



Regulatory Action

18 October 2024

SGX RegCo reprimands former directors of Sunrise Shares Holdings Ltd., Wong Siu Fai, Zheng Aimin, Tang An and Wang Ziquan, and former Chief Executive Officer, Liang Yongdong

Public Reprimand: Breaches of Catalist Rules

1. Pursuant to Catalist Rule 305(3)(c)(ii), Singapore Exchange Regulation (“**SGX RegCo**”) exercises its direct enforcement powers and reprimands the former directors and former Chief Executive Officer of Sunrise Shares Holdings Ltd. (the “**Company**”, and together with its subsidiaries, the “**Group**”):
 - a. Mr. Wong Siu Fai, former Chairman and Executive Director (the “**Former Chairman**”);
 - b. Mr. Zheng Aimin, former Lead Independent Director;
 - c. Mr. Tang An, former Independent Director;
 - d. Mr. Wang Ziquan, former Independent Director;
(the Former Chairman, Mr. Zheng, Mr. Tang and Mr. Wang, collectively, the “**Former Directors**”); and
 - e. Mr. Liang Yongdong, former Chief Executive Officer (the “**Former CEO**”),

for breaching the following Catalist Rules:

- i. Catalist Rule 719(1), read with Catalist Rule 302(6)¹, by causing the Company to fail to have in place adequate and effective systems of internal controls (including financial, operational, compliance and information technology controls) and risk management systems; and
 - ii. Catalist Rule 703(4)(a), read with paragraph 27(a) of Appendix 7A (Corporate Disclosure Policy) and Catalist Rule 302(5)², by causing the Company to release an announcement on its financial results for the six months ended 30 June 2022 (the “**1H2022 Results**”) on 15 August 2022 which contained the Reporting Errors³ and resulted in the Company reporting a net profit when it was actually in a net loss position. The 1H2022 Results were thus inaccurate and non-factual.
2. In addition, pursuant to Catalist Rule 305(3)(c)(xix), SGX RegCo issues the following:

¹ Catalist Rule 302(6) provides that a director or executive officer is deemed to have contravened a Catalist Rule when he or she caused the issuer to omit to do an act which resulted in a breach of the said Catalist Rule.

² Catalist Rule 302(5) provides that a director or executive officer is deemed to have contravened a Catalist Rule when he or she caused the issuer to commit an act in breach of the said Catalist Rule.

³ As defined in paragraph 10.

- a. an order prohibiting any issuer from appointing or reappointing Mr. Wong Siu Fai (the Former Chairman) as a director or executive officer, or both, for a period of two years, starting from the date of this public reprimand, i.e. 18 October 2024; and
- b. an order prohibiting any issuer from appointing or reappointing Mr. Liang Yongdong (the Former CEO) as a director or executive officer, or both, for a period of one year, starting from the date of this public reprimand, i.e. 18 October 2024.

Details of the breaches

3. On 31 August 2021, the Company announced the cessation of its Chief Financial Officer (the “**CFO**”), effective from 30 September 2021. The CFO was also the chairman of the Company’s Investment Committee, whose primary role is to provide advisory support to management, the board of directors (the “**Board**”) and the audit committee (the “**AC**”) on the Company’s investment related matters. Other than the CFO, the other members of the Investment Committee were the Former CEO and a Vice President of the Company.
4. With the CFO’s resignation, the Company engaged an external service provider to provide quarterly bookkeeping services and to assist in the preparation of consolidated financial statements for the Group.
5. On 30 September 2021, the Company announced that the Former Chairman would oversee the finance functions of the Group. The Company would, in the meantime, continue the process of finding a suitable replacement to undertake the role and responsibilities of the CFO.
6. However, no replacement to the CFO was appointed by the Company since then. Neither were any executives with the appropriate experience and expertise appointed, as an alternative to the CFO, to oversee the finance functions. Instead, the Former CEO, who had no prior experience or expertise in financial accounting matters, assumed oversight of the finance functions on the Former Chairman’s behalf. In addition, the Former CEO’s personal assistant (the “**PA**”), who was not accounting trained and unfamiliar with financial accounting requirements, was put solely in charge of liaising with the external service provider on financial accounting matters. No formal procedures were put in place by the Former Chairman, the AC nor the Former CEO, for supervision of the PA in the performance of these duties.
7. On 28 January 2022, the Former Directors approved a cash amount of US\$800,000 to be used for foreign exchange trading (“**FX Trading**”). The monies were deposited with a trading platform operated by Axicorp Limited. The Company commenced its FX Trading activities in February 2022, which were executed online by the PA, who also kept a record of the trading positions taken and the profit or loss of each trading position when it was closed.
8. On 15 February 2022 and 3 March 2022, the Former Directors approved the withdrawals of US\$200,000 and US\$100,000 respectively from the trading platform back into the Company’s bank account. The monies were intended to be used for the general purposes of the Company.
9. During the preparation of the 1H2022 Results, in response to the external service provider’s enquiry on the nature of the aggregated US\$300,000 (approximately S\$409,000) deposit in the

