

Singapore Exchange Securities Trading Limited
Listings Disciplinary Proceeding No: SGX-LDC-2022-005

**IN THE MATTER OF A DISCIPLINARY PROCEEDING
UNDER THE SGX-ST LISTING MANUAL MAINBOARD RULES**

BETWEEN

SINGAPORE EXCHANGE SECURITIES TRADING LIMITED

(the “Exchange”)

AND

**WANG ZHE JUN
TIFFANY GONG QIAN
LIU LU
ZHANG YUANYUAN
XIANG YING**

(collectively, the “Relevant Persons”)

GROUND OF DECISION

4 August 2023

This document constitutes the written grounds of decision of the SGX Listings Disciplinary Committee as required under Mainboard Rule 1417(1), and is prepared for the Exchange and the Relevant Persons who are parties to SGX-LDC-2022-005.

This document is confidential and meant to be read by the parties and their legal representatives only, until such time as these grounds of decision are published by the Singapore Exchange Securities Trading Limited pursuant to Mainboard Rule 1418(1).

I. CHARGES BROUGHT BY THE EXCHANGE

1. The Singapore Exchange Securities Trading Limited (the “**Exchange**”) brought four charges against the current and former directors of 8Telecom International Holdings Co. Ltd., a company listed on the Mainboard of the SGX-ST (the “**Company**”, and together with its subsidiaries, the “**Group**”) for, having regard to Mainboard Rule 1402(6)¹, causing the Company to be in breach of Mainboard Rules 210(5)(a) read with 114(3), 1206(1) and 1204:

Charge	Relevant Rule	Short Description
1 st Charge	Mainboard Rule 210(5)(a), read with Mainboard Rule 114(3)	Failed to conduct the necessary due diligence as required of a director to ensure the accuracy of information in the circular on the Company’s proposed issuance of 16 million new ordinary shares in the capital of the Company (the “ Circular ”) submitted to the Exchange in relation to the true beneficial owner of China Commodity Market Pte. Ltd. (“ CCM ”) and China Commodity Shopping Centre Pte. Ltd. (“ CCSC ”) (collectively, the “ Target Companies ”).
2 nd Charge	Mainboard Rule 1206(1)	Caused the Company to breach Mainboard Rule 1206(1) by failing to disclose in the Circular, material information on the state of affairs of the Target Companies, to allow shareholders to make a properly informed decision on the acquisition of the Target Companies (“ Proposed Acquisition ”).
3 rd Charge	Mainboard Rule 1204	Caused the Company to breach Mainboard Rule 1204 by failing to submit material information relating to the change in the shareholder of VOK Investment Holdings Pte. Ltd. (“ VOK ”) from Wang Zhejun to Lan Zhihua, for the Exchange’s

¹ Mainboard Rule 1402(6) states that a Relevant Person is deemed to have contravened a Relevant Rule when a Relevant Person has caused another Relevant Person to omit to do an act which resulted in a breach of a Relevant Rule. Mainboard Rule 1401 defines “Relevant Person” as an issuer, its directors, executive officers, and issue managers.

		review and approval, prior to the issuance of the final Circular.
4 th Charge	Mainboard Rule 1204	Caused the Company to breach Mainboard Rule 1204 by failing to submit material information relating to Zhang Yuanyuan’s relationship with the Target Companies as well as her consequential abstention from giving a recommendation on the Proposed Acquisition and making the Audit Committee’s (“ AC ”) statements in relation to the Target Companies for the Exchange’s review and approval, prior to the issuance of the final Circular.

2. The four charges were brought against the following persons, who were directors of the Company at the material time:

- (a) Wang Zhejun (“**Wang**”), Executive Director;
- (b) Tiffany Gong Qian (“**Gong**”), Executive Director;
- (c) Liu Lu, (“**Liu**”), Executive Director;
- (d) Zhang Yuanyuan (“**Zhang**”), Independent Director;
- (e) Xiang Ying (“**Xiang**”), Non-Independent Non-Executive Director.

(collectively, the “**Relevant Persons**”).

II. THE LDC PROCEEDINGS

Resolution agreement between the Exchange, Wang and Gong

- 3. In the course of the proceedings, the Exchange, Wang and Gong agreed on the terms for disposing of the disciplinary actions by means of no contest.
- 4. On 2 May 2023, a resolution agreement signed by the Exchange, Wang and Gong (“**Resolution Agreement**”) was submitted to the LDC for the LDC’s approval.
- 5. The Resolution Agreement stated that Wang and Gong would accept liability for the 1st and 2nd Charges against them and that they consented for the LDC to take into consideration the 3rd and 4th Charges against them for the purposes of determining the sanctions.

6. The Resolution Agreement also set out the relevant facts, the Exchange's regulatory concerns and the proposed sanctions which the Exchange, Wang and Gong had agreed on.

