

Singapore Exchange Securities Trading Limited  
Listings Disciplinary Proceeding No: SGX-LDC-2021-002

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

**BETWEEN**

**SINGAPORE EXCHANGE SECURITIES TRADING LIMITED  
(Company Registration No. 197300970D)**

**(the “Exchange”)**

**AND**

**TEE INTERNATIONAL LIMITED  
PHUA CHIAN KIN  
YEO AI MEI**

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

**GROUND OF DECISION**

29 October 2021

***This document constitutes the written grounds of decision of the SGX Listings Disciplinary Committee (“LDC”) as required under Mainboard Rule 1417(1), and is prepared for the Exchange and the Relevant Persons who are parties to SGX-LDC-2021-002 (the “Parties”).***

***This document is confidential and meant to be read by the Parties and their legal representatives only, until such time as this grounds of decision is published by the Exchange pursuant to Mainboard Rule 1418(1).***

**I. CHARGES BROUGHT BY THE EXCHANGE**

1. The Exchange brought two charges against Tee International Limited (Company Registration No. 200007107D), a company listed on the Mainboard of the SGX-ST (the “**Company**”, and together with its subsidiaries, the “**Group**”) for contraventions of Mainboard Rules 907 and 719(1):

<b>Charge</b>	<b>Relevant Mainboard Rules</b>	<b>Short Description</b>
1 <sup>st</sup> Charge	Mainboard Rule 907	Breached Mainboard Rule 907 by failing to disclose the requisite information under Mainboard Rule 907 with respect to the remittances to interested parties in the Company’s annual report (“ <b>AR 2019</b> ”) for the financial year ended 31 May 2019 (“ <b>FY 2019</b> ”).
2 <sup>nd</sup> Charge	Mainboard Rule 719(1)	Breached Mainboard Rule 719(1) by failing to put in place adequate and effective systems of internal controls and risk management systems.

2. The Exchange brought two changes against Phua Chian Kin (“**Phua**”), the Group Chief Executive Officer (“**Group CEO**”) and Managing Director (“**MD**”) at the material time, for contraventions of Mainboard Rule 719(1), by virtue of Mainboard Rule 1402, and Mainboard Rule 720(1), read with Mainboard Rule 210(5)(b):

<b>Charge</b>	<b>Relevant Mainboard Rules</b>	<b>Short Description</b>
1 <sup>st</sup> Charge	Mainboard Rule 719(1), by virtue of Mainboard Rule 1402	Caused the Company to breach Mainboard Rule 719(1) by overriding the Company’s payment controls that resulted in the internal control lapses of the Company.

2 <sup>nd</sup> Charge	Mainboard Rule 720(1), read with Mainboard Rule 210(5)(b)	Failed to demonstrate the character and integrity expected of a director and senior management of a listed issuer.
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3. The Exchange brought two charges against Yeo Ai Mei (“**Yeo**”), the Group Chief Financial Officer (“**Group CFO**”) and Company Secretary (“**Co Sec**”) at the material time, for causing the Company to breach Mainboard Rules 907 and 719(1), by virtue of Mainboard Rule 1402:

Charge	Relevant Mainboard Rules	Short Description
1 <sup>st</sup> Charge	Mainboard Rule 907, by virtue of Mainboard Rule 1402	Caused the Company’s failure to disclose in AR 2019 the requisite information under Mainboard Rule 907 with respect to the remittances, resulting in the Company’s breach of Mainboard Rule 907.
2 <sup>nd</sup> Charge	Mainboard Rule 719(1), by virtue of Mainboard Rule 1402	Caused the Company to breach Mainboard Rule 719(1) by overriding the Company’s payment controls that resulted in the internal control lapses of the Company.

