

Singapore Exchange Securities Trading Limited  
Listings Disciplinary Proceeding No: SGX-LDC-2024-002

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

**BETWEEN**

**SINGAPORE EXCHANGE SECURITIES TRADING LIMITED**

**(the “Exchange”)**

**AND**

**LORENZO INTERNATIONAL LIMITED**

**LIM PANG HERN**

**TEO KOK MENG**

**(the “Relevant Persons”)**

**GROUND OF DECISION**

26 February 2025

***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-2024-002.***

***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 charges (the “**Charges**”) against:
  - (a) Lorenzo International Limited (the “**Company**”, and together with its subsidiaries, the “**Group**”);
  - (b) Lim Pang Hern (“**Lim**”), Executive Director and former Deputy Chairman of the Company; and
  - (c) Teo Kok Meng (“**Teo**”), former Chief Financial Officer (“**CFO**”) of the Company;

for contraventions of various Mainboard Rules of the Exchange that arose from the time the Company entered into four agreements with Shanghai Kunhao Wood Industry Co Ltd (“**SKWI**”) between 21 July 2017 and 15 July 2019. Pursuant to these agreements, the Company would dispose of its entire shareholding interest in its wholly owned subsidiary, Lorenzo Furniture (Kunshan) Co Ltd (“**Lorenzo Kunshan**”) to SKWI (the “**Disposal**”).

2. The Company was charged as follows:

<b>Charge</b>	<b>Relevant Rule</b>	<b>Short Description</b>
1 <sup>st</sup> Charge	Mainboard Rule 1014(1)	Failed to immediately announce the information required under Mainboard Rules 1010, 1011, 1012 and 1013 (where applicable) of the Disposal, which was classified as a major transaction, after the terms of the Disposal had been agreed on or around 15 July 2019.
2 <sup>nd</sup> Charge	Mainboard Rule 1014(2)	Failed to make the Disposal, which was classified as a major transaction, conditional upon approval by shareholders in a general meeting.

3 <sup>rd</sup> Charge	Mainboard Rule 703(1)(a)	Failed to announce, on or after 15 July 2019, that it had entered into the Supplemental Agreement <sup>1</sup> which amended the salient terms of the Share Transfer Agreement <sup>2</sup> by amending the payment terms and removing the condition precedent that the Disposal was conditional upon the Company obtaining the approval of its shareholders at a general meeting to be convened, which was information known to the Company concerning it which was necessary to avoid the establishment of a false market in the Company's securities.
4 <sup>th</sup> Charge	Mainboard Rule 703(1)(a), read with paragraph 8(m) of Appendix 7.1 (Corporate Disclosure Policy of the Listing Manual) (" <b>Appendix 7.1</b> ")	Failed to promptly disclose, on or around 17 September 2019, that SKWI had commenced the Legal Proceedings <sup>3</sup> , which constituted a significant litigation event that warranted immediate disclosure.
5 <sup>th</sup> Charge	Mainboard Rule 703(1)(a)	Failed to promptly announce the outcome of the Legal Proceedings, on or around 30 October 2020, when the 2020 Judgment <sup>4</sup> was issued, which was information known to the Company concerning it which was necessary to avoid the establishment of a false market in the Company's securities.
6 <sup>th</sup> Charge	Mainboard Rule 703(1)(a)	Failed to announce the commencement and dismissal of the Appeal <sup>5</sup> on or after 4 January 2021 and 26 February 2021 respectively, which was information known to the Company concerning it which was necessary to avoid the establishment of a false market in the Company's securities.
7 <sup>th</sup> Charge	Mainboard Rule 703(4)(a), read with	Made the 16 Nov 2020 Announcement, the 7 Dec 2020 Announcement and the 29 Mar 2021

<sup>1</sup> As defined in paragraph 13(d) below.

<sup>2</sup> As defined at paragraph 13(c) below.

<sup>3</sup> As defined in paragraph 16 below.

<sup>4</sup> As defined in paragraph 19 below.

<sup>5</sup> As defined in paragraph 22 below.

	paragraph 25(a) of Appendix 7.1	Announcement <sup>6</sup> , which were inaccurate and misleading.
8 <sup>th</sup> Charge	Mainboard Rule 719(1)	Failed to have in place adequate and effective systems of internal controls (including financial, operational, compliance and information technology controls) and risk management systems.

3. Having regard to Mainboard Rules 1402(5)<sup>7</sup> and 1402(6)<sup>8</sup>, Lim was charged as follows:

Charge	Relevant Rule	Short Description
1 <sup>st</sup> Charge	Mainboard Rule 1014(1), read with Mainboard Rule 1402(6)	Caused the Company to breach Mainboard Rule 1014(1) by omitting to immediately announce the information required under Mainboard Rules 1010, 1011, 1012 and 1013 (where applicable) of the Disposal, which was classified as a major transaction, after the terms of the Disposal had been agreed on or around 15 July 2019.
2 <sup>nd</sup> Charge	Mainboard Rule 1014(2), read with Mainboard Rule 1402(6)	Caused the Company to breach Mainboard Rule 1014(2) by omitting to make the Disposal, which was classified as a major transaction, conditional upon approval by shareholders in a general meeting.
3 <sup>rd</sup> Charge	Mainboard Rule 703(1)(a), read with Mainboard Rule 1402(6)	Caused the Company to breach Mainboard Rule 703(1)(a) by omitting to announce, on or after 15 July 2019, that it had entered into the Supplemental Agreement which amended the salient terms of the Share Transfer Agreement by amending the payment terms and removing the condition precedent that the Disposal was conditional upon the Company obtaining the approval of its shareholders at a general meeting to be convened, which was information known to the Company concerning it which was necessary to avoid the establishment of a false market in the Company's securities.

<sup>6</sup> As defined in paragraph 25 below.

<sup>7</sup> Mainboard Rule 1402(5) states that a Relevant Person is deemed to have contravened a Relevant Rule when a Relevant Person has caused another Relevant Person to commit an act in breach of a Relevant Rule.

<sup>8</sup> 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.

4 <sup>th</sup> Charge	Mainboard Rule 703(1)(a), read with paragraph 8(m) of Appendix 7.1, and Mainboard Rule 1402(6)	Caused the Company to breach Mainboard Rule 703(1)(a), read with paragraph 8(m) of Appendix 7.1, by omitting to promptly disclose, on or around 17 September 2019, that SKWI had commenced the Legal Proceedings, which constituted a significant litigation event that warranted immediate disclosure.
5 <sup>th</sup> Charge	Mainboard Rule 703(1)(a), read with Mainboard Rule 1402(6)	Caused the Company to breach Mainboard Rule 703(1)(a) by omitting to promptly announce the outcome of the Legal Proceedings, on or around 30 October 2020, when the 2020 Judgment was issued, which was information known to the Company concerning it which was necessary to avoid the establishment of a false market in the Company's securities.
6 <sup>th</sup> Charge	Mainboard Rule 703(1)(a), read with Mainboard Rule 1402(6)	Caused the Company to breach Mainboard Rule 703(1)(a) by omitting to announce the commencement and dismissal of the Appeal on or after 4 January 2021 and 26 February 2021 respectively, which was information known to the Company concerning it which was necessary to avoid the establishment of a false market in the Company's securities.
7 <sup>th</sup> Charge	Mainboard Rule 703(4)(a), read with paragraph 25(a) of Appendix 7.1, and Mainboard Rule 1402(5)	Caused the Company to breach Mainboard Rule 703(4)(a), read with paragraph 25(a) of Appendix 7.1, by making the 16 Nov 2020 Announcement, the 7 Dec 2020 Announcement and the 29 Mar 2021 Announcement, which were inaccurate and misleading.
8 <sup>th</sup> Charge	Mainboard Rule 719(1), read with Mainboard Rule 1402(6)	Caused the Company to breach Mainboard Rule 719(1) by omitting to have in place adequate and effective systems of internal controls (including financial, operational, compliance and information technology controls) and risk management systems.
9 <sup>th</sup> Charge	Mainboard Rule 720(1), read with Mainboard Rule 210(5)(b)	Failed to demonstrate the character and integrity expected of a director of a listed issuer.

