



## Regulatory Action

29 June 2018

# SGX RegCo reprimands Oriental Group Ltd, its former and present Directors and its former Group Financial Controller

### Public Reprimand: Breaches of Catalist Rules

1. Singapore Exchange Regulation (“SGX RegCo”) reprimands Oriental Group Ltd 东方集团有限公司 (the “Company”, together with its subsidiaries, the “Group”), the following past and present directors, namely:

- Mr. Wu Dingrong 吴丁荣 (former Non-Executive Chairman)
- Mr. Lee Wan Sing 李望兴 (former Executive Director and former Chief Executive Officer)
- Mr. Sun Lu 孙律 (former Executive Director)
- Mr. Ong Wee Chuan Richard 王伟全 (former Non-Executive Director)
- Mr. Tan Song Kwang 陈松光 (former Independent Director, Member of Audit Committee)
- Mr. Koh Choon Kong 许城光 (former Independent Director, Member of Audit Committee)
- Mr. Chua Hung Meng 蔡汉明 (present Independent Director, Chairman of Audit Committee)

and its former Group Financial Controller Mr. Lee Ong 李安 for breaches of the Catalist Rules.

2. The breaches arose from the following conduct:
  - misleading and inaccurate announcements concerning three (3) of its fund raising exercises;
  - unauthorized corporate guarantees extended by the Group in favour of its interested persons; and/or
  - unauthorized interested person transactions.
3. SGX RegCo reprimands the Company for breaches of Catalist Rule 703(1)(a) read with Rule 703(4)(a) and Paragraph 27(a) of Appendix 7A of the Catalist Rules, and Catalist Rules 719(1), 905, 906 and 907.
4. SGX RegCo reprimands the former Board and the former Audit Committee for breaches of Catalist Rules 719(1), 905, 906, 907 and 1204(10) read with Practice Note 12B of the Catalist Rules.

5. SGX RegCo reprimands the former Executive Director and former Chief Executive Officer Lee Wan Sing for breaches of Catalist Rule 703(1)(a) read with Rule 703(4)(a) and Paragraph 27(a) of Appendix 7A of Catalist Rules, and Catalist Rule 720(1) read with Rule 406(3)(b).
6. SGX RegCo reprimands the former Group Financial Controller Lee Ong for breaches of Catalist Rule 703(1)(a) read with Rule 703(4)(a) and Paragraph 27(a) of Appendix 7A of Catalist Rules, and Catalist Rules 719(1) and 720(1) read with Rule 406(3)(b).
7. SGX RegCo reprimands the former Non-Executive Director Richard Ong Wee Chuan for breaches of Catalist Rule 703(1)(a) read with Rule 703(4)(a) and Paragraph 27(a) of Appendix 7A of the Catalist Rules.
8. SGX RegCo reprimands the former Non-Executive Chairman Wu Dingrong and the former Executive Director Sun Lu for breaches of Catalist Rules 719(1), 905, 906 and 907.
9. SGX-listed companies are advised to consult SGX RegCo before they appoint any of the following persons as a director or member of management:
  - Mr. Lee Wan Sing
  - Mr. Lee Ong
  - Mr. Wu Dingrong
  - Mr. Sun Lu
  - Mr. Chua Hung Meng
  - Mr. Tan Song Kwang
  - Mr. Koh Choon Kong
  - Mr. Ong Wee Chuan Richard

## **Details of Listing Rules breaches**

### **Background**

10. The Company appointed a special auditor and an independent reviewer to carry out a review relating to the aforementioned irregularities that took place in Singapore and PRC. Details of the review and the executive summary of the special audit report can be found in the Company's announcement of 8 December 2016.
11. The listing rules breaches relate to the following transactions undertaken by the Company between 2012 and 2015:

#### **(a) Share placement announced on 26 December 2012**

On 26 December 2012, the Company entered into a placement agreement with 32 subscribers. Pursuant to the agreement, the Company will issue 179,166,667 new ordinary shares at an issue price of S\$0.12 each for an aggregate consideration of S\$21.5 million.

The Company announced the completion of the placement on 16 April 2013.