Company's bank account, the PA incorrectly represented that it was profit from the Company's FX Trading activities (the "**First Error**"). The PA's response was given without any prior consultation with the Former Chairman or the Former CEO, who were respectively responsible for overseeing the Company's finance functions and investment activities at the material time.

10. Between 4 March 2022 and 4 April 2022, the Company made realised losses of approximately US\$498,000 (approximately S\$692,000) from FX Trading (the "**FX Losses**"). The FX Losses were not reported or accounted for in the 1H2022 Results (the "**Second Error**" and together with the First Error, the "**Reporting Errors**"), as the Former CEO was under the mistaken belief that the FX Losses need not be recognised at that point in time and the Company could wait for the year-end statement from the trading platform to finalise the Company's overall trading profit and loss position for the entire year.
11. As a result of the Reporting Errors (i.e. wrong recognition of the withdrawal of US\$300,000 as revenue and omission of the FX Losses of US\$498,000), the draft 1H2022 Results reflected an incorrect profit after tax of S\$205,000, when the actual financial position was a loss after tax of S\$890,000. Accordingly, the profit after tax was overstated by S\$1,095,000.
12. During the review of the draft 1H2022 Results, when queried by the Sponsor, the Company confirmed that the revenue of S\$409,000 from FX Trading had been properly accounted for and recorded based on accounting standards, notwithstanding that the Company had not taken any steps to review or verify the figures in the draft 1H2022 Results prepared by the external service provider prior to giving the response. The Company took the position that it had no accounts executives in Singapore to support the finance functions as the Group's existing finance team was based in the People's Republic of China.
13. On 12 August 2022, the draft 1H2022 Results were presented at the AC and Board meetings. Specifically, it was reported that the Group's revenue had increased by 145%, from S\$330,000 in 1H2021 to S\$809,000 in 1H2022, and S\$409,000 of the revenue was attributed to the investment segment. It was further explained that the increase in revenue was due to the Company's active engagement in FX Trading activities during the period. Despite the fact that FX Trading was a new core business which the Company only commenced in February 2022 and the significance of the increase (accounting for more than 50% of the Group's revenue for 1H2022), no questions were raised by any of the Former Directors on the veracity of the draft 1H2022 Results.
14. On 15 August 2022, the Company released the announcement on its 1H2022 Results (the "**1H2022 Results Announcement**"). The 1H2022 Results Announcement contained the Reporting Errors and was thus inaccurate and non-factual.
15. The Reporting Errors were not detected until six months later in February 2023, when the Sponsor was reviewing the Company's draft financial results for the financial year ended 31 December 2022 (the "**FY2022 Results**"). In meetings convened to deliberate the potential misstatements and necessary remedial actions, the Former Directors either did not participate in the discussion or absented themselves, and left the matter to be handled by the Sponsor.
16. On 28 February 2023, the Company released an announcement stating that it was expected to report a net loss for its FY2022 Results as compared to a net profit in the previous year. It was

further disclosed that the Group was in the process of verifying and finalising the FY2022 Results, including potential adjustment and/or reclassification of certain figures for the 1H2022 Results.

17. On 2 March 2023, the Company released its FY2022 Results, with a note addressing the Reporting Errors:

“During the preparation of results for 6 months period ended 31 December (“2HY2022”), an error in the Group’s revenue of S\$409,000 for 6 months period ended 30 June 2022 (“1HY2022”) was noted. The withdrawal of funds of US\$300,000 (equivalent to S\$409,000) from the forex trading platform, Axicorp Limited, was incorrectly recognised as revenue during the preparation of 1HY2022 accounts. As the error was only noted during the preparation of results for 2HY2022, it has been reversed to recognise the forex trading loss. In addition, in the results for 1HY2022, the Group has omitted loss on forex trading of approximately S\$692,000. Taking into account the above adjustments, the Group should have reported revenue of approximately S\$400,000 (instead of revenue of S\$809,000 as announced on 15 August 2022) and loss after tax of approximately S\$890,000 (instead of profit after tax of S\$205,000 as announced on 15 August 2022) for 1HY2022. There were no forex trading activities during 2HY2022.”