4. Having regard to Mainboard Rules 1402(5) and 1402(6), Teo was charged as follows:

<b>Charge</b>	<b>Relevant Rule</b>	<b>Short Description</b>
1 <sup>st</sup> Charge	Mainboard Rule 1014(1), read with Mainboard Rule 1402(6)	Caused the Company to breach Mainboard Rule 1014(1) by omitting to immediately announce the information required under Mainboard Rules 1010, 1011, 1012 and 1013 (where applicable) of the Disposal, which was classified as a major transaction, after the terms of the Disposal had been agreed on or around 15 July 2019.
2 <sup>nd</sup> Charge	Mainboard Rule 703(1)(a), read with Mainboard Rule 1402(6)	Caused the Company to breach Mainboard Rule 703(1)(a) by omitting to announce, on or after 15 July 2019, that it had entered into the Supplemental Agreement which amended the salient terms of the Share Transfer Agreement by amending the payment terms and removing the condition precedent that the Disposal was conditional upon the Company obtaining the approval of its shareholders at a general meeting to be convened, which was information known to the Company concerning it which was necessary to avoid the establishment of a false market in the Company's securities.
3 <sup>rd</sup> Charge	Mainboard Rule 703(1)(a), read with paragraph 8(m) of Appendix 7.1, and Mainboard Rule 1402(6)	Caused the Company to breach Mainboard Rule 703(1)(a), read with paragraph 8(m) of Appendix 7.1, by omitting to promptly disclose, on or around 17 September 2019, that SKWI had commenced the Legal Proceedings, which constituted a significant litigation event that warranted immediate disclosure.
4 <sup>th</sup> Charge	Mainboard Rule 703(1)(a), read with Mainboard Rule 1402(6)	Caused the Company to breach Mainboard Rule 703(1)(a) by omitting to promptly announce the outcome of the Legal Proceedings, on or around 30 October 2020, when the 2020 Judgment was issued, which was information known to the Company concerning it which was necessary to avoid the establishment of a false market in the Company's securities.
5 <sup>th</sup> Charge	Mainboard Rule 703(1)(a), read with	Caused the Company to breach Mainboard Rule 703(1)(a) by omitting to announce the commencement and dismissal of the Appeal on or after 4 January 2021 and 26 February 2021 respectively, which was information known to the

	Mainboard Rule 1402(6)	Company concerning it which was necessary to avoid the establishment of a false market in the Company's securities.
6 <sup>th</sup> Charge	Mainboard Rule 703(4)(a), read with paragraph 25(a) of Appendix 7.1, and Mainboard Rule 1402(5)	Caused the Company to breach Mainboard Rule 703(4)(a), read with paragraph 25(a) of Appendix 7.1, by making the 16 Nov 2020 Announcement, the 7 Dec 2020 Announcement and the 29 Mar 2021 Announcement, which were inaccurate and misleading.

## II. RESOLUTION AGREEMENT

5. In the course of the proceedings, the Exchange and the Relevant Persons agreed on the terms for disposing of the disciplinary actions with "no contest".
6. On 2 December 2024, a resolution agreement signed by the parties ("**Resolution Agreement**") was submitted to the LDC for the LDC's approval.
7. The Resolution Agreement stated that the Relevant Persons accepted liability for the Charges.
8. 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. RELEVANT FACTS

### *Background of the Group and the Relevant Persons*

9. The Company was incorporated in the Republic of Singapore on 16 June 2005 under its former name, Lorenzo International Pte. Ltd. It was initially listed on the SGX Sesdaq on 11 May 2006, and was subsequently transferred to the SGX Mainboard on 16 January 2008. The principal activity of the Company is that of a holding company, and the Group is in the business of designing, manufacturing, assembling and wholesale / retail sale of lifestyle furniture.
10. Lim was a member of the Company's board of directors during the relevant period (the "**Board**") which comprised the following individuals:

	Name	Designation	Date of appointment
1.	Lim	Executive Director and Former Deputy Chairman	6 March 2015
2.	Ding Lei	Former Executive Director and Former Chairman	20 January 2017 to 3 March 2020

3.	Marcelo Mora ("Mora")	Independent Director	23 January 2017
4.	Jimmy Soh King Bin ("Soh")	Lead Independent Director	18 January 2019
5.	Soh Chun Bin ("SCB")	Independent Director	18 January 2019

11. Lim stepped down as Deputy Chairman on 24 January 2019. He was also the legal representative of Lorenzo Kunshan from 17 January 2018 to 30 June 2021.
12. Teo was appointed as the Company's CFO on 31 October 2017 and resigned effective from 31 August 2024.

*Key events relating to the Charges*

13. Between 21 July 2017 and 15 July 2019, the Company entered into the following four agreements with SKWI relating to, *inter alia*, the Disposal:
  - (a) the Letter of Intent dated 21 July 2017 (the "**Letter of Intent**");
  - (b) the Equity Transfer and Loan Framework Agreement dated 20 March 2018 (the "**Framework Agreement**");
  - (c) the Share Transfer Agreement dated 15 July 2019 (the "**Share Transfer Agreement**"); and
  - (d) the Supplemental Agreement to Share Transfer Agreement dated 15 July 2019 (the "**Supplemental Agreement**")

(collectively, the "**Agreements**").
14. The key points of each of the Agreements were as follows:
  - (a) Letter of Intent:
    - (i) The Company was to offer 100% of its equity in Lorenzo Kunshan to SKWI prior to offering it for sale to third parties;
    - (ii) Lorenzo valued 100% of its equity in Lorenzo Kunshan at RMB 88 million. However, Lorenzo and SKWI may engage external valuers to perform a valuation, and if the reassessed value was above RMB 88 million, SKWI would acquire 100% equity in Lorenzo Kunshan at the reassessed value; and



- (iii) SKWI was to provide a loan of RMB 10 million to Lorenzo Kunshan at a monthly interest rate of 1% with a tenure of four months and Lorenzo Kunshan was to mortgage the Property to SKWI until full repayment of load and interest;

(b) Framework Agreement:

- (i) The proposed Disposal was subject to relevant approvals including but not limited to the Exchange and shareholders;
- (ii) The Company was to provide compensation to SKWI of RMB 18 million if the registration change procedures were not completed by 20 April 2019, while SKWI would have to provide compensation to the Company of RMB 18 million if it did not accept the 100% equity in Lorenzo Kunshan;
- (iii) SKWI had extended an additional loan of RMB 1 million to Lorenzo Kunshan at a monthly interest rate of 1% with a tenure of four months; and
- (iv) Lorenzo Kunshan had obtained a loan of RMB 29.9 million from the Jiangsu Kunshan Rural Commercial Bank Co Ltd with its property in Kunshan as security;

(c) Share Transfer Agreement:

- (i) Terms of payment consideration to include 20% to be paid by SKWI five working days from the date of the Share Transfer Agreement and the remaining 80% within ten working days from the date of change of ownership; and
- (ii) The Disposal was conditional upon relevant approvals, including but not limited to that of the Exchange and the Company's shareholders;

(d) Supplemental Agreement:

- (i) Removal of the requirement for the Company to obtain relevant approvals for the proposed Disposal, including that of the Exchange and the Company's shareholders;
- (ii) Deferment of payment terms, i.e. 20% to be paid within five working days and the remaining 80% within ten working days, from the date of change of ownership; and
- (iii) Total consideration of RMB 60 million, with SKWI having paid RMB 17.52 million, as compared to RMB 88 million less the total indebtedness of Lorenzo Kunshan as stated in the Share Transfer Agreement.

