

## STATEMENT OF DISCIPLINARY ACTION

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Exchange's Disciplinary Action against Regal Partners Holdings Limited (formerly known as Morris Home Holdings Limited) (Stock Code: 1575) and Two Former Directors

### **SANCTIONS AND DIRECTIONS**

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

#### **CENSURES:**

(1) **Regal Partners Holdings Limited** (formerly known as Morris Home Holdings Limited) (**Company**);

**IMPOSES A PREJUDICE TO INVESTORS' INTERESTS STATEMENT** and **CENSURE** against:

(2) **Mr Zou Gebing**, former chairman, chief executive officer and executive director (**ED**) of the Company (**Mr Zou**); and

(3) **Mr Wu Yueming**, former ED of the Company (**Mr Wu**).

(The directors identified at (2) to (3) above are collectively referred to as the **Relevant Directors**.)

The Prejudice to Investors' Interests Statement is a statement that, in the Exchange's opinion, the occupying of the position of director or senior management of the Company or any of its subsidiaries by Mr Zou and Mr Wu may cause prejudice to the interests of investors.

#### **AND FURTHER DIRECTS:**

an independent review of the Company's internal controls for procuring compliance with the Corporate Governance Code and Chapters 14 and 14A of the Listing Rules.

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## **SUMMARY OF FACTS**

In October 2021, Mr Zou approved a guarantee (**Guarantee**) for the benefit of his own private company, Morris Group Co., Ltd. (**Zou's Entity**).

Zou's Entity was owned by Mr Zou and his spouse, and was therefore a connected person of the Company. It was not part of the listed group.

Under the Guarantee, the Company's subsidiary (**Fashion Home**) agreed to guarantee the repayment obligations owed by Zou's Entity to a third party up to an amount of approximately RMB20.8 million. The Guarantee constituted a discloseable and connected transaction of the Company.

At the time, Mr Zou was the chairman, general manager, legal representative and director of Fashion Home. Mr Wu was a director of Fashion Home. The Guarantee was executed by Mr Wu affixing Fashion Home's seal onto a written undertaking provided by Zou's Entity to the third party. Mr Wu had sought and obtained approval from Mr Zou before executing the Guarantee.

Mr Zou had a clear conflict of interest in respect of the Guarantee and was effectively on both sides of the transaction. He did nothing to avoid this conflict of interest. He simply approved the Guarantee for his own benefit.

Mr Wu was aware that the Guarantee would be for the benefit of Mr Zou's privately-held company. However, not only did Mr Wu fail to manage this blatant conflict of interest, he obtained the purported approval from the person in conflict. He should have declined to proceed with the proposed transaction and raised it for the attention of the Company's board of directors (**Board**).

The Guarantee was subject to the announcement, circular and shareholders' approval requirements. However, Mr Zou and Mr Wu took no steps to procure the Company's compliance with the Listing Rules. Mr Zou and Mr Wu were accordingly responsible for the Company's failure to comply with the Listing Rules applicable to the Guarantee.

The Company and its subsidiaries (**Group**) had internal control policies and procedures governing notifiable and connected transactions and conflict management. Mr Zou and Mr Wu failed to comply with the Group's internal control framework and to promptly report the Guarantee to the Board for discussion and consideration.

Mr Zou and Mr Wu were under a duty to exercise due skill, care and diligence in conducting Fashion Home's business. They failed in this duty as they did not properly assess the potential risks to which the Group would be exposed under the Guarantee.

Following default by Zou's Entity in its repayment obligations, the third party commenced legal action against Fashion Home under the Guarantee in January 2022. Mr Zou became aware of the legal action in around March to April 2022, but only reported it to the Group's headquarters in June 2022.

When Mr Zou became aware that demands had been made under the Guarantee, he should have reported this immediately to the Board, but he failed to do so.

### **RULE REQUIREMENTS**

Rule 14.34 requires a listed issuer to publish an announcement as soon as possible after the terms of, among other things, a discloseable transaction have been finalised.

Under Rule 14A.35, a listed issuer must announce a connected transaction as soon as practicable after its terms have been agreed.

Rules 14A.36 and 14A.46(1) provide that a connected transaction must be conditional upon independent shareholders' approval at a general meeting held by the listed issuer, and a circular must be issued to shareholders.

Rule 3.08 provides that the Exchange expects 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 duties to avoid actual and potential conflicts of interest and 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.

Under Rule 3.09B(2), a director has an obligation to use his best endeavours to procure the Company's compliance with the Listing Rules.

### **SETTLEMENT**

The Company and the Relevant Directors did not contest their respective breaches, and agreed to accept the sanctions and direction imposed on them, as set out in this statement.

### **LISTING COMMITTEE'S FINDINGS OF BREACH**

The Company breached Rules 14.34, 14A.35, 14A.36 and 14A.46(1) in respect of the Guarantee.

Mr Zou and Mr Wu breached Rule 3.08 and their obligations now set out in Rule 3.09B(2) in relation to the Guarantee. Their failure to discharge their responsibilities under the Listing Rules was grievous.

### **CONCLUSION**

The Listing Committee decided to impose the sanctions and direction set out in this Statement of Disciplinary Action.

For the avoidance of doubt, the Exchange confirms that the above sanctions and direction apply only to the Company and the Relevant Directors, and not to any other past or present directors of the Company.

Hong Kong, 9 January 2025