities dealings are designed to remove or mitigate any suspicion of abuse by directors of listed issuers of price sensitive or inside information that they may have or be thought to have.
- Directors' strict compliance with the securities dealing requirements is of fundamental importance to the integrity and confidence in the governance of listed issuers and the securities market in Hong Kong.
- Directors are ultimately responsible for the performance of delegated functions. Directors must exercise due care in conducting and authorising securities dealings, and must take adequate steps to comply with the Listing Rules to the best of their ability.

This case concerns a director's failure to comply with the securities dealing restrictions during blackout periods.

The Listing Committee imposed a public statement involving criticism against the director. It also made directions on training for the director.

ARTINI HOLDINGS LIMITED

(STOCK CODE: 789)

News release of 11 December 2019

THEMES

- Financial reporting - delays, or internal controls and corporate governance issues

KEY MESSAGES

- It is important that the issuer maintains adequate information and accounting records to support its transactions, revenue and expenses.
- The failure by the issuer in this case prevented the auditors from properly carrying out its audit procedures leading to a disclaimer of opinion being expressed in the issuer's financial statements.
- The deficiencies in the issuer's internal controls fell short of appropriate corporate governance and hindered the issuer's compliance with the Listing Rules.

This case concerns the issuer's failure to publish its annual results and annual report within the times prescribed by the Listing Rules, such delay being caused by material deficiencies in the issuer's internal controls at the time.

The Listing Committee found that the issuer did not maintain adequate supporting documents or records to support the revenue and expenditures of its businesses. Such lack of or limited supporting documents prevented the issuer's auditors from carrying out necessary audit procedures in order to satisfy themselves of the

completeness, accuracy and/or occurrence of the issuer's transactions, revenue and expenditure. This led to a disclaimer of opinion in the issuer's financial results.

As a result of a settlement, a public censure was imposed against the issuer for its breaches.

DING HE MINING HOLDINGS LIMITED

(STOCK CODE: 705)

News release of 20 December 2019

THEMES

- Failure of issuers and directors to co-operate with the Exchange's investigation.

KEY MESSAGES

- Listed issuers and directors must extend their co-operation with any investigation by the Exchange.
- The Exchange takes a very serious view in respect of any act of non-co-operation by issuers or directors.
- Directors must understand and take all reasonable steps to comply with their obligations in Appendix 5B to the Listing Rules to enable the Exchange to discharge its function to ensure an orderly, informed and fair market in securities that are traded on the Exchange.

This case concerns the failure of the issuer and the directors to co-operate with the Division's investigation:

- (1) the issuer failed to comply with its obligation under Rule 2.12A(2) to provide the Exchange with information and documents for the purposes of the Exchange's investigation; and
- (2) the relevant directors failed to use their best endeavours to procure the issuer's compliance

with Rule 2.12A(2) and to co-operate in the Exchange's investigation as required by the obligations set out in their Undertakings.

The Listing Committee imposed public censures against the issuer and the relevant directors, and made a direction that they provide a submission to the Listing Division's enquiry letter within one week from the date of the Listing Committee's decision. It also made a public statement under Rule 2A.09(7) that, in the Exchange's opinion, the retention of office by the relevant directors is prejudicial to the interests of investors.

MR HU GUO AN

FORMER DIRECTOR OF FUTURE BRIGHT MINING HOLDINGS LIMITED (STOCK CODE: 2212)

News release of 30 December 2019

THEMES

- Not applicable

KEY MESSAGES

- Directors' strict compliance with the securities dealing restrictions within the Listing Rules is of fundamental importance to the integrity and confidence in the governance of listed issuers and the securities market in Hong Kong.
- Directors must exercise due care in conducting and authorising securities dealings.
- Whilst a director may delegate a specific function to a staff member, the ultimate responsibility for performance of that function cannot, and still rests with the director.
- Directors are obliged to consider the Listing Rule implications, adequately supervise the performance of the delegated function, and apply their minds to Listing Rule compliance.

This case concerns a director, Mr Hu Guo An, who gave a general power to his secretary to deal in the Company's shares on his behalf. There were dealings in

the Company's shares on 30 occasions without Mr Hu first obtaining written acknowledgements from the Chairman. Nine of those dealings were made during the blackout period in respect of the Company's FY2017 results. Mr Hu therefore breached Rules A.3 and B.8 of Appendix 10 to the Listing Rules and his Undertaking to comply with the Listing Rules to the best of his ability.

The Listing Committee imposed a public censure against Mr Hu, and made a statement that by reason of his wilful and persistent failure to discharge his responsibilities under the Listing Rules, had Mr Hu remained in office, his retention of office would have been prejudicial to the interests of investors. The Listing Committee also made directions on director's training.