## II. RESOLUTION AGREEMENT

4. In the course of the proceedings, the Exchange and the Relevant Persons agreed on the terms for disposing of the disciplinary actions by means of no contest.
5. On 27 September 2021, a resolution agreement signed by the Parties (“**Resolution Agreement**”) was submitted to the LDC for the LDC’s approval.
6. The Resolution Agreement stated that:
- (a) the Company would plead guilty to both the 1<sup>st</sup> Charge of breaching Mainboard Rule 907 and the 2<sup>nd</sup> Charge of breaching Mainboard Rule 719(1);
  - (b) Phua would plead guilty to both the 1<sup>st</sup> Charge of breaching Mainboard Rule 719(1) by virtue of Mainboard Rule 1402, and the 2<sup>nd</sup> Charge of breaching Mainboard Rule 720(1) read with Mainboard Rule 210(5)(b); and
  - (c) Yeo would plead guilty to the 2<sup>nd</sup> Charge of breaching Mainboard Rule 719(1) by virtue of Mainboard Rule 1402, and consents for the LDC to take into consideration the 1<sup>st</sup> Charge of breaching Mainboard Rule 907 for the purposes of determining the sanctions.

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

### III. PERTINENT FACTS

8. On 4 September 2019, the Company announced that in the course of preparing the full year financials for FY2019, its board of directors identified unauthorised remittances of money (the "**Remittances**") between Phua, Oscar Investment Private Limited ("**Oscar**"), PBT Engineering Pte Ltd ("**PBT**") and Trans Equatorial Engineering Pte Ltd ("**Trans**"). Oscar is an investment holding company wholly and beneficially owned by Phua, while PBT and Trans are wholly owned subsidiaries of the Company. The unauthorised remittances, which the Board were not previously aware of, took place during FY 2019.
9. On 13 September 2019, the Company appointed an external investigator, PricewaterhouseCoopers Risk Services Pte Ltd ("**PwC**"), to investigate into the facts and circumstances surrounding the unauthorised remittances.
10. On 13 November 2019, the Company issued the AR 2019. As Yeo had failed to record the Remittances in the Company's register of transactions carried out with interested persons, the Company did not disclose the Remittances in the AR 2019 under the section entitled "Interested Person Transactions" ("**IPTs**") in the format required pursuant to Mainboard Rule 907.
11. On 3 March 2020, the Company announced that PwC had completed its review. PwC set out in its report (the "**Report**"), inter alia, the facts and circumstances surrounding the Remittances as well as its findings and recommendations pursuant to its review of the Group's internal controls system. Details of PwC's review and the executive summary of the Report can be found in the Company's SGXNet announcement of 3 March 2020.
12. Based on the Report, the circumstances surrounding the Remittances were as follows:
  - (a) On 12 February 2019, a payment of \$500,000 was made from Trans to Phua's personal bank account ("**Remittance 1**"). This transfer was approved by Phua and Yeo, who were the authorised signatories. The payment voucher for the transfer stated that the purpose of the transaction was for miscellaneous payment. Yeo did not sight any supporting documents prior to approving the transfer. According to Yeo, Phua had requested the transfer for the purpose of a corporate exercise. During his interview with PwC, Phua explained that his request was in relation to certain business opportunities that would allow the Group to secure sizeable projects. He said that he felt it would be appropriate for him to request a loan from the Group as he had previously provided financial assistance to the Group. He also stated his intention to repay the loan in the same month. However, in a letter dated 4 October 2019, Phua

told the Company's internal auditors, Protiviti Pte. Ltd. ("**Protiviti**"), that he had used the funds to repay his outstanding personal loan with a Singapore-incorporated licensed moneylender, MWA Capital Pte Ltd ("**MWA Capital**"), as well as for his margin calls from stock brokers.