Non-responding parties

7. In accordance with the Mainboard Rules on proceedings before the LDC, the Exchange had issued Notices of Charges to Liu, Zhang and Xiang, following which the secretariat to the LDC issued pre-hearing directions for the submission of responses to the charges. The communications were sent to the parties at their last known electronic mail addresses.
8. Liu, Zhang and Xiang did not respond to any of the pre-hearing directions. The Exchange subsequently applied to the LDC for the hearing in respect of Liu, Zhang and Xiang to proceed by way of written representations.
9. After reviewing the Exchange's responses on alternative avenues for obtaining further contact information, the LDC was satisfied that the Exchange had exhausted all means of obtaining further contact information for Liu, Zhang and Xiang. The LDC noted that there were no failed delivery notifications for the communications that were sent to the parties' electronic mail addresses. The LDC directed via a Notice of Hearing issued to all the parties that the hearing would proceed by way of written representations. The matter proceeded accordingly pursuant to Mainboard Rules 1415(4)² and 1415(5)³.
10. In respect of Liu, Zhang and Xiang, the following written representations ("**Written Representations**") were submitted to the LDC for consideration:
 - (a) Notices of Charges against Liu, Zhang and Xiang issued by the Exchange;
 - (b) Report to the LDC containing the relevant facts and the Exchange's case against the Liu, Zhang and Xiang, filed by the Exchange; and
 - (c) Further Representations containing the proposed sanctions and the Exchange's considerations, submitted by the Exchange.

III. RELEVANT FACTS

Background of the Company and the Relevant Persons

11. The Company was incorporated in Bermuda on 5 January 2004, and was listed on the Mainboard of the Exchange on 23 July 2004. The Group was principally engaged in

² Mainboard Rule 1415(4) states that where a party does not respond to a relevant direction issued under Rule 1415(1), the party is deemed to have no objection to the relevant direction, and the Disciplinary Committee may proceed as it deems fit.

³ Mainboard Rule 1415(5) states that where a party does not indicate that the party is intending to attend the hearing, the party is deemed to have no intention of attending the hearing and the hearing can proceed in the absence of that party.

manufacturing and supplying telecommunications pipes, telecommunications and other towers as well as the provision of telecommunications engineering services.

12. At the material time, the Company's board of directors (the "**Board**") comprised the following individuals:

S/N	Name	Designation	Date of appointment	Date of cessation
1.	Wang	Executive Director	15 September 2017	Present
2.	Gong	Executive Director	28 August 2018	26 November 2018
3.	Liu	Executive Director	4 October 2018	4 March 2019
4.	Zhang	Independent Director	7 July 2017	21 November 2018
5.	Xiang	Non-Independent Executive Director	4 October 2018	8 March 2019

13. The Company was placed under judicial management on 20 November 2019 pursuant to an order of the High Court of Singapore, which was discharged on 27 May 2022.
14. Trading in the Company's securities had been suspended since 6 September 2019.

Key events relating to the Charges

15. On 8 March 2018, the Company announced that it had entered into a Conditional Sale and Purchase Agreement with Letu Investment Pte. Ltd. and New Pacific Trading Pte. Ltd. (collectively, the "**Vendors**"), pursuant to which the Company would acquire from the Vendors 51% of the entire issued and paid-up share capital of the Target Companies. The consideration of S\$8,000,000 was to be satisfied partly in cash and partly by the allotment and issuance of 16,000,000 consideration shares ("**Consideration Shares**") at the issue price of S\$0.09 for each Consideration Share. As the aggregate value of the consideration compared with the Company's market capitalisation based on the total number of issued shares (excluding treasury shares) exceeded 20%, the Proposed Acquisition was classified as a "major transaction" under Chapter 10 of the Listing Manual, which would require shareholders' approval.
16. On 28 March 2018, the Company submitted a draft circular (the "**Draft Circular**") on the Proposed Acquisition, through Aquinas Law Alliance LLP ("**AQLA**"), for the Exchange's review and approval.
17. On 20 August 2018, the Company received the approval-in-principle ("**AIP**") from the Exchange for the listing and quotation of the Consideration Shares. The AIP required, amongst others, prominent disclosure of the Audit Committee's ("**AC**") justifications for relying on the results of the Agreed Upon Procedures on the financial statements of the Target Companies instead of requiring an audit to be performed on the Target Companies' financial statements (the "**AC's Statements**").

18. On 28 September 2018, the Company received the Exchange's clearance for the Draft Circular.
19. On 29 October 2018, the Board, AQLA and the Company's auditors, Foo Kon Tan LLP ("**FKT**"), attended a verification meeting in relation to the Draft Circular (the "**Verification Meeting**") where AQLA repeatedly highlighted the obligation of Directors to ensure that the information in the Circular must constitute full and true disclosure and that there were no omissions which might render statements or information in the Circular inaccurate.
20. During the Verification Meeting, among other things, Wang disclosed the following material information ("**Wang's Claims**"):
 - (a) Mick Davies ("**Mick**"), the appointed consultant of VOK, was the actual controller of the Target Companies, as opposed to Mr Chen Junxing and Mr Xiang Guanghua (as disclosed in the Draft Circular) ;
 - (b) She had undertaken the role as director and/or shareholder of the Target Companies at the request of Mick, and not at the request of Chen Junxing (as disclosed in the Draft Circular);
 - (c) She had signed the personal guarantees in relation to vehicles under hire purchase by one of the Target Companies at Mick's instructions (this fact had not been disclosed in the Draft Circular); and
 - (d) She had no interest in the Company, save for her directorship, as her shares in VOK had been transferred to Lan Zhihua, who is Mick's sister (in contrast to the Draft Circular which stated that she had a deemed interest of 21.67% in the Company through her ownership of 100% shares in VOK).
21. AQLA and FKT, among other things, advised the Board to consider independently verifying Wang's Claims by appointing an independent third-party professional to conduct an investigation on the same, before proceeding with the Proposed Acquisition. AQLA also advised the Board to consider not holding the special general meeting (the "**SGM**") until they were able to ascertain with certainty as to the accuracy of the information set out in the Circular. AQLA and FKT further informed the Board that they had a duty to bring Wang's Claims to the attention of higher authorities should the allegations not be properly addressed.
22. In addition to Wang's Claims, the following material information was disclosed during the Verification Meeting:
 - (a) Beyond the loan of S\$175,000 provided as part of the consideration for the Proposed Acquisition as disclosed in the Draft Circular, further loans amounting to an aggregate sum of S\$1.71 million (the "**Further Loans**") had been provided to the Target Companies;