The special audit revealed that subscription monies amounting to S\$9.64 million had not been received from nine (9) subscribers on completion. Notwithstanding this, Lee Ong authorized the release of the completion announcement and issued acknowledgement letters upon receipt of subscription monies after the release of the completion Announcement.

The Company only received the full sum of the subscription monies on 10 March 2016.

**(b) Issuance of convertible loan notes announced on 8 January 2015**

On 8 January 2015, the Company entered into a subscription agreement with eight (8) subscribers. Pursuant to the subscription agreement, the eight (8) subscribers agreed to provide unsecured loans amounting to S\$5.5 million, convertible to new ordinary shares in the capital of the Company at a conversion price ranging from S\$0.13 to S\$0.16 each.

The Company announced the completion of the subscription on 24 February 2015.

The special audit revealed that subscription monies amounting to S\$1.25 million had not been received from three (3) subscribers (“Unpaid Notes”) on completion. It was further discovered that the Company had redeemed S\$750,000 worth of Unpaid Notes before the maturity date. The redemption was executed by Lee Wan Sing and Lee Ong without approval from the Board. The monies paid by the Company to redeem the Unpaid Notes were subsequently recovered.

As at the date of the special audit report, S\$750,000 worth of Unpaid Notes remained outstanding or unaccounted for and the remaining S\$500,000 worth of subscription monies was set-off against the amount owing from the subscriber to the Company.

**(c) Share placement announced on 13 July 2015**

On 13 July 2015, the Company entered into a placement agreement with two (2) subscribers. The subscribers were Seng Lee Holdings Pte. Ltd. and Ong Boon Kiat. Pursuant to the agreement, the Company will issue 50 million new ordinary shares at S\$0.10 each for an aggregate consideration of S\$5 million.

The Company announced the completion of the placement on 13 August 2015.

The special audit revealed that subscription monies amounting to S\$1.5 million was outstanding when the Company announced the completion. Ong Boon Kiat did not have the intention to subscribe for the placement and was merely subscribing for the placement shares on behalf of an unknown investor (at the request of Lee Wan Sing), who subsequently reneged on the subscription.

To conceal the purported placement to Ong Boon Kiat, the shares subscribed under Ong Boon Kiat’s name were transferred to three (3) other investors and paid for by them between 29 November 2015 and 13 January 2016. The ruse included Lee Wan Sing incorporating OGL Limited (BVI), a name which closely resembles the Company, to facilitate the transfer of shares from Ong Boon Kiat to OGL Limited (BVI) and thereafter to the three (3) investors. Lee Wan Sing explained that the incorporation of OGL Limited (BVI) was necessary to avoid potential confusion or misunderstanding by the three (3) investors as he had represented to them that the shares will be issued directly to them by the Company. It was also revealed that Lee Ong had assisted Lee Wan Sing with the share transfers.

**(d) Unauthorized corporate guarantees**

In 2013 and 2014, two (2) corporate guarantees were extended by the Company’s Chinese subsidiaries to the banks for loans to Jiangyin Rongda Jingmao Co., Ltd 江阴市荣达经贸有限公司 (“JYRD”), a private company which was 58% owned (directly and indirectly) by the Company’s former director Wu Dingrong. JYRD is an interested person under Catalyst Rule 904(4)(b) as it is an associate of Wu Dingrong, in which he and his immediate family together (directly or indirectly) have an interest of 30% or more.

The value of the loans accounted for 12% and 52% of the Group’s audited net tangible asset value in the relevant financial years. The guarantees extended to JYRD breached the thresholds

requiring disclosure and/or shareholders' approval under the Catalist Rules. Notwithstanding, the corporate guarantees were neither announced or approved in accordance with Catalist Rules 905, 906 and 907.

The legal representatives of the relevant Chinese subsidiaries of the Company are the son-in-law and brother of Wu Dingrong, namely, Sun Lu (also a former Executive Director of the Company) and Wu Dingcheng respectively.