- (b) In March 2019, two payments totalling \$3,000,000 were made from PBT and Trans respectively, to Oscar ("**Remittance 2**"). Yeo and the finance controller of PBT and Trans (the "**Finance Controller**") jointly approved both transfers. Similar to the circumstances of Remittance 1, Phua had approached Yeo and requested the transfer of monies for the purpose of a corporate exercise, and Yeo did not sight any supporting documents prior to approving the transfers. During his interview with the Company's external auditors, Deloitte & Touche LLP ("**Deloitte**"), Phua represented that he had used the \$3,000,000 as a facilitation fee for a project; and during an audit committee ("**AC**") meeting held on 26 July 2019, Phua stated that the \$3,000,000 was used to get the Group past the pre-qualification stage in order to be shortlisted for the tender submission for a building and construction project. However, Phua subsequently told Protiviti that the \$3,000,000 was used for partial repayment of a personal loan from MWA Capital, partial repayment of a loan to Oscar from a private equity firm, and to meet obligations such as margin top-up requests from stock brokers. During his interview with PwC, Phua said that his statements to Deloitte and the AC were erroneous as he did not want Deloitte and the AC to know that he was in urgent need for cash. Phua explained that he had lent and also periodically borrowed money from third parties to personally fund the Group when it was in financial need whereas this time he was the one who needed the money. He also said that while he used a portion of the funds for meals and entertainment with his business partners, the majority of the funds was used to settle his personal outstanding loans. The full amount of \$3,000,000 was repaid to the Group in August 2019.
- (c) On 8 March 2019, a payment of \$250,000 was made from Trans to MWA Capital ("**Remittance 3**"). The cheque for this payment was jointly signed by Phua and Yeo. Phua told Yeo that the payment was for a corporate exercise. Yeo did not sight any supporting documents prior to approving the transfer. The payment voucher for Remittance 3 described the transaction as a cash transfer to Oscar. At the pre-board meeting on 30 July 2019, Phua reported that Remittance 3 was made from Trans to Oscar for business development purposes. However, during his interview with PwC, Phua said that the money was required urgently as partial payment of his personal loan from MWA Capital. Regarding the payment recipient being MWA Capital and not Oscar, Yeo explained to PwC that she did not see the need to make a distinction on the beneficiary of the funds transfer in the payment voucher as it was ultimately a payment on behalf of Phua. On 31 May 2019, repayment of the \$250,000 was made to Trans from a sub-contractor, and recorded on the payment voucher as a repayment from Oscar even though the sum was not paid by Oscar.

13. The Report also stated that there were numerous control deficiencies in the Group's internal controls:

- (a) There were lapses in the Group's payment controls. The Group had in place a payment process which required the staff to obtain the relevant supporting documents, prepare a payment voucher with supporting documents, obtain the relevant approvals on the payment voucher and obtain the relevant signatures for the cheque, before the fund transfer could be effected. However, the payment vouchers with respect to Remittance 1 and Remittance 3 were approved after the fund transfers were made. As for Remittance 3, it was inaccurately reflected on the payment voucher that both payment and receipt were from Oscar even though the payment was made from Trans to MWA Capital and the subsequent repayment was from a sub-contractor. Furthermore, it was inappropriate for Phua, Yeo and the Finance Controller to sign the cheques for the Remittances without valid supporting documents as it was not in compliance with the Company's payment policies and procedures. It was clear that there was a major breakdown of internal controls in respect of the payment process of the Group, caused by management override.
- (b) The Company lacked a formalised process to identify, record, report and review IPTs. PwC observed that there were no documented process and procedures to ensure that the IPTs reported to the AC for review and approval were accurate and complete. As a result, even though the Remittances to Phua and Oscar fell within the definition of an IPT, they were not reported to the AC for review and approval as IPTs.
- (c) There was a lack of independent judgment exercised by the signatories authorised to make payments. PwC reported that while the approvals of the fund transfers for the Remittances were obtained in accordance with the bank mandate (either Phua and Yeo, or Yeo and the Finance Controller), the dual signatories had reporting relationships with each other, thereby limiting the effectiveness of shared accountability. The Company should ensure that the joint signatories do not have reporting responsibilities to each other. Furthermore, PwC reported that Phua was widely recognised by employees as the de factor owner of the Group despite the Group's listing on the Mainboard since 2008. PwC observed that there appeared to be no clear distinction made by Phua and the Group's employees between the personal affairs of Phua and that of the Company. PwC noted that in the past, Phua would occasionally provide temporary loans to the Group when the Group was facing financial difficulties. With respect to Remittance 1 and Remittance 3, Phua was able to approve the fund transfers for his own purposes, together with Yeo as the joint signatory. There was no independent oversight over the fund transfers made to Phua and this facilitated the approval of fund transfers for Phua's own purposes. PwC highlighted that the Company should have ensured that the individual signatories are able to exercise independent judgement in their capacity as authorised signatories.