- (b) Zhang, who was one of the two members of the AC and the only Independent Director, was at the material time holding an employment pass under one of the Target Companies, rendering her no longer independent in relation to the Proposed Acquisition; and
 - (c) Lan Zhihua was the sole shareholder of VOK (a controlling shareholder of the Company).
- 23. AQLA reiterated that Directors may face criminal and civil liabilities if the Circular did not constitute full and true disclosure and there were omissions which may render statements in the Circular inaccurate. AQLA then suggested to the Board that the issue of Zhang's independence should be brought to the attention of the Exchange and shareholders by making a separate SGXNET announcement and be highlighted in the Circular. After deliberation, the Board decided that Zhang's interest in the Proposed Acquisition and her abstention from voting on resolutions in relation to the same would be disclosed as a matter of prudence.
- 24. While AQLA advised that Mick's involvement in the Proposed Acquisition as a consultant should likewise be brought to the attention of the Exchange, the Board decided that it would not be necessary as Mick was "*simply a consultant*", and it was "*uncommon to highlight the involvement of consultants in transactions of such nature*". Further, the Board considered Mick's involvement as immaterial, given that he was not being paid by the Company for advising VOK in the Proposed Acquisition, and he was acting as neither a placement agent nor introducer in the Proposed Acquisition.
- 25. AQLA also advised that under the Securities and Futures Act and the Companies Act, Wang and Lan Zhihua would have to make the necessary announcements regarding their respective change in shareholdings in the Company as they had yet to do so. Both AQLA and FKT further informed the Board to look into Wang's Claims and to provide comfort to the professionals as to the identity of the true beneficial owner of the Company. Despite AQLA's and FKT's advice, the Board neither made any announcements regarding the significant change in shareholdings in the Company nor investigated Wang's Claims to establish the identity of the true beneficial owner of the Company.
- 26. Additionally, AQLA highlighted to the Board that the Target Companies were facing various litigation cases (the "**Litigation Cases**"). These were also reported in AQLA's legal due diligence reports on the Target Companies dated 30 October 2018 (the "**Legal Due Diligence Reports**"). As such information relates to the state of affairs of the Target Companies, it is required to be disclosed in the Circular, pursuant to Mainboard Rule 1206(1), to allow shareholders to make a properly informed decision on the Proposed Acquisition.
- 27. On 2 November 2018, despite knowledge of the aforementioned advice given by the professionals, the Board proceeded to allow the release of the notice of SGM and final Circular on SGXNET, which:
 - (a) Did not disclose any of Wang's Claims;

- (b) Did not disclose the Further Loans provided by the Company to the Target Companies;
 - (c) Did not disclose the Litigation Cases against the Target Companies; and
 - (d) Included the following material revisions which the Exchange had neither reviewed nor cleared:
 - i. Lan Zhihua was stated as the sole shareholder of VOK, instead of Wang; and
 - ii. Zhang was disclosed to be an employee of one of the Target Companies, and therefore no longer independent in relation to the Proposed Acquisition. Accordingly, Zhang had abstained from giving recommendation on the Proposed Acquisition and making the AC's Statements in relation to the Target Companies (as required under the AIP).
28. On 7 November 2018, the Exchange sought clarification from the Company after noting claims in an online public forum that the Target Companies were unable to pay salaries to their employees for several months. As the allegations implied that the financial health of the Target Companies was weak, the Exchange directed the Company to put the Proposed Acquisition on hold and also withdrew its clearance for the Circular. Consequently, the Company withdrew its notice of SGM in relation to the Proposed Acquisition on the same day.

IV. RELEVANT PROVISIONS OF THE MAINBOARD RULES

Directors' responsibilities

29. Mainboard Rule 114(3)⁴ states:

"The directors and executive officers of the applicant or of the issuer (or where applicable REIT manager or trustee manager) following admission, are responsible for the accuracy of the information submitted to the Exchange."

30. Mainboard Rule 210(5)(a)⁵ states:

"The directors and executive officers should have appropriate experience and expertise to manage the group's business. As a pre-quotation disclosure requirement, an issuer must release a statement via SGXNET or in the prospectus, offering memorandum or introductory document identifying for each director, whether the person has prior experience (and what) or, if the director has no prior experience as a

⁴ Version effective from 7 October 2015 to 9 January 2020.

⁵ Version effective from 19 January 2015 to 31 December 2018.

director of a listed company, whether the person has undertaken training in the roles and responsibilities of a director of a listed company”

31. Mainboard Rule 720(1)⁶ states:

“An issuer must procure undertakings to comply with the Exchange’s listing rules from all its directors and executive officers (in the form set out in Appendix 7.7) and submit the undertakings to the Exchange if required. An issuer must comply with Rule 210(5), Rule 221 (if applicable) and Rule 210(9)€ (if applicable) on a continuing basis.”