**(e) Unauthorized interested person transactions**

In 2014 and 2015, an aggregate amount of RMB 149,792,536.26 was transferred from the subsidiaries of the Company to Jiangyin Jincheng Steel Co., Ltd 江阴锦澄钢铁有限公司 ("JYJC"), a private company which was 100% (directly and indirectly) owned by Wu Dingrong. JYJC is an interested person under Catalist Rule 904(4)(b) as it is an associate of Wu Dingrong, in which he and his immediate family together (directly or indirectly) have an interest of 30% or more.

The funds transferred to JYJC accounted for 80% and 5.4% of the Group's audited net tangible asset value in the relevant financial years. These fund transfers breached the thresholds requiring disclosure and/or shareholders' approval under the Catalist Rules. These fund transfers were neither announced nor approved in accordance with Catalist Rules 905, 906 and 907.

The legal representatives of the relevant Chinese subsidiaries of the Company are Sun Lu and Wu Dingcheng respectively.

**(f) Purchase of IT equipment**

In 2016, the Group purchased a total of S\$145,040 worth of IT equipment. The invoices of these purchases were back-dated to 2014 and 2015 to facilitate and maximize the Group's unutilised claims under the Production & Innovation Credit Scheme ("PIC Scheme"). The Group received a total of S\$108,879.60 worth of cash payouts from IRAS in 2015 for the purchases purportedly made in 2014.

The special audit revealed that it was Lee Wan Sing who had requested the vendor to back-date the invoices for the purpose of maximising the Group's unutilised claims under the PIC Scheme.

**Listing Rules Breaches by the Company**

12. Based on the findings from the special audit report, SGX RegCo is of the view that the Company has breached the following Catalist Rules:

**(a) Catalist 703(1)(a) read with Rule 703(4)(a) and Paragraph 27(a) of Appendix 7A of Catalist Rules**

*The Company had breached Catalist 703(1)(a), read with Rule 703(4)(a) and Paragraph 27(a) of Appendix 7A of Catalist Rules, by misrepresenting in: -*

- (i) its announcements of 16 April 2013, 13 August 2015 and 24 February 2015 that the fund raising activities had been completed when the subscription monies had not been received in full; and*
- (ii) its announcement of 13 July 2015 that Ong Boon Kiat was a subscriber to the placement when he did not have the intention to subscribe for shares in the Company and was in fact subscribing on behalf of an unknown party.*

*As a result, the Company failed to ensure that the announcements were factual and did not announce information known to the Company concerning it or any of its subsidiaries or associated companies which is necessary to avoid the establishment of a false market in the Company's securities.*

**(b) Catalyst Rule 719(1)**

*The Company had breached Catalyst Rule 719(1), by not having proper procedures over the monitoring of the fund raising exercises and interested person transactions which resulted in fund raising proceeds not duly collected and/or properly accounted for and execution of interested person transactions that were in breach of Catalyst Rules 905, 906 and 907, thereby failing to have in place a robust and effective system of internal controls, addressing financial, operational and compliance risks.*

**(c) Catalyst Rule 905**

*The Company had breached Catalyst Rule 905, by not making immediate announcements on:-*

- (i) the corporate guarantees extended by subsidiaries of the Company in favour of JYRD, a company that the former Executive Chairman Wu Dingrong and his immediate family (directly or indirectly) have an interest of 30% or more, in 2013 and 2014; and*
- (ii) the interested person transactions entered into with JYJC in 2014 and 2015,*

*when the value of these interested person transactions, taken individually or in aggregate with the same interested person during the same financial year, amount to 3% or more of the Group's latest audited net tangible assets.*

**(d) Catalyst Rule 906**

*The Company had breached Catalyst Rule 906, by not obtaining shareholders' approval for:-*

- (i) the corporate guarantees extended by subsidiaries of the Company in favour of JYRD, a company that the former Executive Chairman Wu Dingrong and his immediate family (directly or indirectly) have an interest of 30% or more, in 2013 and 2014; and*
- (ii) the interested person transactions entered into with JYJC in 2014 and 2015,*

*when the value of these interested person transactions, taken individually or in aggregate with the same interested person during the same financial year, amount to 5% or more of the Group's latest audited net tangible assets.*

**(e) Catalyst Rule 907**

*The Company had breached Catalyst Rule 907, by not disclosing in its annual reports, the aggregate value of interested person transactions entered into during the financial years ended 31 December 2013 and 2014.*

