



Regulatory Action

30 October 2015

SGX reprimands Advance SCT, Chairman and CEO Simon Eng and Non-executive Director Peter Choo

Public reprimand: breaches of Listing Rules

1. Singapore Exchange (“SGX”) reprimands **Advance SCT Limited** (“Advance SCT” or the “Company”) for breaches of the following Listing Rules:
 - (a) Listing Rule 703 for the failure to promptly disclose material information on the arbitration claim of RMB42.8 million lodged against the Company, Advance SCT (Qingyuan) Co. Ltd and Mr Weng Hua Yu alias Simon Eng for the outstanding purchase consideration and operational costs incurred in relation to the Proposed Acquisition described in paragraph 10 below;
 - (b) Listing Rules 905 and 906 for the failure to promptly disclose and to seek shareholders’ approval for the payment of about S\$1.6 million to CNCM Capital Pte Ltd (“CNCM”), an interested person under Chapter 9 of the Listing Manual; and
 - (c) Listing Rule 1014 for the failure to promptly disclose and to seek shareholders’ approval for the major disposal of certain assets of the Group, including the 100% equity interests in Soon Sing Metal Trading Sdn Bhd (“Soon Sing Metal”) and New Tsingyi (Projects) Pte Ltd (“New Tsingyi Projects”), a demolition project as well as an industrial property.
2. SGX reprimands **Weng Hua Yu** alias **Simon Eng** (Chairman and CEO) for his role in Advance SCT’s breaches.
3. SGX also reprimands **Mr Peter Choo Chee Kong** (Non-Executive Director) for his involvement in Advance SCT’s breach of Listing Rules 905 and 906 in failing to promptly disclose and seek shareholders’ approval for the payment of about S\$1.6 million to his associate, CNCM. CNCM is an interested person as defined under the Listing Rules as each of Mr Weng Hua Yu alias Simon Eng (Chairman and CEO) and Mr Peter Choo Chee Kong (Non-Executive Director) holds 50% interest in CNCM. Mr Peter Choo Chee Kong should not have left it solely to Mr Weng Hua Yu alias Simon Eng to do a compliance check to ensure that all necessary regulatory obligations were met.
4. In addition, SGX reprimands Mr Weng Hua Yu alias Simon Eng and Mr Peter Choo Chee Kong for failing to comply with Listing Rule 103(5) to act in the interests of shareholders as a whole. SGX is of the opinion that Mr Weng Hua Yu alias Simon Eng and Mr Peter Choo Chee Kong did not demonstrate the qualities and standards expected of directors and management of SGX-listed companies, as required under Listing Rules 210(5)(b) and 720.
5. SGX-listed companies are advised to consult SGX before they appoint Mr Weng Hua Yu alias Simon Eng or Mr Peter Choo Chee Kong as a director or member of management.
6. The Company appointed RSM Ethos Pte Ltd in August 2013 to oversee and review existing processes and enterprise risk processes, and had Stamford Law Corporation (now known as Morgan Lewis Stamford) on retainer since August 2013 as its compliance adviser.

Details of Listing Rule breaches

7. SGX's investigation found the following listing rule breaches:

Breach of Listing Rule 703

8. On 26 July 2013, the Company announced the arbitration claim of RMB42.8 million lodged against it, Advance SCT (Qingyuan) Co Ltd (the Company's former subsidiary), and Mr Weng Hua Yu alias Simon Eng (Chairman and CEO) (collectively the "Defendants"). The announcement was made more than 7 months after the notice of arbitration claim was served on the Defendants on or about 5 November 2012. The Company disclosed that the notice of the arbitration claim was not properly delivered to the Company, and was returned to the Guangzhou Arbitration Commission on the same day ("Representation"). However, on 20 November 2012, Mr Weng Hua Yu alias Simon Eng had submitted a power of attorney appointing a legal adviser to act for the Defendants (including the Company). In addition, the Company represented to SGX that a provision of RMB9 million for the arbitration claim was made during the financial year ended 31 December 2012. The aforesaid actions by the Company were inconsistent with its announcement on 26 July 2013.
9. The arbitration claim of RMB42.8 million was material as the Group was in a net liabilities position of S\$2.875 million as at 30 June 2012 and recorded a loss before taxation of S\$5.108 million for the half year ended 30 June 2012. The Company failed to promptly announce material information on the arbitration claim as required under Listing Rule 703.

Breach of Listing Rules 905 and 906

10. On 23 August 2011, the Company's former wholly-owned subsidiary, Advance SCT (Qingyuan) Co. Ltd ("ASCT Qingyuan"), entered into a sale and purchase agreement with Qingyuan Shengli Copper Material Co. Ltd. ("Qingyuan Shengli"), an independent party, to acquire the working capital of Qingyuan Shengli's copper smelting operations, comprising mainly cash and inventory, for RMB17.4 million ("Proposed Acquisition"). The purchase consideration was to be satisfied by the issue of 148,941,174 new ordinary shares in the issued share capital of the Company at an issue price of S\$0.022 per share ("Consideration Shares"). As disclosed in the Company's announcement of 24 August 2011, ASCT Qingyuan took over the running of Qingyuan Shengli's copper smelting business in first half of 2011.
11. On 3 May 2012, about 8 months after the first announcement on the Proposed Acquisition, the Company disclosed that CNCM had entered into securities borrowing agreements with nominees of the vendor, pursuant to which CNCM lent 74,470,588 shares (about half of the proposed number of Consideration Shares) in the Company to these nominees. The announcement stated that the Company was not a party to the securities borrowing agreements and neither CNCM nor the nominees of the vendor would have recourse to the Company in respect of these agreements.
12. On 16 September 2012, the Company announced that its relationship with the vendor had deteriorated, due to disputes over the inordinate delay in completing the Proposed Acquisition and certain operational matters. On 31 December 2012, the Company disposed of its interest in ASCT Qingyuan. On 13 August 2013, the Company announced that it had paid about S\$1.6 million to CNCM and CNCM had since returned the same amount to the Company.