Disclosures in circulars

32. Mainboard Rule 1204 states:

“No circular or notice of meeting to be submitted to the Exchange for its review may be circulated or made available publicly until the Exchange advises that it has no objection to the issuance of the circular or notice of meeting.”

33. Mainboard Rule 1206(1) states:

“Any circular sent by an issuer to its shareholders must contain all information necessary to allow shareholders to make a properly informed decision or, if no decision is required, to be properly informed.”

V. MAINBOARD RULE BREACHES

1st Charge – Breach of Mainboard Rule 210(5)(a), read with Mainboard Rule 114(3) for failing to conduct the necessary due diligence as required of a director to ensure the accuracy of information in the Circular submitted to the Exchange in relation to the true beneficial owner of the Target Companies

34. Regarding the facts relating to this charge, the LDC noted that:

(a) In the Draft Circular, the Company had stated that Wang was deemed to have 21.67% in the Company through owning 100% of the shares in VOK⁷. The Company further stated that:

“The Target Companies had been introduced to the Company by [Wang], the Executive Director of the Company. [Wang] came to know of the Target Companies as she knew Mr Chen Junxing, one of the beneficial owners of the Target Companies. Mr Chen Junxing then subsequently introduced [Wang] to Mr Xiang Guanghua, the other beneficial owner of the Target Companies. [Wang] was the local resident director and/or nominee shareholder of the Target Companies (as the case may be) from December 2016 to October 2017.

⁶ Version effective from 7 October 2015 to 31 December 2018.

⁷ VOK was the single largest substantial shareholder of the Company at the material time, holding 24,372,516 shares out of a total of 112,477,249 shares issued by the Company.

She had been requested by Mr Chen to perform such roles as she knew Mr Chen well, and he had entrusted her with such roles due to her familiarity with the Singapore business environment and especially as Mr Xiang had never travelled to Singapore and Mr Chen had other business commitments requiring his constant presence in the PRC. [Wang], in her capacity as the named director and shareholder of CCM has also provided several personal guarantees in relation to the hire purchase of vehicles by CCM between February 2017 and July 2017. [Wang] was never involved in the management of the Target Companies and management of the Target Companies had directly reported to Mr Chen and Mr Xiang... [Emphasis added]

- (b) However, during the Verification Meeting, Wang made the claims as set out in paragraph 20 above;
- (c) The Board, excluding Wang, nevertheless disregarded Wang's Claims for the following reasons:
 - i. Wang could not substantiate her claims;
 - ii. Both Chen Junxing and Xiang Guanghua had provided confirmations that they were the ultimate beneficial owners of the Target Companies and denied Wang's Claims; and
 - iii. Mick also provided a confirmation to the Board to indicate that he was not the ultimate beneficial owner of the Target Companies.
- (d) While AQLA had advised the Board to consider independently verifying Wang's Claims by appointing an independent third-party professional to conduct an investigation into the matter before they proceeded further with the Proposed Acquisition, there is neither evidence of why the Board disregarded the advice of AQLA, nor their considerations in the matter;
- (e) AQLA also advised the Board to consider not holding the SGM until they were able to ascertain with certainty as to the accuracy of the information set out in the Circular. The Board nevertheless proceeded to issue the Circular with the original disclosures unchanged;
- (f) Additionally, the Proposed Acquisition was a "major transaction" under Mainboard Rule 1014. As disclosed in the Circular, the aggregate value of the consideration compared with the Company's market capitalisation based on the total number of issued shares (excluding treasury shares) was 79.5%, a value that far exceeds the threshold of 20%. Given the importance of the Proposed Acquisition to the Company and how it would purportedly "*contribute positively to the further earnings*" of the Company, it was crucial for the Board to conduct the necessary due diligence on Wang's Claims, as the matters mentioned above would inevitably affect the decision-making process of the Company's shareholders in approving the Proposed Acquisition;

- (g) Pursuant to the Board's personal undertakings provided to the Exchange under Mainboard Rule 720(1) as directors, they were required to use their best endeavours to (a) comply with the requirements of the Exchange pursuant to or in connection with the Listing Manual, and (b) procure that the Company shall so comply;
- (h) The duty of due care, skill and diligence is founded on each director's obligation to ensure compliance with the Listing Rules. Mainboard Rule 210(5)(a) requires directors to have the appropriate experience and expertise to manage the issuer's business. In so doing, they must exercise due care, skill and diligence, particularly in ensuring that information submitted to the Exchange is accurate and complete in all material respects, and not misleading, in accordance with Mainboard Rule 114(3);
- (i) Pursuant to Mainboard Rule 720(1), the obligations under Mainboard Rule 210(5)(a) must be complied with on a continuing basis;
- (j) The Board, however, failed to do so:
 - i. The Board, excluding Wang, did not take any reasonable steps to independently verify the veracity of Wang's Claims, which could affect the accuracy of the information disclosed in the Circular. Instead, the Board, excluding Wang, simply dismissed Wang's Claims on the basis that Wang could not provide any evidence to validate her claims. They chose to rely solely on the representations provided by Chen Junxing, Xiang Guanghua and Mick;
 - ii. Despite being present at the Verification Meeting and fully aware of Wang's Claims, the Board, excluding Wang, collectively decided not to heed the advice of AQLA and FKT to put the SGM on hold and conduct independent investigations into Wang's Claims. The Board further proceeded to issue the Circular on 2 November 2018 with the original disclosures unchanged, despite knowing that the information previously submitted to the Exchange for clearance may not have been accurate and complete; and
 - iii. The Board failed to bring Wang's Claims and Mick's involvement in the Proposed Acquisition to the Exchange's attention, which would have been material information relevant for the Exchange's assessment of the Proposed Acquisition. If Wang's Claims were true, the Proposed Acquisition could potentially be an interested person transaction and subject to the requirements under Chapter 9 of the Listing Manual, which would require the appointment of an independent financial adviser;