**Listing Rules Breaches by the former Board and former Audit Committee**

13. The Audit Committee explained that it would commission internal audit annually and rely on the results of the internal audit report to provide an opinion on the adequacy of the internal controls in the Company's annual report.
14. Further to SGX RegCo's review of the internal audit reports for FY2013 and FY2014, the following were noted:

- The internal audit performed in FY2013 over the Group's Chinese subsidiary, Jiangyin Chengsheng Machinery Manufacturing Co., Ltd 江阴澄盛机械制造有限公司 ("JYCS") highlighted control deficiencies over the identification and report of interested person transactions (rated as high risk);

*It was noted that there were fund transfers (including transfers of banks' acceptance bill and loans) between JYCS and an interested party, JYJC that were not recorded in the interested person transaction register. To this, the management explained that it was due to oversight.*

*It was also noted that the value of these fund transfers exceeded 5% of the Group's latest audited net tangible assets and did not fall within the scope of the shareholders' mandate for interested person transactions, but shareholders' approval had not been sought. Arising from this, the internal auditor had highlighted potential non-compliance with the listing rules.*

- The Audit Committee did not investigate further into the fund transfers (highlighted by the internal auditor during the 2013 audit) that may have failed to comply with the listing rules; and

*When asked by SGX RegCo if further investigation was done, the Audit Committee said that they "recall having several detailed discussion on this matter.... At that point in time, the conclusion was that the Group had actually owed more monies to the interested party and the Group's interest was not prejudiced, as such, there was no need to provide separate announcement."*

- The Audit Committee was unable to provide SGX RegCo with documentary evidence to prove that they had followed up with the management team on the implementation of the recommendations stated in the 2013 internal audit report.

15. Having considered the Board's and the Audit Committee's failure to take the necessary steps to ensure adequacy of the Group's internal controls in light of the 2013 internal audit findings, SGX RegCo is of the view that the Board (comprising of Wu Dingrong, Lee Wan Sing, Sun Lu, Richard Ong Wee Chuan, Chua Hung Meng, Tan Song Kwang and Koh Choon Kong) and the Audit Committee (comprising of Chua Hung Meng, Tan Song Kwang and Koh Choon Kong) have breached the following Catalist Rules:

**(a) Catalist Rule 719(1)**

*The Board and the Audit Committee had wilfully caused the Company to breach Catalist Rule 719(1) by failing to take steps to investigate further and/or rectify the control lapses after the internal auditors highlighted to the Board and Audit Committee in 2013 of the interested person transactions that were not recorded in the interested person transaction register and/or duly approved by the Board and shareholders.*

**(b) Catalist Rules 905, 906 and 907**

*The Board and the Audit Committee had wilfully caused the Company to breach Catalist Rules 905, 906 and 907, by failing to institutionalize robust and effective system of internal controls within the Group over the monitoring of interested person transactions.*

**(c) Catalist Rule 1204(10) read with Practice Note 12B of the Catalist Rules**

*The Board and the Audit Committee had breached Catalist Rule 1204(10), read with Practice Note 12B, by confirming the adequacy and effectiveness of the Group's internal controls in the*

*Company's annual reports for the financial years ended 31 December 2013 and 2014 without having exercised the rigor in the assessment of the internal controls when the Board and the Audit Committee had:*

- (i) failed to investigate further into the interested person transactions that were highlighted by the Company's internal auditor in 2013, which were not recorded in the interested person transaction register and not duly approved by shareholders in accordance with the Catalist Rules; and*
- (ii) failed to demonstrate that they had performed additional review to obtain assurance that the internal procedures relating to the interested person transactions had been satisfactorily rectified.*

**Listing Rules Breaches by former CEO and former Executive Director, Lee Wan Sing**

16. Based on the findings from the special audit report, SGX RegCo is of the view that Lee Wan Sing has breached the following Catalist Rules:

