

The SGX logo consists of the letters "SGX" in a bold, blue, sans-serif font, followed by a square icon with horizontal stripes in blue and yellow.

Regulatory Action

31 May 2018

SGX reprimands Jason Holdings Limited and its former Executive Director and Chief Executive Officer, Mr Jason Sim Chon Ang

Public Reprimand: Breaches of Catalyst Rules

1. Singapore Exchange ("SGX") reprimands Jason Holdings Limited ("JHL" or the "Company" and together with its subsidiaries, the "Group") and Mr Jason Sim Chon Ang ("Mr Sim"), the Company's former Executive Director and Chief Executive Officer, for breaches of the Catalyst Rules.
2. Based on findings of the reviews conducted by Ernst & Young Advisory Pte Ltd ("EY"), the Company's internal auditors and external auditors, and taking into account representations made to SGX by JHL and Mr Sim, the breaches are as follows:

- (a) **Catalist Rule 703(1)(a) read with Catalist Rule 703(4)(a) and Paragraph 27(a) of Appendix 7A, requires an issuer to announce material information concerning the Group. In complying with the Exchange's disclosure requirements, the content of each announcement should be factual, clear and succinct.**

The Group materially overstated its revenue in its half-year financial results for the financial period ended 30 June 2015 ("1HY2015") announced on 14 August 2015.

- (b) **Catalist Rule 720(1) read with Catalist Rule 406(3)(b) requires directors and management to demonstrate character and integrity expected of directors and management of listed issuers.**

Mr Sim gave instructions and authorised the inclusion of Undelivered Materials (as defined in this reprimand) in progress claim billings to customers, resulting in the overstatement of revenue in the Group's 1HY2015 financial statements. Mr Sim also submitted falsified supporting documents to obtain short term trade financing facilities from banks for JHL's principal subsidiary, Jason Parquet Specialist (Singapore) Pte Ltd ("JPS").

3. SGX is of the view that Mr Sim, as the then Executive Director and Chief Executive Officer, failed to carry out his fiduciary duties and did not act in the interests of shareholders as a whole.
4. SGX-listed companies are advised to consult SGX before they appoint Mr Sim as a director or member of their management.
5. SGX has referred the case to the relevant authorities.

Details on Appointment of Ernst & Young Advisory Pte Ltd (“EY”)

6. On 14 January 2016, JHL announced that the Company’s internal auditors highlighted, inter alia, potential overstatement in the profit and loss position of the Group for 1HY2015 due to failure to recognise cost of goods sold (“**COGS**”) in relation to corresponding revenue recognised.
7. The audit committee then commissioned its external auditors to review the Group’s revenue and COGS for 1HY2015 to quantify the amount of misstatement in its 1HY2015 financial statements which had been announced on 14 August 2015.
8. A special committee comprising non-executive and independent directors of the Company was constituted and appointed EY to perform a review of the findings from the internal auditors and conduct an assessment into certain account balances of the financial statements of JPS for the financial year ended 31 December 2015 (“**FY2015**”).
9. The executive summary of report by EY was announced on 25 May 2016 via SGXNET.
10. SGX notes that the special committee was proactive in engaging EY as special reviewer in investigating the matter.

Details of Catalist Rule breaches

Overstatement of revenue in the Group’s 1HY2015 financial results

11. Prior to the release of the Group’s 1HY2015 results, the Group financial controller (“**Group FC**”) noticed unusually high gross profit margins whilst reviewing the results. The Group FC immediately highlighted to Mr Sim, JPS’ accountant in-charge and subsequently to the Board that the amounts recorded may be inaccurate, possibly caused by incorrect recording of revenue and COGS. The Board enquired on the matter and insisted that the results be verified before its release.
12. Mr Sim explained that the high profit margins were due to “*JPS’ cost cutting measures and bulk discounts obtained from JPS’ suppliers*”. Mr Sim also confirmed to the Board that the 1HY2015 results were in order. The Board relied on Mr Sim’s explanation and confirmation before approving the 1HY2015 results for release on SGXNET. The Board had also taken into consideration, inter alia, that neither the internal nor the external auditors had raised any major concerns, issues or objections over the Group’s financial results for the past few years, in particular on revenue recognition, and the fact that the accounting methodology had remained unchanged.