(k) With respect to Wang, she failed to comply with her obligations in the following manner:

- i. At the time of submission of the Draft Circular, Wang should have been aware that at least two matters set out therein were factually incorrect (i.e. she had undertaken the role as director and/or shareholder of the Target Companies at the request of Mick, and not by Chen Junxing) and incomplete (i.e. she had signed the personal guarantees in relation to vehicles under hire purchase by one of the Target Companies at Mick's instructions). Nevertheless, she had allowed the Company to submit the Draft Circular to the Exchange; and
- ii. After the rest of the Board had decided to disregard her claims, Wang failed to escalate the matter to the Exchange or other authorities. Given that Wang had personal knowledge of the matters raised in her claims, the onus was on her to escalate the matter in order to prevent the issuance of the erroneous Circular. However, she did not do so, and allowed the Company to issue the Circular.

35. As such, the LDC finds that the Relevant Persons had breached Mainboard Rule 210(5)(a), read with Mainboard Rule 114(3), by failing to conduct the necessary due diligence as required of a director to ensure the accuracy of information in the Circular submitted to the Exchange in relation to the true beneficial owner of the Target Companies.

2nd Charge – Caused the Company to breach Mainboard Rule 1206(1) by failing to disclose in the Circular, material information on the state of affairs of the Target Companies, to allow shareholders to make a properly informed decision on the Proposed Acquisition

36. Regarding the facts relating to this charge, the LDC noted that:

- (a) During the Verification Meeting, it was disclosed that beyond the loan of S\$175,000 provided as part of the consideration for the Proposed Acquisition, Further Loans amounting to S\$1.71 million had also been made to the Target Companies by the Company. Despite the materiality of the Further Loans, they were not disclosed in the Circular;
- (b) AQLA also brought to the Board's attention the impending Litigation Cases against the Target Companies during the Verification Meeting. The Litigation Cases were further reported in the Legal Due Diligence Reports prepared by AQLA on the Target Companies and provided to the Board. The prominent cases are set out below:

S/N	Date Filed	Case Details	Date of cessation
1.	16 January 2018	Claim at District Court by Ranesis Development Pte. Ltd. against CCSC in relation to dispute over	There was a Registry O.34A pre-trial conference held on 11 September 2018 with orders made.

		rental payments of \$185,500.	The case was unresolved as at 2 November 2018.
2.	22 January 2018	Claim at District Court by Skylink Auto Pte. Ltd. against CCM for \$77,260.40 in relation to sale of goods.	There was a hearing to be held on 24 July 2018 that had been vacated. The case was unresolved as at 2 November 2018.
3.	24 September 2018	Commencement of winding up proceedings against CCM at High Court by MEP Logistics Pte. Ltd.	The case was set to be heard before the judge in open court on 9 November 2018.

(c) Information pertaining to the Further Loans and Litigation Cases relates to the affairs of the Target Companies and would provide an indication of the financial health of the Target Companies. Accordingly, such information constituted material information necessary to be disclosed in the Circular, in order to allow shareholders to make a properly informed decision on the Proposed Acquisition. However, there was no disclosure of the aforementioned information in the Circular;

(d) The Board had provided personal undertakings, as directors, to the Exchange under Listing Rule 720(1) pursuant to which they were required to use their best endeavours to (a) comply with the requirements of the Exchange pursuant to or in connection with the Listing Manual, and (b) procure that the Company shall so comply;

(e) Furthermore, pursuant to Mainboard Rule 1205⁸, the Board had disclosed in the Circular as part of the directors' responsibility statement that:

"To the best of their knowledge and belief, this Circular constitutes full and true disclosure of all material facts about the Proposed Resolutions, the Company, and its subsidiaries, and the Directors are not aware of any facts the omission of which would make any statement in this Circular misleading."

and

(f) The Board was informed during the Verification Meeting of material information relating to the Further Loans and Litigation Cases, but nevertheless collectively decided not to disclose the Further Loans and Litigation Cases in the Circular.

37. As such, the LDC finds that pursuant to Mainboard Rule 1402(6), the Relevant Persons had breached Mainboard Rule 1206(1) by failing to ensure that the Company disclose in the Circular, all information necessary to allow shareholders to make a properly informed decision on the Proposed Acquisition.

⁸ Mainboard Rule 1205 provides that each of the directors or vendors of an issuer is required to accept responsibility for the accuracy of the information in a circular sent to shareholders and a statement to that effect, as set out in Practice Note 12.1, must be incorporated in the circular.