**(a) Catalist Rule 703(1)(a) read with Rule 703(4)(a) and Paragraph 27(a) of Appendix 7A of Catalist Rules**

*Lee Wan Sing, in his capacity as the Executive Director and Chief Executive Officer, had wilfully caused the Company to breach Catalist Rule 703(1)(a) read with Rule 703(4)(a) and Paragraph 27(a) of Appendix 7A of the Catalist Rules, by:-*

- (i) authorizing the release of the announcements of 13 August 2015 and 24 February 2015 when he was fully aware that the subscription monies had not been received in full; and*
- (ii) using Ong Boon Kiat's identity to subscribe for the placement shares on behalf of an unknown party and knowingly misrepresented in the announcement of 13 July 2015 that Ong Boon Kiat was one of the subscribers to the placement.*

*As a result, the Company failed to ensure that the announcements were factual and did not announce information known to the Company concerning it or any of its subsidiaries or associated companies which is necessary to avoid the establishment of a false market in the Company's securities.*

**(b) Catalist Rule 720(1) read with Rule 406(3)(b)**

*Lee Wan Sing, in his capacity as the Executive Director and Chief Executive Officer, had breached Catalist Rule 720(1) read with Rule 406(3)(b), by:-*

- (i) authorizing the release of the announcements of 13 August 2015 and 24 February 2015 when he was fully aware that the subscription monies had not been received in full;*
- (ii) facilitating the transfer of shares from Ong Boon Kiat to OGL Limited (BVI) and thereafter to 3 investors to cover up for the use of Ong Boon Kiat's identity in the purported placement ;*
- (iii) authorizing the payments to Lim Soon Heng and Vincent Pang as early redemption of their notes when he was fully aware that Lim Soon Heng and Vincent Pang had not paid for their subscriptions and that there was no Board's approval for the early redemption; and*
- (iv) requesting a vendor of the Company to back-date the invoices for the purchase of IT equipment made in 2016 for the purpose of submitting unutilized claims under the PIC Scheme for 2014 and 2015,*

*thereby failing to demonstrate the character and integrity expected of a director and key management of a listed issuer.*

### **Listing Rules Breaches by former Group Financial Controller, Lee Ong**

17. Lee Ong denied all responsibilities with regard to the announcements relating to the completion of the three (3) placements. He submitted that he took instructions from Lee Wan Sing and relied on his Finance Manager, Chong Yong Von, to ensure that the placements were in order.
18. SGX RegCo is of the view that as Lee Ong was the most senior finance staff, he was accountable for the finance operation of the Group. As such, SGX RegCo is of the view that Lee Ong has breached the following Catalist Rules:

#### **(a) Catalist Rule 703(1)(a) read with Rule 703(4)(a) and Paragraph 27(a) of Appendix 7A of the Catalist Rules**

*Lee Ong, in his capacity as the Group Financial Controller, had wilfully caused the Company to breach Catalist Rule 703(1)(a) read with Rule 703(4)(a) and Paragraph 27(a) of Appendix 7A of the Catalist Rules, by authorizing the release of the announcements of 16 April 2013, 13 August 2015 and 24 February 2015 when he was fully aware that the subscription monies had not been received in full. As a result, the Company failed to ensure that the announcements were factual and did not announce information known to the Company concerning it or any of its subsidiaries or associated companies which is necessary to avoid the establishment of a false market in the Company's securities.*

#### **(b) Catalist Rule 719(1)**

*Lee Ong, in his capacity as the Group Financial Controller, had wilfully caused the Company to breach Catalist Rule 719(1), by not having proper procedures within the finance function over the monitoring of fund raising exercises and maintaining proper records over the collection of the subscription monies, thereby causing the Company not to have in place a robust and effective system of internal controls, addressing financial, operational and compliance risks.*

#### **(c) Catalist Rule 720(1) read with Rule 406(3)(b)**

*Lee Ong, in his capacity as the Group Financial Controller, had breached Catalist Rule 720(1) read with Rule 406(3)(b), by:-*

- (i) authorizing the release of the announcements of 16 April 2013, 13 August 2015 and 24 February 2015 when he was fully aware that the subscription monies had been received in full;*
- (ii) facilitating the transfer of shares from Ong Boon Kiat to OGL Limited (BVI) and thereafter to 3 investors to cover up for the use of Ong Boon Kiat's identity in the purported placement; and*
- (iii) authorizing the payments to Lim Soon Heng and Vincent Pang as early redemption of their notes when he was fully aware that Lim Soon Heng and Vincent Pang had not paid for their subscriptions and that there was no Board's approval for the early redemption,*

