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 Two Directors of Wisdom Wealth Resources Investment Holding Group Limited (Stock Code: 7)

SANCTIONS AND DIRECTIONS

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

CENSURES:

(1) **Mr NGAN Kam Biu Stanford** (**Mr Ngan**), independent non-executive director (**INED**) of Wisdom Wealth Resources Investment Holding Group Limited (formerly known as Hong Kong Finance Investment Holding Group Limited) (Stock Code: 7) (**Company**); and

(2) **Mr YIM Kai Pung** (**Mr Yim**), former INED of the Company.

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

AND FURTHER DIRECTS:

Mr Ngan to attend 17 hours of training on regulatory and legal topics including Listing Rule compliance; and

Mr Yim to attend 17 hours of training on regulatory and legal topics including Listing Rule compliance as a pre-requisite of any future appointment as a director of any company listed or to be listed on the Exchange.

SUMMARY OF FACTS

This case involved the Company's disclosures in respect of the value of land acquired by the Company. The value varied significantly in the Company's announcements and results within a year of the acquisition.

On 29 January 2018, the Company published a circular in respect of a very substantial acquisition and connected transaction (**Circular**), involving the acquisition by the Company of a target which held five parcels of land in Zhanjiang (**Land**). The Company engaged Malcolm & Associates Appraisal Limited (**Malcolm**), a professional valuer, to assess the market value of the Land for the purposes of the acquisition. Malcolm's valuation was published in the Circular and the Land was valued at RMB 1.15 billion (**1st Valuation**), using the direct comparison approach.

On 31 July 2018, the Company published its unaudited interim results for the six months ended 30 June 2018 (**2018 Interim Results**). The Company engaged Malcolm to provide a valuation of the

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Land as at 30 June 2018, and the resulting report from Malcolm stated that the Land was valued at RMB 8 billion (**2nd Valuation**). This figure was adopted in the 2018 Interim Results, which also stated, without further explanation, that the value was determined based on the comparison method and the investment method. However, Malcolm initially claimed that the residual approach was used in its submission during the Exchange's investigation.

This apparent increase in the value of the Land had a dramatic effect on the Company's disclosed financial position. For example, in the three immediately preceding years, the Company had reported either a loss or profit of no more than HK$100 million, and net assets of at most around HK$1 billion. In reliance on the 2nd Valuation, the 2018 Interim Results reported a profit of over HK$3 billion, and an increase in net assets to over HK$6 billion.

There was no evidence that the Company and the Relevant Directors had consulted the Company's auditor on the reasonableness of the significant increase in the value of the Land prior to publishing the 2018 Interim Results. Despite the Board having no expertise in valuations of land, the Relevant Directors failed to seek clarification from Malcolm in respect of the difference between the 1st and 2nd Valuations, and did not consider seeking a second opinion or other professional advice.

During the Exchange's investigation, there was conflicting evidence as to the scope of Malcolm's engagement for the 2nd Valuation (whether it was intended to be a "valuation" or a "calculation"), who requested the change in methodology, and the valuation method actually used by Malcolm. The comparables used in the 1st and 2nd Valuations were exactly the same, and there was no explanation as to why the price per sqm of the 2nd Valuation far exceeded the price per sqm of the comparables.

During the course of the Company's 2018 audit, Malcolm was engaged to provide a valuation of the Land as at 31 December 2018. Malcolm determined the value to be RMB 7 billion (**3rd Valuation**). Although Malcolm's report stated that the income method and market comparison method were adopted for the 3rd Valuation, Malcolm initially claimed during the investigation that the residual approach was used. The Company's auditor was not satisfied with the evidence provided by Malcolm regarding the fair value of the Land, which led to a delay in the publication of the Company's annual results for the year ended 31 December 2018 (**2018 Annual Results**). In response to the auditor's comments, Malcolm revised its valuation to RMB 3.147 billion (**4th Valuation**), on the basis that it changed its valuation methodology to the direct comparison approach. The 4th Valuation was adopted for the purposes of the 2018 Annual Results.

Subsequent valuations of the Land obtained by the Company from different valuers were RMB 4 billion (as at 30 June 2019), RMB 4.95 billion (as at 31 December 2019), and RMB 5.23 billion (as at 30 June 2020), which were all derived using the direct comparison approach.

ADDITIONAL FACTS

After the commencement of disciplinary proceedings by the Exchange, the Relevant Directors made a further submission which contained a significant amount of new evidence that was not produced to the Exchange during its investigation.

Some of the new evidence directly contradicted the Relevant Directors' previous submissions to the Exchange, namely that there was never any change in the valuation method adopted by Malcolm and Malcolm had adopted the market/direct comparison method for the 2nd and 3rd Valuations, with residual approach being used as a cross-checking reference. Some of the new evidence relevant to the issues under investigation had never been mentioned by the Relevant

Directors previously, even though they existed at the time of the investigation, including the suggestion that the auditor was *"intimately involved throughout the* [2nd Valuation] *and had given its seal of approval to the valuation"* (which the auditor had since denied).

The Relevant Directors' conduct resulted in the unnecessary prolonging of the disciplinary process.

EXCHANGE LISTING RULE REQUIREMENTS

Rule 2.13(2) provides that the information contained in any announcement or corporate communication must be accurate and complete in all material respects and not be misleading or deceptive.

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 is subject to the obligations in the Director's Undertaking, which includes, *inter alia*, that:

(a) he will comply with the Listing Rules to the best of his ability;

(b) he will use his best endeavours to procure the Company's compliance with the Listing Rules; and

(c) he will provide to the Exchange (i) any information and documents that the Exchange reasonably considers appropriate to protect investors or ensure the smooth operation of the market, and (ii) any other information and documents or explanation that the Exchange may reasonably require for the purpose of verifying compliance with the Listing Rules.

LISTING COMMITTEE'S FINDINGS OF BREACH

The Listing Committee found as follows:

(1) The Relevant Directors failed to take sufficient steps to ensure that their reliance on the 2nd Valuation was reasonable in the circumstances of the case. Whilst only 6 months had elapsed between the dates of the 1st and 2nd Valuations, the value of the Land purportedly increased seven-fold from RMB 1.15 billion to RMB 8 billion. The Relevant Directors did not take steps to make any enquiries with Malcolm on the basis for the substantial increase, and the assumptions, methodology, and comparables adopted by Malcolm. There was no evidence that the Relevant Directors had consulted the auditor on the reasonableness of the substantial increase in the value of the Land, or that any other professional advice was obtained, prior to the publication of the 2018 Interim Results.

(2) The Company breached Rule 2.13(2) in respect of the value of the Land disclosed, and/or in respect of the disclosure of the valuation methodology, in the 2018 Interim Results.

(3) The Relevant Directors breached their duties under Rule 3.08 and their Director's Undertakings to comply with the Listing Rules to the best of their ability and to procure the Company's compliance with Rule 2.13(2).

(4) The Relevant Directors also breached their Director's Undertakings by:

(a) providing incomplete, misleading and/or deceptive information about Malcolm's valuation methods during the Division's investigation; and

(b) failing to provide information in relation to the involvement of the auditor in a timely manner.

(5) The Listing Committee considered that a public statement involving criticism should be imposed against the Relevant Directors in respect of the findings of breach in (1) and (3) above. The Listing Committee further considered that the additional breach identified in (4) above was serious, given its adverse impact on the efficient administration of the disciplinary process. In the circumstances, the Listing Committee concluded that the additional breach alone warrants a public censure and decided to impose a public censure on each of the Relevant Directors for the breaches in (1), (3) and (4) collectively.

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

Hong Kong, 8 July 2024