15. On 13 August 2019, the Company announced that on 15 July 2019, it had entered into a conditional agreement with SKWI in respect of the Disposal for an aggregate consideration of RMB 88 million (the “**13 Aug 2019 Announcement**”). According to the 13 Aug 2019 Announcement, the Disposal was conditional upon the approval of shareholders pursuant to Mainboard Rule 1014 and the Company would be seeking the requisite approval at an extraordinary general meeting to be convened.
16. On 17 September 2019, SKWI commenced legal proceedings against the Company in respect of the Disposal (the “**Legal Proceedings**”). In particular, SKWI was seeking to enforce its legal rights under the Agreements and compensation for delays in the completion of the Disposal.
17. On 4 October 2019, the Company submitted a draft shareholders’ circular (the “**First Draft Circular**”) to the Exchange concerning the Disposal. As the Exchange noted various concerns, including the veracity of the Disposal and the parties involved, the Exchange rejected this draft on 29 November 2019, and directed the Company’s Audit Committee to conduct independent investigations into the concerns raised.
18. On 7 October 2020, the Company submitted a second draft of the shareholders’ circular (the “**Second Draft Circular**”) in respect of the Disposal. On 16 November 2020, following the Exchange’s review, the Company was directed to complete an independent investigation on the Disposal.
19. On 30 October 2020, the People’s Court of Qingpu District, Shanghai, People’s Republic of China (the “**Chinese Court**”) issued its judgment in respect of the Legal Proceedings, ruling against the Company (the “**2020 Judgment**”). The Chinese Court held that all the Agreements were legally binding on the Company and SKWI. As the Chinese Court found the Company to have breached the Framework Agreement by failing to complete the Disposal by the agreed deadline of 20 April 2019, the Company was ordered to complete the transfer of Lorenzo Kunshan within 30 days of the release of the 2020 Judgment and pay RMB 18 million in damages, as provided in the Framework Agreement (the “**Agreed Compensation**”), to SKWI within ten days of the release of the 2020 Judgment.
20. On 16 November 2020, the Company announced that SKWI had commenced Legal Proceedings to enforce its legal rights under the Share Transfer Agreement and that SKWI was seeking compensation for the long delay in the completion of the Disposal (the “**16 Nov 2020 Announcement**”).
21. On 7 December 2020, the Company announced that the Company had engaged Shanghai Shenyu Law Firm (“**Shanghai Shenyu**”) to represent it in the lawsuit disclosed in the 16 Nov 2020 Announcement (the “**7 Dec 2020 Announcement**”).
22. On 4 January 2021, the Company filed an appeal against the 2020 Judgment (the “**Appeal**”).

23. On 8 January 2021, KPMG Services Pte Ltd (“**KPMG**”) was appointed to conduct an independent investigation into the circumstances surrounding the Disposal.
24. On 26 February 2021, the Shanghai No. 2 Intermediate People’s Court, People’s Republic of China (the “**Appellate Court**”) issued its judgment, upholding the 2020 Judgment in favour of SKWI (the “**2021 Judgment**”).
25. On 29 March 2021, the Company announced that “*the Court in China*” had ruled in favour of SKWI and awarded RMB 18 million in damages to SKWI. In addition, the Court had ordered that the Disposal be completed within one month from 17 March 2021, i.e. by 17 April 2021 (the “**29 Mar 2021 Announcement**”).
26. On 18 June 2021, Lorenzo Kunshan ceased to be a subsidiary of the Company as shares of Lorenzo Kunshan were transferred to SKWI and subsequently, on 30 June 2021, the Company made an announcement which disclosed the same.
27. KPMG issued its report on 10 February 2023 (the “**KPMG Report**”). The KPMG Report highlighted potential listing rule breaches relating to, *inter alia*, late and inaccurate disclosures of the Disposal as well as the Legal Proceedings and subsequent developments.

#### **IV. RELEVANT PROVISIONS OF THE MAINBOARD RULES**

##### *Major Transactions*

28. Mainboard Rule 1004 provides that transactions are classified into the following categories:
  - (a) non-discloseable transactions;
  - (b) discloseable transactions;
  - (c) major transactions; and
  - (d) very substantial acquisitions or reverse takeovers.
29. Mainboard Rule 1006 provides that a transaction may fall into category (a), (b), (c) or (d) of Mainboard Rule 1004 depending on the size of the relative figures computed on the following bases:
  - (a) The net asset value of the assets to be disposed of, compared with the group’s net asset value. This basis is not applicable to an acquisition of assets.
  - (b) The net profits attributable to the assets acquired or disposed of, compared with the group’s net profits.

- (c) The aggregate value of the consideration given or received, compared with the issuer's market capitalisation based on the total number of issued shares excluding treasury shares.
  - (d) The number of equity securities issued by the issuer as consideration for an acquisition, compared with the number of equity securities previously in issue.
  - (e) The aggregate volume or amount of proved and probable reserves to be disposed of, compared with the aggregate of the group's proved and probable reserves. This basis is applicable to a disposal of mineral, oil or gas assets by a mineral, oil and gas company, but not to an acquisition of such assets. If the reserves are not directly comparable, the Exchange may permit valuations to be used instead of volume or amount.
30. Mainboard Rule 1014(1) requires an issuer to, where a transaction is classified as a major transaction (i.e. the relative figures as computed on the bases set out in Mainboard Rule 1006 exceeds 20%), immediately announce the information required in Mainboard Rules 1010, 1011, 1012 and 1013 (where applicable), after the terms have been agreed.
31. Mainboard Rule 1014(2) provides that a major transaction must be made conditional upon approval by shareholders in general meeting.

*Disclosure of information*

32. Mainboard Rule 703(1)(a) states that:
- “An issuer must announce any information known to the issuer concerning it or any of its subsidiaries or associated companies which is necessary to avoid the establishment of a false market in the issuer's securities.”*
33. Appendix 7.1 provides at paragraph 3(a) that, *inter alia*, “[a] false market may exist if information is not made available that would, or would be likely to, influence persons who commonly invest in securities in deciding whether or not to subscribe for, or buy or sell the securities.”.
34. Mainboard Rule 703(4)(a) states that:
- “In complying with the Exchange's disclosure requirements, an issuer must:*
- (a) *observe the Corporate Disclosure Policy set out in Appendix 7.1 of the Manual, and*
  - (b) *ensure that its directors and executive officers are familiar with the Exchange's disclosure requirements and Corporate Disclosure Policy.*
35. Paragraph 8(m) of Appendix 7.1 provides that under Mainboard Rule 703, the situations which are likely to require immediate disclosure include significant litigation.

36. Paragraph 25(a) of Appendix 7.1 provides that each announcement must be factual, clear and succinct.

*Adequate and effective system of internal controls*

37. Mainboard Rule 719(1)<sup>9</sup> states:

*“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.”*

[Emphasis added.]

*Responsibility to ensure compliance with the Mainboard Rules*

38. Under Mainboard Rule 720(1), directors and executive officers of an issuer are required to provide personal undertakings that they shall, *inter alia*, use their best endeavours to comply with the requirements of the Exchange pursuant to or in connection with the Listing Manual from time to time in force, and to procure that the issuer shall so comply. In addition, Mainboard Rule 720(1) provides that Mainboard Rule 210(5) shall be complied with on a continuing basis.

39. Mainboard Rule 210(5) states:

*“The character and integrity of the directors, management and controlling shareholders of the issuer will be a relevant factor for consideration. In considering whether the directors, management 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).”*

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<sup>9</sup> Version effective from 1 January 2019 onwards. The version effective between 29 September 2011 and 31 December 2018 requires an issuer to have a robust and effective system of internal controls, addressing financial, operational and compliance risks.