**IV. MAINBOARD RULE BREACHES**

*Breach of Mainboard Rule 907 by the Company and Yeo*

14. Mainboard Rule 907 states:

*“An issuer must disclose the aggregate value of interested person transactions entered into during the financial year under review in its annual report. The name of the interested person, nature of relationship and the corresponding aggregate value of the interested person transactions entered into with the same interested person must be presented in the following format:*

<i>Name of interested person</i>	<i>Nature of relationship</i>	<i>Aggregate value of all interested person transactions during the financial year under review (excluding transactions less than \$100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920)</i>	<i>Aggregate value of all interested person transactions conducted under shareholders' mandate pursuant to Rule 920 (excluding transactions less than \$100,000)</i>

”

15. Mainboard Rule 904 sets out the definitions relating to IPTs:

*“Mainboard Rule 904(2) – “entity at risk” means (a) the issuer; (b) a subsidiary of the issuer that is not listed on the Exchange or an approved exchange; or (c) an associated company of the issuer that is not listed on the Exchange or an approved exchange, provided that the listed group, or the listed group and its interested person(s), has control over the associated company.”*

*“Mainboard Rule 904(4)(a) – In the case of a company, “interested person” means (i) a director, chief executive officer, or controlling shareholder of the issuer; or (ii) an associate of any such director, chief executive officer, or controlling shareholder.”*

*“Mainboard Rule 904(5) – “interested person transaction” means a transaction between an entity at risk and an interested person.”*

*“Mainboard Rule 904(6)(a) – “transaction” includes the provision or receipt of financial assistance.”*

16. Regarding the facts of this case, the Resolution Agreement stated, and the LDC noted that:
- (a) pursuant to Mainboard Rule 904, the Remittances entered into between the Group, Phua and Oscar in FY 2019 constituted IPTs;
  - (b) the Company failed to disclose in the AR 2019 the requisite information relating to the Remittances in the required format pursuant to Mainboard Rule 907. Although the Company disclosed the Remittances as related party transactions in the notes to the financial statements of the AR 2019, the requisite information which includes the name of the interested person as well as the aggregate value of the Remittances was not disclosed under the section entitled “Interested Person Transactions” of the AR 2019; and
  - (c) at all material times, Yeo was the Group CFO and Co Sec. As the Group CFO and Co Sec, Yeo was responsible for ensuring the proper maintenance of the IP Register and submitting the IPTs for review and approval by the AC during the quarterly AC meetings. However, Yeo failed to discharge her responsibilities as she did not highlight nor report the Remittances to the AC even though she was aware of the Remittances as she had earlier approved the funds transfers. The Board and the AC only became aware of the Remittances in the course of the preparation of the full year financials for FY2019 after Deloitte pointed out such transactions. In addition, she failed to update the Remittances in the IP Register, and failed to disclose them under the section entitled “Interested Person Transactions” in the AR 2019 in the required format. The AR2019 was published on SGXNet by Yeo in her capacity as Co Sec on behalf of the Company.
17. As such, the LDC finds that the Company had breached Mainboard Rule 907, and the LDC finds that Yeo had caused the Company to breach Mainboard Rule 907.