*thereby failing to demonstrate the character and integrity expected of a key management of a listed issuer.*

### **Listing Rules Breaches by former Non-Executive Director, Richard Ong Wee Chuan**

19. Richard Ong submitted that he was not aware that Ong Boon Kiat did not have the intention to subscribe for the placement and was merely subscribing for the placement shares on behalf of an unknown investor. This was inconsistent with the statement he had provided to the special auditor, which stated that he was aware that Ong Boon Kiat did not have the intention to



- subscribe for the placement and was merely subscribing for the placement on behalf of an unknown investor.
20. When asked by SGX RegCo to clarify the contradiction, Richard Ong explained that the placement announced on 13 July 2015 comprised of 2 tranches, S\$3.5 million subscribed by Seng Lee Holdings Pte. Ltd. and S\$1.5 million subscribed by Ong Boon Kiat. Richard Ong explained that in his statement to the special auditor, he was referring to the S\$3.5 million tranche which Ong Boon Kiat did not have intention to subscribe for but was willing to lend his name to subscribe for an unknown investor. However, as it was later subscribed by Seng Lee Holdings Pte. Ltd., the arrangement did not materialise. As for the S\$1.5 million tranche, he was under the impression that Ong Boon Kiat was a genuine subscriber.
21. Based on the special auditor's interview with Ong Boon Kiat, the following were revealed:
- Ong Boon Kiat was approached by Lee Wan Sing, Richard Ong and Allan Chan to subscribe for this placement;
  - Lee Wan Sing had asked for Ong Boon Kiat's permission to use his name as a placee as it was inconvenient for the actual investor to be named; and
  - Ong Boon Kiat did not have the intention to subscribe for the S\$1.5 million placement in 2015 and was merely lending his name for the placement.
22. Based on the special auditor's interview with Lee Wan Sing, he also confirmed that Ong Boon Kiat was merely lending his name for the placement as he had already found an investor for the S\$1.5 million placement who could not be named then.
23. In light of the above, SGX RegCo is of the view that Richard Ong has breached the following Catalyst Rules:

**(a) Catalyst Rule 703(1)(a) read with Rule 703(4)(a) and Paragraph 27(a) of Appendix 7A of the Catalyst Rules**

*Richard Ong, in his capacity as the Non-Executive Director, had wilfully caused the Company to breach Catalyst Rule 703(1)(a) read with Rule 703(4)(a) and Paragraph 27(a) of Appendix 7A of the Catalyst Rules, by using Ong Boon Kiat's identity to subscribe for the placement shares on behalf of an unknown party and knowingly misrepresented in the announcement of 13 July 2015 that Ong Boon Kiat was one of the subscribers. As a result, the Company failed to ensure that the announcements were factual and did not announce information known to the Company concerning it or any of its subsidiaries or associated companies which is necessary to avoid the establishment of a false market in the Company's securities.*

**Listing Rules Breaches by former Non-Executive Chairman Wu Dingrong**

24. Wu Dingrong submitted the following:
- he was not aware of the corporate guarantees extended by the Group's Chinese subsidiaries in favour of JYRD, a private company which was 58% (directly and indirectly) held by him; and
  - the interested person transactions between the Group's Chinese subsidiaries and JYJC, a private company which was 100% (directly and indirectly) held by him, was covered under the scope of the interested person transaction mandate previously approved by shareholders.