## V. MAINBOARD RULE BREACHES

### *Breach of Mainboard Rule 1014(1) by failing to disclose the Disposal*

40. Regarding the facts relating to the relevant charges against the Company, Lim and Teo, the Resolution Agreement stated, and the LDC noted, that:

- (a) based on the Company's 13 Aug 2019 Announcement, the Disposal was classified as a "*major transaction*" under Chapter 10 of the Listing Manual, given that the relative figure computed under Mainboard Rule 1006(c) exceeded 20%, as follows:

Computation	Relative Figure
Aggregate value of the consideration received ÷ the Company's market capitalisation	245.5%
RMB 88 million <sup>10</sup> ÷ S\$7,030,407 <sup>11</sup>	

- (b) the Company did not immediately announce the terms of the Disposal when it had entered into the Share Transfer Agreement on 15 July 2019. The key terms of the Disposal such as the aggregate were stipulated in the agreement;
- (c) the announcement on the Disposal was only made on 13 August 2019, i.e. in the 13 Aug 2019 Announcement;
- (d) Lim and Teo were the key individuals involved in the negotiation of the Share Transfer Agreement;
- (e) under Lim's instructions, Teo circulated a copy of the Share Transfer Agreement to the Board via an email dated 14 May 2019 ("**Teo's 14 May 2019 Email**") to obtain the Board's approval prior to its execution. In his email, Teo stated, *inter alia*, the following:

*"The company is required to make an announcement in regards to this share transfer and will also need to submit a circular to SGX for their review and in principle approval. Upon receiving the green light from SGX, a shareholders' meeting is required to approve the disposal.*

*Please let us have your approval so that we can proceed to prepare the announcement and the circular to SGX."*

- (f) after the Board gave its approval, Lim signed the Share Transfer Agreement on behalf of the Company. However, Lim and Teo failed to ensure that the Company announced the Share Transfer Agreement and the Disposal

<sup>10</sup> Approximately S\$17,256,800, based on the exchange rate of RMB1.00:S\$0.1961 as at 12 August 2019.

<sup>11</sup> As at 12 July 2019, which is determined by multiplying the number of shares in issue excluding treasury shares, being 439,400,466 ordinary shares, and the volume weighted average price of S\$0.016 per share on 12 July 2019.

immediately after the Share Transfer Agreement was executed on 15 July 2019. Instead, Teo only provided the Board with the draft of the 13 Aug 2019 Announcement belatedly on 8 August 2019, prior to its release on 13 August 2019<sup>12</sup>; and

- (g) pursuant to Lim's and Teo's personal undertakings provided under Mainboard Rule 720(1) as a director and an executive officer respectively, they are 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.

41. As such, the LDC finds that:

- (a) the Company had breached Mainboard Rule 1014(1), by failing to immediately announce the information required under Mainboard Rules 1010, 1011, 1012 and 1013 (where applicable) of the Disposal, which was classified as a major transaction, after the terms of the Disposal had been agreed on or around 15 July 2019; and
- (b) Lim and Teo had breached Mainboard Rule 1014(1), read with Mainboard Rule 1402(6), for causing the Company to breach Mainboard Rule 1014(1) by omitting to immediately announce the information required under Mainboard Rules 1010, 1011, 1012 and 1013 (where applicable) of the Disposal, which was classified as a major transaction, after the terms of the Disposal had been agreed on or around 15 July 2019.

*Breach of Mainboard Rule 1014(2) by failing to make the Disposal conditional upon approval by shareholders in a general meeting*

42. Regarding the facts relating to the relevant charges against the Company and Lim, the Resolution Agreement stated, and the LDC noted, that:

- (a) the Chinese Court held that all the Agreements were legally binding on the Company and SKWI;
- (b) however, the Supplemental Agreement did not stipulate a condition precedent or contingent clause that the Company was required to obtain its shareholders' approval prior to the Disposal;

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<sup>12</sup> Effectively, the Board approved the draft announcement after one working day, on 13 August 2019, as 9 and 12 August 2019 were public holidays while in-between these two dates was the weekend, i.e. 10 and 11 August 2019.

### The Letter of Intent

- (c) KPMG was not provided with a copy of the Letter of Intent despite its request to Teo. Based on the 2020 Judgment, KPMG identified the following terms in the Letter of Intent:
- (i) the Company was to offer 100% of its equity in Lorenzo Kunshan to SKWI prior to offering it for sale to third parties;
  - (ii) the Company had valued 100% of its equity in Lorenzo Kunshan at RMB 88 million. However, the Company and SKWI could engage external valuers to perform a valuation. If the reassessed value was higher than RMB 88 million, SKWI would be willing to acquire 100% of equity in Lorenzo Kunshan at the reassessed value; and
  - (iii) SKWI was to provide a loan of RMB 10 million to Lorenzo Kunshan at a monthly interest rate of 1% with a tenure of four months and Lorenzo Kunshan was to mortgage the property it owns in Kunshan (the “**Property**”) to SKWI until the full repayment of loan and interest from the Company and Lorenzo Kunshan;
- (d) the Relevant Persons provided a copy of the Letter of Intent in their joint written representations dated 24 January 2024 pursuant to the Exchange’s show cause letters to the Relevant Persons on 6 December 2023;
- (e) the Letter of Intent made no mention that the Company was required to obtain its shareholders’ approval prior to the Disposal;

### The Framework Agreement

- (f) the Framework Agreement stipulated, *inter alia*, as follows:
- (i) the Company shall make a written resolution agreeing to the equity transfer of Lorenzo Kunshan, in accordance with the provisions of the Articles of Association of Lorenzo Kunshan<sup>13</sup>;
  - (ii) the Framework Agreement would remain valid even if the Company did not make such a written resolution; and
  - (iii) in the event the Company fails to make this written resolution, which in turn results in the failure to transfer the Company’s shareholdings in Lorenzo Kunshan to SKWI, it would constitute a fundamental breach of the Framework Agreement;

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<sup>13</sup> Article 12 provides, *inter alia*, that any increase, decrease, transfer of registered capital or other important matters of change, shall be approved by the shareholders of Lorenzo Kunshan (i.e. the Company), before being reported to the approval authority for approval, and undergoing the formalities of change registration with the industrial and commercial administration.



- (g) the Framework Agreement further stipulated that the Company was to determine the details of the equity transfer of Lorenzo Kunshan by 30 June 2018, and if the Company did not complete the transfer of 100% of its shareholdings in Lorenzo Kunshan to SKWI by 20 April 2019, the Company shall compensate SKWI for a sum of RMB 18 million and other losses suffered by SKWI (the “**Compensation Clause**”);
- (h) similar to the Letter of Intent, the Framework Agreement did not stipulate a condition precedent or contingent clause that the Company was required to obtain its shareholders’ approval prior to the Disposal;
- (i) further, pursuant to the Compensation Clause, the Company would have to compensate SKWI in the event the Company failed to transfer its shareholdings in Lorenzo Kunshan by 20 April 2019, *regardless* of whether the Company obtained shareholders’ approval for the Disposal;
- (j) nevertheless, the Company entered into the Framework Agreement;

#### The Share Transfer Agreement and the Supplemental Agreement

- (k) on 15 July 2019, the Company entered into the Share Transfer Agreement. On the same day, the Company also entered into the Supplemental Agreement. Read together, the Share Transfer Agreement and the Supplemental Agreement expressly provided that there would be no condition precedent or contingent clause that the Company was required to obtain approval from its shareholders prior to the Disposal;
- (l) while Clause 3.1 of the Share Transfer Agreement included a condition precedent for the Company to obtain approval from its shareholders at a general meeting to be convened, this was removed by Clause 1 of the Supplemental Agreement;
- (m) Clause 3.1 of the Share Transfer Agreement is set out as follows:

*“3.1 The Parties unanimously agree that the following matters shall be completed on or before the Change Registration Date as conditions precedent for the performance of this Agreement by [SKWI] and [the Company]:*

*“(1) [The Company], as a listed company on the Singapore Exchange Securities Trading Limited (“SGX-ST”), must have obtained all the internal and external approvals, including but not limited to the approval of the SGX-ST, [the Company’s] shareholders at a general meeting to be convened and/or its board of directors etc. in respect of the transfer of Shares to [SKWI];*

*(2) In accordance with the Articles of Association of [Lorenzo Kunshan], the board of directors (or executive director) and/or the board of shareholders*

(or the sole shareholders) of [Lorenzo Kunshan] must have approved the transfer of shares from [the Company] to [SKWI];

(3) All the approvals of and registrations and filings with the PRC governmental authorities, i.e. the competent commerce administrative authority and corporate registry, required for the execution and performance of this Agreement and the Transformation into a domestic limited company must have been obtained.”