*Breach of Mainboard Rule 719(1) by the Company, Phua and Yeo*

18. Mainboard Rule 719(1) states:

*“Internal Controls and Risk Management Systems*

*An 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.”*



19. In addition, provision 9.2(b) of the Code of Corporate Governance 2018 (“Code”) provides that:

*“The Board requires and discloses in the company’s annual report that it has received assurance from the CEO and other key management personnel who are responsible regarding the accuracy and key effectiveness of the company’s risk management and internal control systems.”*

20. With respect to the respective provisions in the Mainboard Rules and the Code, the LDC agrees with the statements in the Resolution Agreement that:

- (a) CEOs, managing directors, and CFOs are required to assure the board that their company’s internal control and risk management systems are adequate and effective, and, in order to do so, they are responsible for providing effective oversight over the company’s internal controls and risk management systems; and
- (b) authorised signatories for company cheques have the duty to ensure that all payments made from the company’s funds are properly supported, documented and made in the best interests of the company with reasonable approved business purposes and at arms’ length, in accordance with the company’s processes and procedures.

21. Regarding the facts of this case, the Resolution Agreement stated, and the LDC noted that:

- (a) the Company had failed to put in place adequate and effective systems of internal controls and risk management systems;
- (b) both Phua and Yeo failed to discharge their duties as the Company’s authorised signatories, and caused lapses in the Company’s payment controls when they approved the cheques for the Remittances without any valid supporting documents;
- (c) the Remittances were carried out on the instructions of Phua, and Phua approved Remittance 1 and Remittance 3 for his own purposes;
- (d) although the recipient of Remittance 3 recorded in both the payment voucher and instructions to the finance team was Oscar, Yeo approved the payment for Remittance 3 to an entirely different and unrelated recipient, MWA Capital. This was not in compliance with the Company’s payment policies and procedures; and
- (e) the Company’s payment controls were ineffective as a result of Phua and Yeo overriding such controls.

22. Therefore, the LDC finds that the Company had breached Mainboard Rule 719(1), and both Phua and Yeo had caused the Company to breach Mainboard Rule 719(1).

*Breach of Mainboard Rule 720(1), read with Mainboard Rule 210(5)(b), by Phua*

23. Mainboard Rule 720(1) 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) ... on a continuing basis.”*

24. Mainboard Rule 210(5)(b) states:

*“The character and integrity of the directors, management, founding shareholders and controlling shareholders of the issuer will be a relevant factor for consideration. In considering whether the directors, management, founding shareholders and controlling shareholders have the character and integrity expected of a listed issuer, the Exchange will take into account the disclosure made in compliance with Rule 246(5)(a).”*

25. In addition, Mainboard Rule 103(5) provides that as a general principle:

*“Directors of an issuer shall act in the interests of shareholders as a whole, particularly where a director or substantial shareholder has a material interest in a transaction entered into by the issuer.”*

26. With respect to these provisions in the Mainboard Rules, the LDC agrees with the statements in the Resolution Agreement that directors and management have a continuing obligation to demonstrate the necessary character and integrity expected of a director and senior management of a listed issuer.

27. Regarding the facts of this case, the Resolution Agreement stated, and the LDC noted that:

- (a) Phua failed to safeguard the Company's assets and act in the interests of shareholders as a whole when he treated the Company's funds as his own and misused the funds to settle his personal debts;
- (b) Phua approved Remittance 1 and Remittance 3 for his own purpose, i.e. to settle his personal debts, in clear contravention of his duties and conduct befitting a director; and
- (c) on multiple occasions, Phua misrepresented that the Remittances were for business purposes when they were actually used to settle his personal debts. With respect to Remittance 2, Phua had the opportunity to surface the Remittances to the AC. However, he continued to represent to the AC that Remittance 2 was used for the Group's business purposes, demonstrating both his awareness of the impropriety of his actions, as well as a lack of the necessary character and integrity for a director of a listed company.