25. However, Wu Dingrong was unable to provide any documentary proof to support his claim.
26. In light of the above, SGX RegCo is of the view that Wu Dingrong has breached the following Catalist Rules:

**(a) Catalist Rule 719(1)**

*Wu Dingrong, in his capacity as the Non-Executive Chairman, had wilfully caused the Company to breach Catalist Rule 719(1), by proceeding with the extension of corporate guarantees in favour of JYRD and entering into interested person transactions with JYJC without obtaining the requisite approvals and ensuring Company's compliance with the Catalist Rules, thereby causing the Company not to have in place a robust and effective system of internal controls, addressing financial, operational and compliance risks.*

**(b) Catalist Rules 905, 906 and 907**

*Wu Dingrong, in his capacity as the Non-Executive Chairman, had wilfully caused the Company to breach Catalist Rules 905, 906 and 907 by proceeding with the extension of corporate guarantees in favour of JYRD and entering into interested person transactions with JYJC without obtaining the requisite approvals and ensuring Company's compliance with the Catalist Rules.*

**Listing Rules Breaches by former Executive Director Sun Lu**

27. Sun Lu submitted that:
- he was transferred out of the Group's Chinese subsidiary, JYCS between October 2012 and February 2015;
  - he was not aware of the corporate guarantee extended by JYCS in favour of JYRD as the seals (including the legal representative's seal) were not kept by him after his transfer;
  - he was not aware of the corporate guarantee extended by the Group's other Chinese subsidiary, Xinghua Rongcheng Precision Manufacturing Co., Ltd 兴化市荣澄精密铸造有限公司("XHRC") in favour of JYRD as he did not assume any position in XHRC and was not responsible for XHRC;
  - the interested person transactions between JYCS and JYJC were approved by the Board and disclosed in the Group's annual reports; and
  - it is unfair for the special auditor to report the aggregate value of the interested person transactions instead of the net amount.
28. When SGX RegCo requested for the relevant documents to support his claim that he was transferred out of JYCS between October 2012 and February 2015, Sun Lu furnished a letter stating his transfer out of JYCS with effect from 31 December 2012 due to work commitments. The said letter was signed by the former Non-Executive Chairman Wu Dingrong. Sun Lu further added that Lee Wan Sing, Lee Ong and the members of the Audit Committee were informed of his transfer.
29. When SGX RegCo sought to verify Sun Lu's transfer with Lee Ong and the members of the Audit Committee, they confirmed that Sun Lu was in charge of JYCS between 2012 and 2015. Lee Ong further confirmed that he had worked with Sun Lu and Wu Dingrong on matters concerning JYCS between 2012 and 2015, and that Sun Lu was actively involved in the day-to-

day operations of JYCS such as approving payments in relation to purchase of materials, wages of the workers and meetings with production team.

30. With regard to the interested person transactions between JYCS and JYJC, SGX RegCo noted that they were not disclosed in the Company's annual report (given that the aggregate value of the interested person transactions between JYCS and JYJC that were uncovered was much higher than the amount disclosed in the annual reports). Sun Lu was also not able to furnish supporting documents to prove that these transactions were covered under the scope of the interested person transaction mandate previously approved by shareholders.
31. In light of the above, SGX RegCo is of the view that Sun Lu has breached the following Catalyst Rules:

**(a) Catalyst Rule 719(1)**

*Sun Lu, in his capacity as the Executive Director, had wilfully caused the Company to breach Catalyst Rule 719(1), by proceeding with the extension of corporate guarantee in favour of JYRD and entering into interested person transactions with JYJC without obtaining the requisite approvals and ensuring Company's compliance with the Catalyst Rules, thereby causing the Company not to have in place a robust and effective system of internal controls, addressing financial, operational and compliance risks.*

**(b) Catalyst Rules 905, 906 and 907**

*Sun Lu, in his capacity as the Executive Director, had wilfully caused the Company to breach Catalyst Rules 905, 906 and 907 by proceeding with the extension of corporate guarantee in favour of JYRD and entering into interested person transactions with JYJC without obtaining the requisite approvals and ensuring Company's compliance with the Catalyst Rules.*

**Referral to Authorities**

32. SGX RegCo has referred the breaches to the appropriate authorities.

-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 and settlement, depository and data services, with about 40% of listed companies and 75% of listed bonds originating outside of Singapore.

SGX is the world's most liquid offshore market for the benchmark equity indices of China, India, Japan and ASEAN and offers commodities and currency derivatives products. Headquartered in AAA-rated Singapore, SGX is globally recognised for its risk management and clearing capabilities. For more information, please visit [www.sgx.com](http://www.sgx.com).

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