- (n) however, this was amended by Clause 1 of the Supplemental Agreement which stated:

**"Clause 3.1 of the Share Transfer Agreement shall be amended as follows:**

The only conditions precedent for [SKWI] to purchase the Share of the Target Company is that [Lorenzo Kunshan] owns land-use right and property ownership at No. 9 Dongyuan Road, Kunshan City (Annex 5). The land-use right certificate number is No. 12010113015 of Kunming National Government (2010); the property ownership certificates are Kun Dingshan Lake No. 211005330, Kun Dianshan Lake No. 211005331, Kun Dianshan Lake No. 211005332, Kun Dianshan Lake No. 211005333 and Kun Dianshan Lake No. 211005334, a total of five houses with construction area of 45,457.76 square meters. (hereinafter referred to as "Essential Assets")";

[Emphasis added in underline]

- (o) Clause 9 of the Supplemental Agreement further stipulated that "[i]n the event of any inconsistency between this Supplemental Agreement and the Share Transfer Agreement, this Supplemental Agreement shall prevail";

[Emphasis added in underline]

- (p) by executing the Supplemental Agreement, the Company effectively removed the condition precedent for it to obtain approval from its shareholders prior to executing the Disposal;
- (q) from the above, it is shown that the Agreements did not stipulate that the Disposal be conditional upon approval by the Company's shareholders in a general meeting;
- (r) at the material time, Lim was the key decision maker for the Company and as the legal representative of Lorenzo Kunshan, was involved in the negotiation of the key agreements relating to the Disposal. Lim had instructed the former chief executive officer ("CEO"), Mr. Teoh Jin Thean ("**Jason Teoh**")<sup>14</sup>, on all matters relating to the Group's entities in China, including Lorenzo Kunshan;

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<sup>14</sup> Jason Teoh was CEO of the Company from 23 September 2014 to 25 October 2017.

- (s) Lim had requested Jason Teoh to sign and execute the Framework Agreement on behalf of the Company, notwithstanding that Jason Teoh is unable to speak and read Mandarin, and would therefore not be able to negotiate or understand the terms of the Framework Agreement. In the circumstances, it is clear that Lim was satisfied with the terms of the Framework Agreement, prior to making the request for Jason Teoh to sign and execute the Framework Agreement;
- (t) further, Lim had signed the Supplemental Agreement in his capacity as an Executive Director of the Company, which removed the condition precedent in the Share Transfer Agreement for the Disposal to be subject to shareholders' approval. This was the second instance he failed to ensure the inclusion of the said condition precedent; and
- (u) Lim would have been aware of the requirements under Mainboard Rule 1014(2) at the time the Company entered into the Framework Agreement, the Share Transfer Agreement and the Supplemental Agreement. In a Board meeting of the Company held on 3 March 2017 which was chaired by Lim, he mentioned that the Company intended to acquire a small travel agency in April 2017. In response, the Company Secretary, Ms. Ong Beng Hong, highlighted the requirements under Chapter 10 of the Listing Manual, in particular, the need to obtain shareholders' approval, and how this would apply to the acquisition as well as the diversification of the Company's business.

43. As such, the LDC finds that:

- (a) the Company had breached Mainboard Rule 1014(2) by failing to make the Disposal, which was classified as a major transaction, conditional upon approval by shareholders in a general meeting; and
- (b) Lim had breached Mainboard Rule 1014(2) read with Mainboard Rule 1402(6), for causing the Company to breach Mainboard Rule 1014(2) by omitting to make the Disposal, which was classified as a major transaction, conditional upon approval by shareholders in a general meeting.

*Breach of Mainboard Rule 703(1)(a) by failing to announce, on or after 15 July 2019 that the Company had entered into the Supplemental Agreement*

44. Regarding the facts relating to the relevant charges against the Company, Lim and Teo, the Resolution Agreement stated, and the LDC noted, that:

- (a) the Company's 13 Aug 2019 Announcement only stated that the Company entered into the Share Transfer Agreement on 15 July 2019, while completely omitting all mention of the Supplemental Agreement, notwithstanding that the Company had entered into both agreements on the same day;
- (b) the Supplemental Agreement also contained, amongst others, an amendment to the payment terms set out in the Share Transfer Agreement, which was originally set out as follows:

*“(1) [SKWI] shall pay 20% of the Transfer Price to [the Company] as the deposit within 5 Working Days upon duly execution of this Agreement;*

*“(2) [SKWI] shall pay the remaining 80% of the Transfer Price to [the Company] within 10 Working Days from the Change Registration Date.”;*

- (c) Pursuant to the Supplemental Agreement, the payment terms were amended to the following:

*“(1) As of 31 May, 2019, [SKWI] has paid RMB 17.52 million, including the deposit of RMB14.80 million to [the Company];*

*“(2) [SKWI] shall pay RMB 24.88 million to [the Company] on the Change Registration Date as the second instalment of Transfer Price;*

*“(3) [SKWI] shall pay RMB 8.8 million to [the Company] by the expiration of 12 months from the Change Registration Date as the third instalment of Transfer Price; and*

*“(4) [SKWI] shall pay RMB 8.8 million to [the Company] by the expiration of 24 months from the Change Registration Date as the final instalment of Transfer Price (the third instalment and final instalment are collectively referred to as the **‘Remaining Payments’**).”*

- (d) the Company created a misleading impression that the Share Transfer Agreement was the sole agreement that the Company had entered into vis-à-vis the Disposal when it omitted disclosing the Supplemental Agreement in the 13 Aug 2019 Announcement;

- (e) this misleading impression was further bolstered by the following inaccurate facts stated in the 13 Aug 2019 Announcement:

(i) *“Accordingly, the Proposed Disposal is conditional upon the approval of the shareholders of the Company (“**Shareholders**”) under Rule 1014 of the Listing Manual”; and*

(ii) *“The Proposed Disposal is conditional upon the following conditions precedent:*

*(a) the Company, as a listed company on the SGX-ST, shall have obtained all internal and external approvals including but not limited to the approval of the SGX-ST, the Company’s Shareholders at a general meeting to be convened and/or its board of directors in respect of the Proposed Disposal;*

*(b) in accordance with the articles of association of the Target, the board of directors (or executive director) and/or the shareholders*

*(or sole shareholder) of the Target having approved the Proposed Disposal; and*

*(c) all approvals of and registrations and filings with the PRC governmental authorities i.e. the competent commerce administrative authority and corporate registry, required for the execution and performance of the SPA and the transformation of the Target from a wholly-owned foreign enterprise (“WFOE”) into a domestic limited liability company.”*

- (f) the Company did not, at any point in time, announce the existence of the Supplemental Agreement. It was only revealed to the market when the executive summary of the KPMG Report was released by way of an SGXNet announcement on 10 February 2023 (i.e. forty-three months after its execution);
- (g) in his capacity as an Executive Director, Lim had signed the Supplemental Agreement on behalf of the Company. However, he did not ensure that the Supplemental Agreement was promptly and duly disclosed. Even when he subsequently approved and signed off on the 13 Aug 2019 Announcement which disclosed the Share Transfer Agreement, he knowingly omitted all mention of the Supplemental Agreement. Lim had also reached out to Dacheng and had them send a letter on 5 September 2019 to SKWI in respect of the Supplemental Agreement, but wilfully refused to inform the rest of the Board about its existence;
- (h) In respect of Teo, KPMG identified email correspondence between 2 April 2019 and 29 May 2019 wherein he instructed the Company’s external counsel, Allbright, on the drafting of the Share Transfer Agreement and the Supplemental Agreement. Teo also confirmed to KPMG that he was involved in the drafting of the Supplemental Agreement and was aware of the payment terms stated therein. However, similar to Lim, Teo did not ensure that the Supplemental Agreement was promptly and duly disclosed; and
- (i) pursuant to Lim’s and Teo’s personal undertakings provided under Mainboard Rule 720(1) as a director and an executive officer respectively, they are 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.