28. Therefore, the LDC finds that Phua had breached Mainboard Rule 720(1) read with Mainboard Rule 210(5)(b).

## **V. THE EXCHANGE'S REGULATORY CONCERNS**

29. The LDC noted the Exchange's regulatory concerns which are set out in this section.

### *Regarding the Company*

30. This case involved a failure to disclose in the company's annual report the requisite information relating to Interested Person Transactions, as well as a failure of control functions which allowed unauthorised remittances to take place and allowed the concealment of such matters from the Board to perpetuate.
31. Pursuant to the Mainboard Rules, an issuer needs to adhere to its continuous disclosure obligations and maintain a sound system of risk management and internal controls to safeguard the interests of its shareholders.
32. If issuers, their directors and executive officers do not comply with the spirit and purpose of the Mainboard Rules, this will diminish Singapore's international reputation and erode confidence in the markets operated by the Exchange. Strict enforcement is critical to maintain the public's confidence and uphold proper standards of conduct and governance in all listed issuers.
33. There is a need to impose public sanctions for the breaches for the purpose of deterrence, as well as to act as a visible reminder of the active enforcement against breaches of regulatory requirements. The investing public needs to be assured that appropriate enforcement action is being taken to deal with such misconduct.

### *Regarding Phua*

34. On numerous occasions, Phua had made misrepresentations regarding the utilisation of the Remittances. It was also concerning that when Phua had the opportunity to surface the Remittances to the AC, he represented to the AC that Remittance 2 was used for the Group's business purposes. In addition, the Exchange noted that the Remittances were not made known due to Phua's voluntary admission. The Remittances were only discovered when the auditors surfaced them to the AC's attention.
35. As Group CEO and MD, not only did Phua fail to safeguard the Company's assets, he treated the Company's funds as his own and misused the Remittances to settle his personal debts, failing to consider the interest of the Company and its shareholders.

36. Phua had fallen short of his duty to ensure compliance with the Mainboard Rules and departed from the reasonable standard of conduct and diligence expected of him as Group CEO and MD of the Company. Public sanction is necessary to condemn such conduct, as well as to deter others from engaging in similar misconduct.

*Regarding Yeo*

37. Under the Code, one of the tenets of good governance is accountability and transparency. Underlying this is the concept of separation of powers and responsibilities to ensure that no one individual is able to act autonomously unchecked.
38. As the senior executive officer in charge of financial matters, Yeo played a key role in the corporate governance of the Company as a check and balance against Phua, particularly in respect of financial matters. Yeo is expected to exercise independent judgment and it is not sufficient for her to simply act on the instructions of Phua and rely on his representations that the funds were used for business purposes to approve the fund transfers.
39. Yeo failed to exercise due diligence and request for valid supporting documents in respect of the Remittances prior to approving the release of funds. Yeo was conscious of the risks of approving the fund transfer without any valid supporting documents, and she was reckless in deciding to blindly follow the instructions of Phua. Although Yeo attempted to obtain the supporting documents after the Remittances were made, they were not provided to her.
40. Yeo had fallen short of her duty to ensure compliance with the Mainboard Rules and departed from the reasonable standard of conduct and diligence expected of her as Group CFO and Co Sec of the Company. Public sanction is necessary to condemn such conduct, as well as to deter others from engaging in similar misconduct.

**VI. SANCTIONS IMPOSED BY THE LDC ON THE RELEVANT PERSONS**

41. Having considered the Resolution Agreement and the Exchange's regulatory concerns included therein, the LDC has unanimously decided to impose the following sanctions on the Relevant Persons:
- (a) a public reprimand is issued to the Company;
  - (b) a public reprimand is issued to Phua; and
  - (c) a public reprimand is issued to Yeo.

42. In deciding to impose only a public reprimand on Phua, the LDC took into consideration the following points:
- (a) Phua had elected not to contest his liability under the charges; and
  - (b) Phua had committed in his submissions under these proceedings that he will not be seeking future appointments in issuers listed on the Exchange.
43. In deciding to impose only a public reprimand on Yeo, the LDC took into consideration the following points:
- (a) Yeo had elected not to contest her liability under the charges; and
  - (b) there did not appear to be any dishonest intention on Yeo's part, she did not benefit from the Remittances, and she had attempted to obtain the supporting documents pertaining to the Remittances.

END