3rd Charge – Caused the Company to breach Mainboard Rule 1204 by failing to submit the material information relating to the change in the shareholder of VOK from Wang to Lan Zhihua for the Exchange’s review and approval, prior to the issuance of the final Circular

38. Regarding the facts relating to this charge, the LDC noted that:

- (a) In the Draft Circular submitted to the Exchange for review and approval, the interests of directors and substantial shareholders were stated as follows:

Table 1: Interests of Directors and Substantial Shareholders as submitted in the Draft Circular

6. INTERESTS OF DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

6.1. The direct and deemed interests of the Directors and the Substantial Shareholders in the Shares as at the Latest Practicable Date are as follows:

	Direct Interest		Deemed Interest	
	Number of Shares	Shareholding (%) ⁽¹⁾	Number of Shares	Shareholding (%) ⁽¹⁾
<i>Directors</i>				
Wang Zhejun	-	-	24,372,516 ⁽²⁾	21.67
<i>Substantial Shareholders (other than Directors)</i>				
VOK Investment Holdings Pte. Ltd.	24,372,516	21.67	-	-

- (b) In the final Circular issued on 2 November 2018, the interests of directors and substantial shareholders were however stated as follows:

Table 2: Interests of Directors and Substantial Shareholders as disclosed in the final Circular

7. INTERESTS OF DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

7.1. The direct and deemed interests of the Directors and the Substantial Shareholders in the Shares as at the Latest Practicable Date are as follows:

	Direct Interest		Deemed Interest	
	Number of Shares	Shareholding (%) ⁽¹⁾	Number of Shares	Shareholding (%) ⁽¹⁾
<i>Directors</i>				
Tiffany Gong Qian	626,100	0.56	-	-
Xiang Ying	-	-	3,325,500 ⁽²⁾	2.96
<i>Substantial Shareholders (other than Directors)</i>				
Lan Zhihua	-	-	24,372,516 ⁽³⁾	21.67
VOK Investment Holdings Pte. Ltd.	24,372,516	21.67	-	-

- (c) Prior to the issuance of the final Circular, the Company did not make any SGXNET announcements regarding Wang’s and Lan Zhihua’s respective changes in shareholdings in the Company. Neither did the Company seek the Exchange’s clearance of these changes in disclosure in the Circular;

- (d) Specifically, Lan Zhihua is Mick's sister and had become the new controlling shareholder of the Company by virtue of her shareholdings in VOK. Coupled with Wang's claim that Mick was the actual controller of the Target Companies, the true beneficial owner of the Target Companies as well as the Company was therefore in question. Both AQLA and FKT had also expressed concern on Wang's claim and had advised the Board to investigate and provide comfort to the professionals as to the identity of the true beneficial owner of the Company;
 - (e) Accordingly, this change in shareholder of VOK from Wang to Lan Zhihua constituted material information that should have been submitted for the Exchange's review and approval, in accordance with Mainboard Rule 1204, before it could be disclosed publicly in the Circular;
 - (f) Pursuant to Mainboard Rule 1204, following receipt of the Exchange's clearance for the Circular, the Company was not permitted to make further revisions to the Circular without the Exchange's specific clearance. However, the Company issued the Circular with the abovementioned revisions without the Exchange's prior knowledge and approval;
 - (g) Pursuant to the Relevant Persons' personal undertakings provided to the Exchange under Mainboard Rule 720(1) as directors, they were required to use their best endeavours to comply with the requirements of the Exchange pursuant to or in connection with the Listing Manual, and procure that the Company shall so comply; and
 - (h) The Board was informed of the material information during the Verification Meeting when Wang disclosed the change in her shareholdings in VOK. However, the Board collectively approved the revised disclosure in the final Circular, without seeking the Exchange's prior approval.
39. As such, the LDC finds that pursuant to Mainboard Rule 1402(6), the Relevant Persons had breached Mainboard Rule 1204 by failing to ensure that the Company submit the material information relating to the change in the shareholder of VOK from Wang to Lan Zhihua for the Exchange's review and approval, prior to the issuance of the final Circular.

4th Charge – Caused the Company to breach of Mainboard Rule 1204 by failing to submit the material information relating to Zhang's relationship with the Target Companies as well as her consequential abstention from giving a recommendation on the Proposed Acquisition and making the AC's Statements in relation to the Target Companies for the Exchange's review and approval, prior to the issuance of the final Circular

40. Regarding the facts relating to this charge, the LDC noted that:
- (a) In the final Circular issued on 2 November 2018, a new paragraph stating that "Ms Zhang Yuanyuan, the Independent Director of the Company, is also an employee of one of the Target Companies. However, she is neither involved in

the management of the Target Companies, nor has any control over the sale of the Target Companies by the Vendors” was added;

- (b) Correspondingly, the following statements (underlined) were also added:

“The Company has not performed an audit on the Target Companies and has instead engaged Foo Kon Tan to conduct Agreed-Upon Procedures (“AUP”) on the financial statements of the Target Companies for the financial period from their respective dates of incorporation to 30 September 2017. The Audit Committee, with Ms Zhang Yuanyuan abstaining, is of the view that the AUP would be sufficient in providing commercial certainty as to the accuracy of the Unaudited 9M2017 Accounts, as the AUP would have already ascertained, amongst others, how revenue of the Target Companies is recognised, how costs are recorded, including review of the major liabilities of the Target Companies such as trade financials, as well as their inventories.

...

DIRECTORS’ RECOMMENDATION

The Proposed Acquisition

While the Audit Committee, with Ms Zhang Yuanyuan abstaining, is of the view that this is not an interested person transaction within the meaning of Chapter 9 of the SGX-ST Listing Manual, Mr Liu Lu, [Wang] and Ms Zhang Yuanyuan have, at the advice of the Audit Committee, abstained from recommending this transaction. Accordingly, the Directors, save for Mr Liu, [Wang] and Ms Zhang, having considered, amongst others, the terms and rationale for the Proposed Acquisition, are of the opinion that the Proposed Acquisition is in the best interests of the Group and is not prejudicial to the interests of the Shareholders. Accordingly, the Directors save for Mr Liu, [Wang] and Ms Zhang, recommend the Shareholders to vote in favour of the Proposed Acquisition at the SGM to be convened.