45. As such, the LDC finds that:

- (a) the Company had breached Mainboard Rule 703(1)(a) by failing to announce, on or after 15 July 2019, that it had entered into the Supplemental Agreement which amended the salient terms of the Share Transfer Agreement by amending the payment terms and removing the condition precedent that the Disposal was conditional upon the Company obtaining the approval of its shareholders at a general meeting to be convened, which was information

known to the Company concerning it which was necessary to avoid the establishment of a false market in the Company's securities; and

- (b) Lim and Teo had breached Mainboard Rule 703(1)(a), read with Mainboard Rule 1402(6), for causing the Company to breach Mainboard Rule 703(1)(a) by omitting to announce, on or after 15 July 2019, that it had entered into the Supplemental Agreement which amended the salient terms of the Share Transfer Agreement by amending the payment terms and removing the condition precedent that the Disposal was conditional upon the Company obtaining the approval of its shareholders at a general meeting to be convened, which was information known to the Company concerning it which was necessary to avoid the establishment of a false market in the Company's securities.

*Breach of Mainboard Rule 703(1)(a) read with paragraph 8(m) of Appendix 7.1, by failure to promptly disclose the commencement of the Legal Proceedings*

46. Regarding the facts relating to the relevant charges against the Company, Lim and Teo, the Resolution Agreement stated, and the LDC noted, that:
- (a) the Company stated in the 16 Nov 2020 Announcement that “[SKWI] *has notified the Company that it has commenced proceedings to enforce its legal rights under the Share Transfer Agreement*”;
  - (b) however, the 16 Nov 2020 Announcement was made belatedly as the Legal Proceedings had commenced over a year ago on 17 September 2019;
  - (c) the Legal Proceedings revolved around the Agreements and the Disposal which was classified as a “*major transaction*” under Chapter 10 of the Listing Manual. SKWI also sought to enforce the Compensation Clause, pursuant to which the Company was obliged to pay an amount representing over 45% of the Group's net liability value.<sup>15</sup> In this regard, the Legal Proceedings constituted a “*significant litigation*” event under paragraph 8(m) of Appendix 7.1 and the Company is required to make immediate disclosure of the Legal Proceedings;
  - (d) in an interview with KPMG, Lim stated that he and Teo were both aware of the Legal Proceedings. Lim was also actively involved in the Legal Proceedings as the Company's representative;
  - (e) however, the Board (excluding Lim) was only informed of the commencement of the Legal Proceedings by way of an email sent by Teo on 13 November 2020, which stated as follows:

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<sup>15</sup> The Group's net liability value as at 31 March 2019 was S\$7,330,087. Using an exchange rate of RMB1.00:S\$0.1961 as at 12 August 2019, the compensation amount of RMB18,000,000 was approximately 48.2% of the Group's net liability value.

*“We have been notified by the purchaser of Lorenzo Kunshan that they have commenced legal proceedings against us for the long delay in the completion of the share transfer. They are also seeking compensation from us. A copy of the draft announcement in relation to this matter is attached for your review and comments. The draft announcement was also sent to our corporate lawyer, Shook Lin for their comments.”*

- (f) Lim and Teo did not provide the Board (excluding Lim) with timely updates on the commencement of the Legal Proceedings, notwithstanding their knowledge of and Lim’s involvement in the Legal Proceedings. Consequently, the Board (excluding Lim) was unable to ensure the Company’s compliance with its disclosure obligations pursuant to the Mainboard Rules; and
- (g) pursuant to Lim’s and Teo’s personal undertakings provided under Mainboard Rule 720(1) as a director and an executive officer respectively, they are 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.

47. As such, the LDC finds that:

- (a) the Company had breached Mainboard Rule 703(1)(a) read with paragraph 8(m) of Appendix 7.1, by failing to promptly disclose, on or around 17 September 2019, that SKWI had commenced the Legal Proceedings, which constituted a significant litigation event that warranted immediate disclosure; and
- (b) Lim and Teo had breached Mainboard Rule 703(1)(a) read with paragraph 8(m) of Appendix 7.1 and Mainboard Rule 1402(6), for causing the Company to breach Mainboard Rule 703(1)(a) by omitting to promptly disclose, on or around 17 September 2019, that SKWI had commenced the Legal Proceedings, which constituted a significant litigation event that warranted immediate disclosure.

*Breach of Mainboard Rule 703(1)(a) by failing to promptly announce the outcome of the Legal Proceedings, on or around 30 October 2020, when the 2020 Judgment was issued*

48. Regarding the facts relating to the relevant charges against the Company, Lim and Teo, the Resolution Agreement stated, and the LDC noted, that:

- (a) the Company did not announce the outcome of the Legal Proceedings, i.e. the issuance of the 2020 Judgment by the Chinese Court, on or around 30 October 2020, when the 2020 Judgment was issued;
- (b) the 2020 Judgment was of significant importance to the Company and was likely to influence an investor’s investment decision, given that the Chinese Court made the following orders:

- (i) the Company shall complete the Disposal within thirty days from the date of the 2020 Judgment, i.e. within thirty days from 30 October 2020;
  - (ii) the Company shall compensate SKWI for breach of contract in the sum of RMB 18 million within ten days from the date of the 2020 Judgment; and
  - (iii) the legal costs of RMB 129,800 and RMB 5,000 to be borne by the Company;
- (c) in an interview with KPMG, Lim stated that he and Teo were both aware of the Legal Proceedings. Lim was also actively involved in the Legal Proceedings as the Company's representative;
- (d) however, the first time the Board (excluding Lim) was informed of the *commencement* of the Legal Proceedings was on 13 November 2020, via Teo's email to the Board. By this time, the 2020 Judgment had been issued, and Teo was already in discussions with the legal counsel engaged by the Company, Shanghai Shenyu, on whether the Company should lodge an appeal;
- (e) given that Teo had misinformed the Board of SKWI's intention to commence the Legal Proceedings, while omitting all mention that the Legal Proceedings had concluded with the 2020 Judgment issued, it is clear that he had misrepresented the true state of affairs of the Legal Proceedings to the Board;
- (f) at that point in time, Lim was the only Executive Director on the Board and was actively involved in the Legal Proceedings as the Company's representative. In the circumstances, he would have known that the Legal Proceedings had concluded and that Teo had misrepresented the true state of affairs of the Legal Proceedings, but he did not alert the rest of the Board accordingly;
- (g) consequently, the Board (excluding Lim) was provided with erroneous and incomplete information on the developments of the Legal Proceedings, and was unable to ensure the Company's compliance with its disclosure obligations pursuant to the Mainboard Rules; and
- (h) pursuant to Lim's and Teo's personal undertakings provided under Mainboard Rule 720(1) as a director and an executive officer respectively, they are 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.

49. As such, the LDC finds that:

- (a) the Company had breached Mainboard Rule 703(1)(a) by failing to promptly announce the outcome of the Legal Proceedings, on or around 30 October 2020, when the 2020 Judgment was issued, which was information known to



the Company concerning it which was necessary to avoid the establishment of a false market in the Company's securities; and

- (b) Lim and Teo had breached Mainboard Rule 703(1)(a), read with Mainboard Rule 1402(6), for causing the Company to breach Mainboard Rule 703(1)(a) by omitting to promptly announce the outcome of the Legal Proceedings, on or around 30 October 2020 when the 2020 Judgment was issued, which was information known to the Company concerning it which was necessary to avoid the establishment of a false market in the Company's securities.

*Breach of Mainboard Rule 703(1)(a) by failing to announce the commencement and dismissal of the Appeal on or after 4 January 2021 and 26 February 2021 respectively*

50. Regarding the facts relating to the relevant charges against the Company, Lim and Teo, the Resolution Agreement stated, and the LDC noted, that:

- (a) the Company did not, at any point in time, announce the commencement nor the dismissal of the Appeal, which occurred on 4 January 2021 and 26 February 2021 respectively;
- (b) the commencement of the Appeal constituted information that would be likely to influence an investor's investment decision given that:
  - (i) the Appeal was an appeal against the 2020 Judgment, whereby the Chinese Court ordered the Company to complete the Disposal and pay RMB 18 million in damages to SKWI;
  - (ii) the Disposal was classified as a "major transaction" under Chapter 10 of the Listing Manual; and
  - (iii) RMB 18 million represented more than 45% of the Group's net liability value during the material period;
- (c) likewise, the dismissal of the Appeal was of significant importance to the Company and was likely to influence an investor's investment decision. Given that the Appellate Court upheld the 2020 Judgment in favour of SKWI, the Company was compelled to complete the Disposal on the basis set out in the 2020 Judgment;
- (d) notwithstanding Lim's and Teo's knowledge of, and Lim's involvement in, the Legal Proceedings and the Appeal, Lim and Teo failed to ensure that the Company disclosed the same;
- (e) further, the Board (excluding Lim) was not provided with timely and accurate updates on the actual developments of the Legal Proceedings and the Appeal, and was unable to ensure the Company's compliance with its disclosure obligations pursuant to the Mainboard Rules; and

- (f) pursuant to Lim's and Teo's personal undertakings provided under Mainboard Rule 720(1) as a director and an executive officer respectively, they are 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.