First breach concerning Catalist Rule 719(1), read with Catalist Rule 302(6) – Causing the Company to fail to have in place adequate and effective systems of internal controls and risk management systems

18. Catalist Rule 719(1) provides that “[a]n issuer should have adequate and effective systems of internal controls (including financial, operational, compliance and information technology controls) and risk management systems. The audit committee may commission an independent audit on internal controls and risk management systems for its assurance, or where it is not satisfied with the systems of internal controls and risk management. In arriving at the decision, the audit committee should consider the recommendation of the continuing sponsor”.
19. In the internal audit report dated 9 June 2023, the internal auditors noted, amongst others, that there was a lack of risk management oversight of the Company’s FX Trading business. It was unclear to the internal auditors when management was aware of the FX Losses and whether information was presented to the Board for attention. The internal auditors also noted a lack of internal checks and reviews over the accounting and financial reporting by the external service provider.
20. The Former CEO admitted that he did not escalate the FX Losses to the Board for attention, despite being required to make quarterly reports to the Board on the profits and losses from FX Trading under the Company’s *Foreign Exchange Trading Policy and Procedures* (the “**FX Trading Policy**”). Even when the FX Losses depleted most of the remaining balance with the trading platform by April 2022 and posed a significant risk to the continuity of the Company’s FX Trading business, the Former CEO did not at any point in time bring the situation to the Board’s attention.
21. With regard to financial reporting, the Company admitted that it did not take any steps to review or verify the figures in the draft 1H2022 Results. Despite repeated reminders by the Sponsor, the Former Directors and the Former CEO failed to replace the CFO after his resignation in September 2021. They also failed to ensure that an appropriately qualified person was put in place to oversee the finance functions. The Company did not have anyone in Singapore with the necessary

expertise to perform checks and reviews to ensure the integrity of the financial statements prepared by the external service provider.

22. There were also no procedures in place to ensure that matters relating to the Company's financial accounts would be properly managed. Despite her apparent lack of accounting expertise and knowledge, the PA was put solely in charge of liaising with the external service provider. No safeguards were put in place, such as requiring the PA to escalate and seek approval from either the Former Chairman or the Former CEO on her correspondence with the external service provider.
23. In light of the foregoing, it is apparent that the Company's internal controls and risk management systems were not adequate nor effective in addressing the Company's financial, operational and compliance risks. The inadequacies directly contributed to the Reporting Errors and resulted in the erroneous 1H2022 Results Announcement.

Second breach concerning Catalist Rule 703(4)(a), read with paragraph 27(a) of Appendix 7A (Corporate Disclosure Policy) and Catalist Rule 302(5) – Causing the Company to release the 1H2022 Results Announcement which was inaccurate and non-factual

24. Catalist Rule 703(4)(a) provides that “[i]n complying with the Exchange’s disclosure requirements, an issuer must observe the Corporate Disclosure Policy set out in Appendix 7A”. Paragraph 27(a) of Appendix 7A (Corporate Disclosure Policy) states that “[t]he content of a press release or other public announcement is as important as its timing. Each announcement should... be factual, clear and succinct”.
25. By its own admission, the Company disclosed in the FY2022 Results announcement on 2 March 2023 that “[t]he withdrawal of funds of US\$300,000 (equivalent to S\$409,000) from the forex trading platform, Axicorp Limited, was incorrectly recognised as revenue during the preparation of 1HY2022 accounts ... In addition, in the results for 1HY2022, the Group has omitted loss on forex trading of approximately S\$692,000”.
26. As a result of the Reporting Errors, the Group's profit and loss position in the 1H2022 Results was overstated by S\$1,095,000 (i.e. from an actual net loss of S\$890,000 to a reported net profit of S\$205,000). By releasing the 1H2022 Results Announcement which contained the Reporting Errors, and was thus inaccurate and non-factual, the Company has breached Catalist Rule 703(4)(a), read with paragraph 27(a) of Appendix 7A (Corporate Disclosure Policy).

Assessment by the Exchange

27. The Former Directors and the Former CEO asserted that they lacked the requisite financial accounting qualifications and knowledge in Singapore's accounting standards and had thus relied heavily on the Sponsor and the external service provider to ensure the Company's compliance with the relevant accounting requirements. The Former Directors also asserted that they were not able to identify the Reporting Errors in the 1H2022 Results as the Former CEO had not escalated the FX Losses for their attention and the professionals had not provided timely guidance.
28. SGX RegCo expects all directors to exhibit a minimum level of care, skill and diligence in the discharge of their fiduciary duties. This would include making inquiries when necessitated by circumstances, along with making appropriately robust arrangements in the delegation of

responsibilities and supervision. These expectations do not vary due to a director's lack of knowledge. In the current case, the Former Directors and the Former CEO had delegated the financial matters to the PA without supervision and relied entirely on the professional advisers for the preparation of financial statements. The Former Directors also failed to make probing inquiries although FX Trading was the Company's new core business at the material time and the Former CEO had not provided any updates on the performance of the FX Trading business, in accordance with internal policy. They have fallen far short of the minimum level of care, skill and diligence expected of directors.