The Proposed Issue of Consideration Shares

While the Audit Committee, with Ms Zhang Yuanyuan abstaining, is of the view that this is not an interested person transaction within the meaning of Chapter 9 of the SGX-ST Listing Manual, Mr Liu Lu, [Wang] and Ms Zhang Yuanyuan have, at the advice of the Audit Committee, abstained from recommending this transaction. Accordingly, the Directors, save for Mr Liu, [Wang] and Ms Zhang, having considered, amongst others, the terms and rationale for the Proposed Issue of Consideration Shares, are of the opinion that the Proposed Issue of Consideration Shares is in the best interests of the Group and is not prejudicial to the interests of the Shareholders. Accordingly, the Directors save for Mr Liu, [Wang] and Ms Zhang, recommend the Shareholders to vote in favour of the Proposed Issue of Consideration Shares at the SGM to be convened.”

- (c) Prior to the issuance of the final Circular, the Company did not make any SGXNET announcement regarding Zhang's independence in relation to the Proposed Acquisition as well as her eligibility as an independent director of the Company. Neither did the Company seek the Exchange's clearance for this change in disclosure in the Circular;
- (d) In the Exchange's AIP issued to the Company, the Exchange had specifically required prominent disclosure to be made in the Circular on "*the Audit Committee's justifications for relying on the results of the Agreed Upon Procedures on the financial statements of the Target Company instead of requiring an audit to be performed on the Target Companies' financial statements.*" As Zhang was an employee of one of the Target Companies, she was not independent in relation to the Proposed Acquisition. Consequently, the AC's Statements as required in the Exchange's AIP were provided only by Xiang, as the only other member of the AC, who was a non-independent non-executive director, Therefore, the relationship between Zhang and the Target Companies undermined the statements and assurance given by the AC, as they were provided by the sole remaining AC member, Xiang, who was a non-independent director;
- (e) Accordingly, Zhang's relationship with the Target Companies as well as her consequential abstention from giving a recommendation on the Proposed Acquisition and making the AC's Statements in relation to the Target Companies constituted material information that should have been submitted for the Exchange's review and approval, in accordance with Mainboard Rule 1204, before it could be disclosed publicly in the Circular;
- (f) Pursuant to Mainboard Rule 1204, following receipt of the Exchange's clearance for the Circular, the Company was not permitted to make further revisions to the Circular without the Exchange's specific clearance. However, the Company issued the Circular with the abovementioned revisions without the Exchange's prior knowledge and approval;
- (g) The Company had breached Mainboard Rule 1204 by failing to submit the material information relating to Zhang's relationship with the Target Companies as well as her consequential abstention from giving a recommendation on the Proposed Acquisition and making the AC's Statements in relation to the Target Companies for the Exchange's review and approval, prior to the issuance of the final Circular;
- (h) Pursuant to the Relevant Persons' personal undertakings provided to the Exchange under Mainboard Rule 720(1) as directors, they were required to use their best endeavours to comply with the requirements of the Exchange pursuant to or in connection with the Listing Manual, and procure that the Company shall so comply; and
- (i) The Board had been informed during the Verification Meeting of Zhang's relationship with the Target Companies. However, the Board collectively

approved the revised disclosures in the final Circular, without seeking the Exchange's prior approval.

41. As such, the LDC finds that pursuant to Mainboard Rule 1402(6), the Relevant Persons had breached Mainboard Rule 1204 by failing to ensure that the Company submit the material information relating to Zhang's relationship with the Target Companies as well as her consequential abstention from giving a recommendation on the Proposed Acquisition and making the AC's Statements in relation to the Target Companies for the Exchange's review and approval, prior to the issuance of the final Circular.

VI. THE EXCHANGE'S REGULATORY CONCERNS

42. The LDC noted the Exchange's regulatory concerns which are summarised in this section.

Regarding the Board

43. Disclosure is a key tenet in the disclosure-based regime so that shareholders can exercise their voting decisions based on disclosures made by the issuer. For commercial transactions including major acquisitions, the Listing Rules provide safeguards to ensure that the circulars issued to shareholders contain all information necessary to allow shareholders to make an informed voting decision. The Listing Rules also require such circulars to be reviewed by the Exchange before they can be circulated or made available publicly.
44. It is clear under Mainboard Rule 1205 that each director is required to accept responsibility for the accuracy of the information in a circular sent to shareholders to ensure that shareholders have all material information relevant to any resolution proposed to be passed. In the current case, the Board nonetheless allowed the Circular to be released despite it containing inaccurate and unverified information, as well as sorely lacking in material facts which were known only to the Board, with no regard as to its consequences. The shareholders of the Company would have unknowingly voted on the Proposed Acquisition on the basis of the deficient Circular, had it not been for the Exchange's intervention in seeking clarifications from the Company about the Target Companies and directing the Company to put the Proposed Acquisition on hold.
45. Directors are fiduciaries under law with an obligation to discharge their duties honestly and in good faith, as well as to act in the best interests of the company and its shareholders. The directors' fiduciary duties extend not just to managing the affairs of the company, but also to ensure regulatory compliance and accountability to shareholders. This obligation is reinforced by the personal undertakings given by directors to the Exchange to use their best endeavours to procure compliance by the company.
46. Through the Board's actions (or lack thereof), they had exhibited a disregard for regulatory requirements as well as a lack of sufficient care and diligence expected of a reasonable director of a listed issuer. Investor confidence is affected when there is a

lack of corporate transparency and accountability by directors and executive officers of listed issuers. There is thus a need for corresponding visible enforcement of the Exchange's regulatory regime for the investing public to be assured that appropriate enforcement actions are being taken to deal with the misconduct or lapses by errant individuals.