51. As such, the LDC finds that:

- (a) the Company had breached Mainboard Rule 703(1)(a) by failing to announce the commencement and dismissal of the Appeal on or after 4 January 2021 and 26 February 2021 respectively, which was information known to the Company concerning it which was necessary to avoid the establishment of a false market in the Company's securities; and
- (b) Lim and Teo had breached Mainboard Rule 703(1)(a) read with Mainboard Rule 1402(6), for causing the Company to breach Mainboard Rule 703(1)(a) by omitting to announce the commencement and dismissal of the Appeal on or after 4 January 2021 and 26 February 2021 respectively, which was information known to the Company concerning it which was necessary to avoid the establishment of a false market in the Company's securities.

*Breach of Mainboard Rule 703(4)(a) read with paragraph 25(a) of Appendix 7.1, by releasing the following inaccurate and misleading announcements: the 16 Nov 2020 Announcement, the 7 Dec 2020 Announcement and the 29 Mar 2021 Announcement*

52. Regarding the facts relating to the relevant charges against the Company, Lim and Teo, the Resolution Agreement stated, and the LDC noted, that:

- (a) the Company stated in the 16 Nov 2020 Announcement that “[SKWI] *has notified the Company that it has commenced proceedings to enforce its legal rights under the Share Transfer Agreement*”;
- (b) however, the 16 Nov 2020 Announcement was inaccurate and misleading as it gave the false impression that the Legal Proceedings commenced at or around the time of the release of the said Announcement, when in fact, the Legal Proceedings had commenced over a year ago on 17 September 2019, and had already concluded on 30 October 2020;
- (c) thereafter, the Company stated in the 7 Dec 2020 Announcement that “[t]he *Company would like to update shareholders that the Company has engaged Shanghai Shenyu Law Firm (“Shanghai Shenyu”) to represent it in the lawsuit stipulated in the announcement dated 16 November 2020*”;
- (d) similarly, the 7 Dec 2020 Announcement was inaccurate and misleading as Shanghai Shenyu had already been engaged by the Company more than a year ago and had represented the Company in the Legal Proceedings;
- (e) in the subsequent 29 Mar 2021 Announcement, the Company stated as follows:

*“The Company would like to update shareholders that the Court in China has judged in favour of [SKWI] and awarded RMB18 million damages to [SKWI]. In addition, the Court has instructed that the sale of [Lorenzo Kunshan] be completed within one month from 17 March 2021.”*

- (f) yet again, the 29 Mar 2021 Announcement was inaccurate and misleading. The Chinese Court had in fact ordered that the transfer of Lorenzo Kunshan be completed within thirty days from the date of the 2020 Judgment, i.e. thirty days from 30 October 2020, and not one month from 17 March 2021<sup>16</sup>;
- (g) further, the Legal Proceedings already concluded about five months ago on 30 October 2020. The 29 Mar 2021 Announcement also omitted all mention of the Appeal and the release of the 2021 Judgment. This gave the misleading impression that the Legal Proceedings concluded at or around the time of the 29 Mar 2021 Announcement;
- (h) individually, the 16 Nov 2020 Announcement, the 7 Dec 2020 Announcement and the 29 Mar 2021 Announcement were inaccurate and misleading for the reasons set out in the preceding paragraphs;
- (i) read together, these announcements presented an inaccurate and misleading impression that the Legal Proceedings commenced on or around 16 November 2020 and concluded on or around 29 March 2021, with the Chinese Court ordering, *inter alia*, that the Disposal be completed within one month from 17 March 2021;
- (j) Lim and Teo were both aware of the Legal Proceedings and Lim was also actively involved in the Legal Proceedings as the Company’s representative. However, Teo misrepresented the true state of affairs of the Legal Proceedings to the Board while Lim did not alert the rest of the Board of Teo’s misrepresentation;
- (k) consequently, the Board (excluding Lim) was provided with erroneous and incomplete information on the developments of the Legal Proceedings and the Appeal, and was unable to ensure the Company’s compliance with its disclosure obligations pursuant to the Mainboard Rules; and
- (l) pursuant to Lim’s and Teo’s personal undertakings provided under Mainboard Rule 720(1) as a director and an executive officer respectively, they are 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.

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<sup>16</sup> There was no order in the 2021 Judgment that the transfer of Lorenzo Kunshan must be completed within one month from 17 March 2021.

53. As such, the LDC finds that:

- (a) the Company had breached Mainboard Rule 703(4)(a), read with paragraph 25(a) of Appendix 7.1, by making the 16 Nov 2020 Announcement, the 7 Dec 2020 Announcement and the 29 Mar 2021 Announcement, which were inaccurate and misleading; and
- (b) Lim and Teo had breached Mainboard Rule 703(4)(a), read with paragraph 25(a) of Appendix 7.1 and Mainboard Rule 1402(5), for causing the Company to breach Mainboard Rule 703(4)(a) by making the 16 Nov 2020 Announcement, the 7 Dec 2020 Announcement and the 29 Mar 2021 Announcement, which were inaccurate and misleading.

*Breach of Mainboard Rule 719(1) by failing to have adequate and effective system of internal controls*

54. Regarding the facts relating to the relevant charges against the Company and Lim, the Resolution Agreement stated, and the LDC noted, that:

- (a) the KPMG Report stated that “*the management did not have information on, inter alia, the Proposed Disposal and that the Company was unable to furnish key documents<sup>17</sup> in relation to the Proposed Disposal.*” In particular, the KPMG Report made the following findings;

- (i) Letter of Intent<sup>18</sup>:

The Company was unable to provide KPMG with a copy of the Letter of Intent. As a result, KPMG was unable to identify (i) the individual who signed the Letter of Intent on behalf of the Group; (ii) the other terms of the Letter of Intent; and (iii) whether the Letter of Intent was a legally binding document;

- (ii) Bank Loan Statements:

Despite multiple requests made by KPMG to the Company, KPMG was not provided with the latest copy of the statements for the bank loan agreements signed in relation to mortgage of the Property with JKRC Bank (the “**JKRC Bank Loan**”). The JKRC Bank Loan agreements were signed by Lim, and comprised a loan drawdown amount of RMB 29.9 million. As a result of not being provided with the latest copy of the JKRC Bank Loan statements, KPMG was unable to verify the JKRC Bank Loan movement and its outstanding balance;

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<sup>17</sup> The Relevant Persons claimed that relevant documents could not be retrieved as Lorenzo Kunshan suffered a server fire in 2016 that had destroyed all electronic and physical accounting records from 2016 and earlier. The Exchange disagrees with this assertion as there is no evidential proof that such an event occurred.

<sup>18</sup> The Exchange was subsequently provided with a copy of the Letter of Intent in response to its request made pursuant to Listing Rule 1408.