Cause of misstatement of 1HY2015 financial results

13. Based on contracts between JPS (as sub-contractor) and the main contractors (JPS’ customers), sub-contractors are entitled to bill the main contractors progress payment claims in respect of (i) work done and (ii) materials supplied to the project sites, and not prematurely delivered in the preceding calendar month. As such, JPS is not entitled to claim for materials that have not been delivered to the project sites (“**Undelivered Materials**”).

14. Despite this, JPS included Undelivered Materials in the progress claims issued to main contractors at the instructions of Mr Sim. Mr Sim explained that this would provide the main contractor with an “overview of the working capital” required to fund all of the materials for the contracted project.
15. From certain samples of progress claims that included Undelivered Materials, EY noted that JPS did not have on hand the Undelivered Materials. In addition, claims of Undelivered Materials which were not certified by the main contractors and/or where JPS had insufficient stock on hand, were recognised as revenue in JPS’ accounts.
16. The agreed-upon procedures subsequently performed by the Company’s external auditors on the 1HY2015 financial results revealed that the Undelivered Materials which were recorded as revenue did not meet the revenue recognition criteria under Financial Reporting Standards 18 (“**FRS 18**”), resulting in an overstatement of revenue in the Company’s 1HY2015 financial results by approximately S\$4.3 million (20% of total revenue).
17. In light of the above, SGX is of the view that **JHL has breached Catalist Rule 703(1)(a) read with Catalist Rule 703(4) and Paragraph 27(a) of Appendix 7A** for the release of inaccurate financial results by materially overstating its revenue in its 1HY2015 results.
18. Mr Sim was the party who gave instructions and authorised the inclusion of Undelivered Materials in the progress claims issued to customers, thereby causing the Company’s breaches.

Submission of falsified documents to obtain short-term financing facilities from banks

19. JPS obtained Trust Receipt Financing from banks to pay advances or deposits to suppliers for goods. Banks provide Trust Receipt Financing on the basis that goods have been delivered to JPS as evidenced by invoices or delivery orders from suppliers.
20. JPS obtained Accounts Receivables Financing from banks when it did not have sufficient funds when a Trust Receipt is due for repayment. Banks provide Accounts Receivable Financing based on progress claims billed by JPS to the main contractors.
21. EY noted improper procedures in obtaining Trust Receipt Financing where Mr Sim and JPS’ accountant would sign on documents acknowledging the receipt of goods, when in fact the said goods had not been received. Other improper procedures noted were duplicated invoices and delivery orders without printed dates, issued by the suppliers at JPS’ request. JPS’ finance personnel would then stamp the date on the said documents for submission to the banks to request for financing.
22. In addition, EY noted differences in dates and payment terms between the progress claims submitted to the banks for Accounts Receivable Financing vis-à-vis the progress claims documents maintained by JPS’ contracts department. Mr Sim and JPS’ accountant signed off on falsified copies of progress claims and submitted these to the banks to obtain Accounts Receivable Financing. The dates and repayment periods were falsified in order to defer the repayment dates or to maximise the credit periods provided by the banks.
23. In light of the above, **SGX is of the view that Mr Sim has breached Catalist Rule 720(1) read with Catalist Rule 406(3)(b)** for failing to demonstrate the character and integrity expected of directors and management of SGX-listed companies.

End

About Singapore Exchange (SGX)

Singapore Exchange is Asia's leading and trusted market infrastructure, operating equity, fixed income and derivatives markets to the highest regulatory standards. As Asia's most international, multi-asset exchange, SGX provides listing, trading, clearing, settlement, depository and data services, with about 40% of listed companies and 75% of listed bonds originating outside of Singapore.

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