Regarding Wang

47. Wang had, of her own accord, disclosed the material information which was in her sole possession at the Verification Meeting. If not for Wang's disclosure, the state of affairs of the Target Companies might not have come to light. Notwithstanding this, as an Executive Director, Wang should not have allowed the Draft Circular to be submitted to the Exchange for review in the first instance, despite knowing that the contents therein were inaccurate or did not contain all information necessary to allow shareholders to make an informed decision on the Proposed Acquisition. Furthermore, Wang only raised the issues at the Verification Meeting on 29 October 2018, which was seven months after the Draft Circular was submitted to the Exchange for review and a whole month after the Exchange had granted clearance for the Circular.
48. Wang asserted that after raising her Claims at the Verification Meeting, she had made reasonable attempts to continue to press her objections, and resist the release of the Circular with the original disclosures unchanged when the rest of the Board disregarded her Claims. However, the Exchange did not have sight of any documents supporting this assertion. Furthermore, there were other avenues open to Wang to stop the Company from releasing the Circular such as bringing her Claims directly to the attention of the Exchange or other authorities. However, Wang did not do so.
49. Notwithstanding Wang's efforts, which are recognised, and considering her other breaches, Wang had fallen short of her duty to ensure compliance with the Listing Rules and departed from the reasonable standard of conduct and diligence expected of her as an Executive Director of the Company. In this regard, there is a need to publicly rebuke Wang's conduct.

Regarding Gong

50. Each director has a non-delegable duty of due diligence to ensure the Company's compliance with the Listing Rules. In every circumstance, each director must exercise his or her own individual judgment and due diligence in evaluating all facts and advice provided, to make considered decisions on the application of the Listing Rules. In this regard, the test is an objective one – the question is whether the director has exercised the same degree of care, skill and diligence as a reasonable director found in his or her position.
51. This standard is not lowered to accommodate any inadequacies in the individual director's knowledge or experience. By undertaking the role of a director of a listed issuer, Gong is personally accountable for the responsibilities incumbent upon that role, notwithstanding her short tenure of three months on the Board.

52. Unlike Wang who had voluntarily brought her Claims to the attention of the professional advisors and the rest of the Board at the Verification Meeting, Gong had not raised any objections when a decision was taken by the Board to disregard the professionals' advice to independently verify Wang's Claims before proceeding further with the Proposed Acquisition. In the circumstance, Gong ought to have directed her mind to the decision at hand and applied proper judgement of the facts before her. Instead, Gong had simply consented to the release of the Circular with the original disclosures unchanged. The issuance of the Circular in the absence of reasonable due diligence on Wang's Claims exhibited a disregard for the accuracy of the information in the Circular. This is further exemplified by the Board's failure to disclose material information relating to the Litigation Cases and Further Loans, which was a conscious omission.
53. In this regard, Gong had fallen short of her duty to ensure compliance with the Listing Rules and departed from the reasonable standard of conduct and diligence expected of her as an Executive Director of the Company.
54. Given that Gong has shown remorse and accepted liability for the Charges against her, a public reprimand and a signed written undertaking not to seek any directorship on the board of directors, or role as a key executive officer (as defined in the Listing Rules) of issuers whose securities are listed on the Mainboard or Catalist for a one-year period would be sufficient.

Regarding Liu, Zhang and Xiang

55. The Exchange had continually reached out to Liu, Zhang and Xiang during the proceedings, but they failed to respond.
56. The actions (or lack thereof) of Liu, Zhang and Xiang are in stark contrast with those of Wang and Gong, who have reached out to the Exchange at the earliest opportunity to explain their actions and provide their cooperation.
57. Paragraph 15.1 of the LDC and Listings Appeals Committee Handbook provides that "*the conduct and remedial action taken by the Relevant Person in responding to the matter*" is a factor the LDC will take into account when imposing sanctions against a Relevant Person.
58. Compared to Wang and Gong, the Exchange was not aware of any mitigating factors applicable to Liu, Zhang and Xiang as a result of their silence.
59. In the circumstances, Liu, Zhang and Xiang should each receive a heavier sanction than Wang and Gong.

VII. SANCTIONS IMPOSED BY THE LDC ON THE RELEVANT PERSONS

60. Having considered the Resolution Agreement and the Written Representations, the LDC has unanimously decided to impose the following sanctions on the Relevant Persons:

Wang

- (a) a public reprimand is issued to Wang;

Gong

- (b) a public reprimand is issued to Gong;
- (c) Gong shall provide a signed written undertaking to the Exchange not to seek any directorship on the board of directors, or role as a key executive officer (as defined in the Listing Rules) of issuers whose securities are listed on the SGX Mainboard or Catalist for a period of one year from the date of the imposition of sanctions by the LDC;

Liu, Zhang and Xiang

- (d) a public reprimand is issued to Liu, Zhang and Xiang; and
- (e) an order prohibiting any issuer from appointing or reappointing Liu, Zhang and/or Xiang as a director or executive officer, or both, for a period of two years is issued.

END