29. While the Company may outsource the preparation of the Group's consolidated financial statements to an external service provider, it must ensure that there is still oversight on key financial matters. The Company is ultimately responsible for ensuring that its disclosed financial results were accurate. The onus is on the Former Directors to institute proper controls and procedures in their oversight of the financial reporting function and to protect the integrity of the financial statements prepared by the external service provider.

Regulatory concerns

30. The present case underscores the importance of adequate and effective internal controls. As a listed issuer with disclosure obligations to shareholders and the market, it is imperative that the Company put in place appropriate measures to (a) manage and monitor the reporting of its financial information, especially when its accounting and finance functions are outsourced to a third party; and (b) prevent over-reliance on one individual having complete oversight and control over the Company's core business, without regular reporting to the Board. It is evident that the Company's internal control failures had directly contributed to the Reporting Errors and resulted in the erroneous 1H2022 Results Announcement.
31. There was a total absence of an adequately resourced finance function at the Company. For almost two years, the Company blithely operated without a CFO or any staff with the appropriate expertise and experience to manage the Company's accounting and financial reporting matters. To make matters worse, upon being alerted by the Sponsor to potential misstatements in the 1H2022 Results, the Former Directors and the Former CEO took no action to resolve the matter, in blatant disregard for the Company's disclosure obligations under the Catalist Rules. SGX RegCo is of the view that the lackadaisical attitude exhibited by the Former Directors and the Former CEO is wholly unacceptable.

Public sanctions against the Former Directors and Former CEO

32. The duty of due care, skill and diligence is founded on each director and executive officer's obligation to ensure compliance with the Catalist Rules. Directors and executive officers cannot discharge their duties by simple adoption of, and blind reliance on, the work of other parties.
33. The Former Chairman played dual roles, as the only executive director of the Company and the key executive overseeing the Group's finance functions. He was derelict in the performance of his duties, being completely passive in his management of the Group's financial affairs and relying exclusively on the professionals and the Former CEO, without turning his mind to any of the issues at hand. No measures were put in place to ensure that the Company would not be compromised in its accounting and book-keeping functions. He also failed to supervise the discharge of the

functions delegated to management. SGX RegCo is of the view that the Former Chairman's abdication of his responsibilities clearly departed from the reasonable standard of due care, skill and diligence expected of him as an executive director and *de facto* CFO of the Company in the discharge of his duties.

34. The Former CEO was responsible for supervising and monitoring the Company's FX Trading activities. He also assumed oversight of the finance functions on the Former Chairman's behalf. However, the Former CEO appointed an untrained personnel to deal, unsupervised, with the external service provider on financial reporting matters. He also disregarded the Company's FX Trading Policy (as mentioned in paragraph 20 above) and did not escalate the FX Losses nor provide any updates to the Board on the performance of the FX Trading business. In this regard, the Former CEO had failed to exercise the necessary care and diligence when overseeing the Company's investment activities and financial reporting matters.
35. The independent directors, as members of the AC, failed to act as an effective check and balance on the Company's executive management, particularly in pertinent areas such as the Group's system of accounting controls and ensuring the integrity of the Company's financial statements. The AC cast a blind eye to the preparation of the Company's financial results and did not exercise any oversight over the Company's finance functions despite being aware that it was inadequately resourced. The AC also did not enquire or request updates or reports on the performance of the FX Trading activities, although FX Trading was the Company's new core business at the material time and the Former CEO had not provided any updates on the FX Trading business, in accordance with internal policy.

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About Singapore Exchange Regulation (SGX RegCo)

Singapore Exchange Regulation (SGX RegCo) is the independent Singapore Exchange subsidiary undertaking all frontline regulatory functions including as securities market regulator. Our activities include the admission and supervision of issuers, intermediaries and Catalist sponsors, the surveillance of trading and issuers' disclosures, and the formulation and improvement of policies and products, guided by market feedback. We also have the Whistleblowing Office to look into allegations of issuers' regulatory shortfalls and the Sustainable Development Office to house ESG-related regulatory efforts. Regulation Asia has named us Exchange of the Year four times in recognition of efforts to uphold the integrity and development of our markets. Find out more at <https://www.sgx.com/regulation>

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