

## STATEMENT OF DISCIPLINARY ACTION

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Exchange's Disciplinary Action against Two Former Directors of Hope Life International Holdings Limited (Stock Code: 1683)

### SANCTIONS

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

#### IMPOSES:

**A DIRECTOR UNSUITABILITY STATEMENT** against:

- (1) **Ms Shen Jie**, former Chairman and executive director (**ED**) of Hope Life International Holdings Limited (**Company**) (**Ms Shen**);

**AND**

**A PREJUDICE TO INVESTORS' INTERESTS STATEMENT** against:

- (2) **Mr Ren Hui Yong**, former Chairman and ED of the Company (**Mr Ren**).

(The directors identified at (1) to (2) above are collectively referred to as the **Relevant Directors**.)

The statements made in respect of the Relevant Directors above are made in addition to a public censure against each of them.

The Director Unsuitability Statement is a statement that, in the Exchange's opinion, Ms Shen is unsuitable to occupy a position as director or within senior management of the Company or any of its subsidiaries.

The Prejudice to Investors' Interests Statements is a statement that, in the Exchange's opinion, had Mr Ren remained on the board of directors of the Company (**Board**), his retention of office would have been prejudicial to the interests of investors.

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**SUMMARY OF FACTS**

This case concerned a loss of over US\$1 million for the Company as a result of a series of sale and purchase transactions pursuant to a joint venture arrangement. The joint venture had not been the subject of any proper due diligence or assessment. All the monies paid by the Company in respect of the joint venture were misappropriated.

In January 2020, a new acquaintance of Ms Shen (**Xu**) proposed a business opportunity in respect of electronic products trading. The business contemplated under the joint venture was for the Subsidiary to buy electronic parts from certain suppliers, and then sell them with a small margin to certain buyers. Both the suppliers and the buyers were designated by Xu. Xu also confirmed that she and her company would guarantee the payment obligation of the buyers.

Although the counterparties were previously unknown to Ms Shen or the Company, and electronic products trading would be a new business for the Company, Ms Shen:

- (a) undertook no or very limited due diligence in respect of the proposed joint venture business;
- (b) did not conduct any commercial or risk assessment; and
- (c) did not inform or consult any other members of the Board.

Ms Shen nevertheless agreed on behalf of the Company to enter into the joint venture with Xu and Xu's company.

Under the joint venture, the Company transferred a 30 per cent shareholding in a subsidiary of the Company (**Subsidiary**) to Xu's company. The Subsidiary paid a total of US\$1,138,479.28 to the suppliers designated by Xu.

It was later discovered that Xu had misappropriated these payments. It appeared that no electronic products were ever delivered.

The Company has recovered its 30 per cent shareholding in the Subsidiary and US\$128,000 from Xu and her associates. The balance of over US\$1 million remained outstanding.

Despite the Division's investigation letters and reminders, Ms Shen did not respond to the Exchange's investigation. Mr Ren responded only after disciplinary action had been commenced against him.

**RULE REQUIREMENTS**

Rule 3.08 provides that the Exchange expects directors 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. Under Rule 3.08, directors must act honestly and in good faith in the interests of the issuer as a whole, act for proper purpose, be answerable to the company for the application or misapplication of its assets, avoid actual and potential conflict of interest and duty, 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.

The Relevant Directors are also subject to the obligations under the Declaration and Undertaking with regard to Directors in the form of Appendix 5B to the Listing Rules (**Undertaking**), which provides, among other things, that they shall: (i) cooperate in any investigation conducted by the Listing Division (**Division**) and/or the Listing Committee; and (ii) promptly and openly answer any questions addressed to them.

**LISTING COMMITTEE'S FINDINGS OF BREACH**

The Listing Committee found as follows:

- (1) Ms Shen breached Rule 3.08:
  - (a) Ms Shen was the director in charge of and responsible for all transactions relating to the joint venture. She was expected to have conducted proper due diligence and assessments before causing the Group to enter into the joint venture and the relevant transactions, such as:
    - (i) a thorough study of the proposed business opportunity, which was a new business to the Group;
    - (ii) due diligence against each of the counterparties involved (including Xu and her company, the designated buyers and the designated suppliers) for the purpose of assessing the counterparty risk and transaction risk; and
    - (iii) assessment of the quality, sufficiency and enforceability of the guarantees provided by Xu and her company.

- (b) Furthermore, as the Company would only make a profit of less than US\$24,000 under the joint venture, Ms Shen was expected to have properly assessed the risk and benefits of the transactions, and considered how to mitigate the risks involved in the transactions.
  - (c) Ms Shen, however, did not conduct any due diligence or assessment other than obtaining the annual returns of Xu's company and conducting company searches against the designated suppliers.
  - (d) The transactions were not approved by the Board, and Ms Shen did not discuss any of the transactions with the other directors at the material time. Ms Shen should have informed and involved the other directors in the course of decision-making.
- (2) Ms Shen and Mr Ren breached the Undertaking to cooperate with the Division's investigation. Ms Shen failed to respond to the Division's enquiries at all. Mr Ren responded only after disciplinary action had been commenced against him.

## **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 Relevant Directors, and not to any other past or present directors of the Company.

Hong Kong, 5 September 2023