13. The Company represented to SGX that CNCM, in its capacity as substantial shareholder, had entered into the securities borrowing agreements with a view to keeping the Proposed Acquisition alive while the Company was in the process of seeking shareholders' approval for the issue of the Consideration Shares. The Company was expected to make good the loss in value to CNCM if the nominees of the vendor subsequently did not return the shares. ASCT Qingyuan had recognised S\$1.6 million as loan payable to CNCM in its accounting records on 31 July 2012, which was computed based on the number of shares lent by CNCM to the nominees of the vendor and the issue price of S\$0.022 per Consideration Share under the terms of the Proposed Acquisition. On 28 December 2012, the Company made a payment of about S\$1.6 million to CNCM. SGX notes that the 74,470,588 shares borrowed from CNCM had a market value of around S\$1.1 million as at 28 December 2012 based on the closing price of the Company's shares of S\$0.015 as at the same date. The Company's payment of about S\$1.6 million to CNCM for shares lent by CNCM to the vendor's nominees was higher than the prevailing market value. The Company's Management took the view that the payment qualified as an interested person transaction but there was no amount at risk as it arose from a non-interest-bearing loan understanding between the Company and CNCM.
14. SGX notes that the Company's explanation was contrary to its announcement of 3 May 2012 in relation to the securities borrowing arrangement. The announcement stated that CNCM and the nominees of the vendor were parties to the securities borrowing agreements and that neither of them had any recourse to the Company. If this were true, the payment to CNCM would constitute an interested person transaction under Chapter 9 of the Listing Manual. The amount at risk to the Company for its payment to CNCM would have been at least S\$1.6 million which exceeded 5% of the Group's audited net tangible assets as at 31 December 2011. The Company failed to announce the interested person transaction immediately and seek shareholders' approval for the interested person transaction as required under Listing Rules 905 and 906 respectively.
15. If the Company's payment to CNCM in December 2012 was in fact a repayment of a loan from CNCM, the Company's announcement of 3 May 2012 which stated that neither CNCM nor the nominees of the vendor would have recourse to the Company, would have been false and misleading.

Breach of Listing Rule 1014

16. On 5 September 2012, the Company announced that it proposed to dispose of its 100% interest in Soon Sing Metal Trading Sdn Bhd ("Soon Sing Metal").
17. The Company announced on 31 July 2013 that it had on 28 August 2012 entered into a framework agreement relating to the disposal of certain assets of the Group for an aggregate consideration of S\$9.2 million ("Framework Agreement").
18. Under the Framework Agreement, the Company proposed to dispose of the following:
 - (a) 100% equity interest in Soon Sing Metal held by New Tsingyi Pte Ltd ("New Tsingyi") as well as the inventory held by Soon Sing Metal, New Tsingyi and Tsingtech Recycling Pte Ltd as at 25 August 2012 for S\$6.5 million.
 - (b) 100% equity interest in New Tsingyi Projects for S\$1;
 - (c) Demolition project at the Pfizer factory for S\$1.2 million; and
 - (d) Leasehold industrial property at 22 Sungei Kadut Street 3 for S\$1.5 million.

19. Further to the signing of the Framework Agreement, separate agreements for each of the sale items (a) to (d) above were entered into between 23 August 2012 and 31 August 2012. Except for the announcement of 5 September 2012 in relation to the disposal of Soon Sing Metal, the Company did not disclose any of the other proposed disposals under the Framework Agreement until 31 July 2013. The sale items had an aggregate net asset value of approximately S\$7.2 million which was material when compared to the net liabilities of the Group of S\$2.875 million as at 30 June 2012. The aggregate consideration of S\$9.2 million also exceeded 20% of the market capitalisation of the Company of S\$18,103,859 as at 27 August 2012 (being the market day preceding the date of the Framework Agreement). The Framework Agreement as a whole is a major transaction which is required to be disclosed immediately and be subject to shareholders' approval under Listing Rule 1014.
20. The Framework Agreement was entered into on 28 August 2012 but only announced on 31 July 2013. The proposed disposals of sale items (a) to (c) were already completed at the time of announcement of the Framework Agreement on 31 July 2013.
21. In consultation with SGX, the Company sought shareholders' approval for the disposal of the industrial property via the disposal of its equity interest in New Tsingyi at an extraordinary general meeting held on 23 June 2014.
22. The Company failed to announce the Framework Agreement in a timely manner and seek prior shareholders' approval for the Framework Agreement as required under Listing Rule 1014.

SGX reports case to the authorities

23. SGX has referred the rule breaches to the relevant authorities.

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