(iii) Evidence of the SKWI Loans:

The Second Draft Circular states that SKWI had extended loans to Lorenzo Kunshan (the “**SKWI Loans**”) which were unsecured, interest-free and contained no fixed terms of repayment. While KPMG had requested for all proofs of receipt and repayments for the SKWI Loans, the Company was only able to provide bank statements that accounts for RMB 21.98 million, but not the proof of receipts for a remaining amount of RMB 1.87 million. As a result, KPMG was unable to verify the full SKWI Loans of RMB 23.85 million and the eventual outstanding balance of the SKWI Loans;

(iv) Supporting documents in relation to the amount due to creditors:

The Company was unable to provide KPMG with Lorenzo Kunshan’s supporting documents (e.g. supplier invoices, payment vouchers, bank remittance advices, accrual schedules, payroll reports and statements of accounts) for the indirect tax due to tax authorities, accrued salaries and samples of outstanding balances due to creditors;

(v) Supporting documents for payments by Uhin Holding Pte Ltd (“**Uhin**”):

The Second Draft Circular states that Uhin, a direct wholly owned subsidiary of the Company, made several payments to trade and other creditors of Lorenzo Kunshan on behalf of Lorenzo Kunshan between 2012 and 2017, which in aggregate amounted to approximately SGD 5.46 million and the outstanding balance shall be waived upon completion of the Disposal. However, the Company was unable to provide KPMG with supporting documents (e.g. supplier invoices, payment vouchers and bank remittance advice) for all the transactions recorded in Lorenzo Kunshan’s vendor transaction listing as payments made by Uhin;

- (b) the various breaches of the Listing Rules set out above demonstrated the Company’s inadequate and ineffective internal controls to address the Company’s financial and operational requirements;
- (c) additionally, it further underscored the inadequacy and ineffectiveness of the Company’s internal controls in managing the Company’s compliance obligations. In particular, the Board (excluding Lim) was provided with erroneous and incomplete information on the developments of the Legal Proceedings and the Appeal, and was unable to ensure the Company’s compliance with its disclosure obligations pursuant to the Mainboard Rules;
- (d) pursuant to Lim’s personal undertaking provided under Mainboard Rule 720(1) as a director, he is required to use his 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) however, Lim failed in his duty to procure the Company's compliance with Mainboard Rule 719(1) in respect of the KPMG findings set out above. Further, Lim's actions were particularly egregious in light of the following:
  - (i) Lim omitted to provide timely and accurate information to the rest of the Board about the Legal Proceedings and the Appeal;
  - (ii) despite Lim's active involvement in the Disposal, there was no timely escalation of material information by him to the rest of the Board for collective consideration and informed decisions. KPMG's review of all director's resolutions, AC and Board meeting minutes only identified discussion and the Board's approval on the Share Transfer Agreement, but not the remaining agreements, i.e. the Letter of Intent, the Framework Agreement nor the Supplemental Agreement;
  - (iii) the Board meeting minutes between 28 June 2017 and 29 May 2019 did not include any discussion nor updates in relation to the Disposal; and
  - (iv) there is no evidence that the Supplemental Agreement, which was signed by Lim and which superseded the terms set out in the Share Transfer Agreement, was formally approved by the Board as no emails providing the Supplemental Agreement to the Board for discussion or approval were identified by KPMG.

55. As such, the LDC finds that:

- (a) the Company had breached Mainboard Rule 719(1) for failing to have in place adequate and effective systems of internal controls (including financial, operational, compliance and information technology controls) and risk management systems; and
- (b) Lim had breached Mainboard Rule 703(4)(a) read with Mainboard Rule 1402(6), for causing the Company to breach Mainboard Rule 719(1) for omitting to have in place adequate and effective systems of internal controls (including financial, operational, compliance and information technology controls) and risk management systems.

*Breach of Mainboard Rule 720(1) read with Mainboard Rule 210(5)(b), for failing to demonstrate the character and integrity expected of a director of a listed issuer*

56. Regarding the facts relating to the charge against Lim, the Resolution Agreement stated, and the LDC noted, that:

- (a) the facts above demonstrated that Lim did not act in the interests of the Company and its shareholders in matters pertaining to the Disposal. At the outset, when the Company entered into the Agreements, he failed on two

occasions to ensure that the Disposal was made conditional upon obtaining the approval of the Company's shareholders, in compliance with Mainboard Rule 1014(2) - first, when Lim requested Jason Teoh to sign the Framework Agreement, and subsequently, when he signed the Supplemental Agreement on behalf of the Company;

- (b) in respect of the Supplemental Agreement, the terms expressly provided that the Supplemental Agreement shall prevail in the event of any inconsistency between the Supplemental Agreement and the Share Transfer Agreement. This would have been apparent to any person reading the Supplemental Agreement;
- (c) yet, in Teo's interview with KPMG, he stated that both he and Lim had the impression that for any conflicting terms between the Share Transfer Agreement and the Supplemental Agreement, the Share Transfer Agreement would supersede the Supplemental Agreement. KPMG observed that such an impression was difficult to understand, given that the Supplemental Agreement expressly purported to amend the terms of the Share Transfer Agreement;
- (d) as the Deputy Chairman and Executive Director of the Company, it is inconceivable that Lim could have signed the Supplemental Agreement without reading and understanding the terms therein;
- (e) as stated by the Chinese Court in the 2020 Judgment, "[a]mong them, the [Supplemental Agreement] *mainly changed some of the terms in the [Share Transfer Agreement], and agreed that the [Supplemental Agreement] shall prevail in case of inconsistency between the two.*" It was on this basis that the Chinese Court adjudicated the Legal Proceedings. As a result, the 2020 Judgment contained no mention of any condition precedent or contingent clause in the Agreements that the Company had to obtain approval from its shareholders prior to the execution of the Disposal;
- (f) at the material time, Lim also did not mention the existence of the Supplemental Agreement and the Appeal from the rest of the Board. Consequently, the announcements made by the Company in respect of the Share Transfer Agreement, the Disposal and the Legal Proceedings, together with the omission of the Supplemental Agreement and the Appeal, appear to be part of a concerted effort to mislead the Company's shareholders along with potential investors and the Exchange; and
- (g) based on the foregoing, it was clear that Lim had breached his fiduciary duties as a director of the Company, by failing to use all reasonable endeavours and diligence in the discharge of his duties to act in the interests of the Company and its shareholders. He also played a key role in causing the Company's eight breaches of the Mainboard Rules set out above.

57. As such, the LDC finds that Lim has breached Mainboard Rule 720(1) read with Mainboard Rule 210(5)(b), by failing to demonstrate the character and integrity expected of a director of a listed issuer.

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

58. The LDC noted the Exchange's regulatory concerns which are as follows:
- (a) 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 major transactions, the Mainboard Rules provide safeguards to ensure that shareholders have sufficient information on such transactions to be undertaken by the issuer. Where the transaction is material, the Mainboard Rules provide safeguards such that shareholders have the right to vote on such transactions. In the current case, the shareholders were robbed of that opportunity at the outset as (1) the Company did not disclose the Disposal; and (2) the Company did not make the Disposal condition upon approval by the shareholders in a general meeting.
  - (b) Additionally, shareholders and investors rely on accurate and timely information in the public domain to make their investment decisions. The Company's legal proceedings and the outcome of such proceedings amplified the need for prompt and clear disclosures. The omission of such information resulted in investors and shareholders trading in the Company's securities on an uninformed basis, without the knowledge that there existed factors that might adversely affect the Company's value and prospects.
  - (c) In the current case, the shareholders were not promptly apprised of the legal proceedings and its outcome, which were likely to have materially affected the Group's value and prospects.
  - (d) Lim and Teo are key executives of the Company. They have 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 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 to the Exchange to use their best endeavours to procure compliance by the Company. It has been shown clearly in the above that both Lim and Teo have blatantly disregard that obligation.
  - (e) In light of the above, there is a need for corresponding visible enforcement of the Exchange's regulatory regime, in order for the investing public to be assured that appropriate enforcement actions are being taken to deal with the misconduct by the Company, Lim and Teo.



## VII. SANCTIONS IMPOSED BY THE LDC

59. After reviewing the Resolution Agreement that was submitted on 2 December 2024, members of the LDC considered the sanctions imposed in previous LDC cases and were of the view that one of the proposed sanctions in the Resolution Agreement was inadequate given the facts of this case. In particular, the LDC felt that the delays and misleading announcements regarding the Legal Proceedings pointed strongly to deliberate conduct amounting to dishonesty on Lim's part. In addition, the LDC viewed seriously the failure to make the Disposal conditional upon approval by shareholders in a general meeting, which deprived shareholders of their rights.
60. Following the LDC's comments, the parties submitted a revised Resolution Agreement with an enhanced sanction to the LDC on 30 January 2025. Having considered the revised Resolution Agreement, the LDC hereby imposes the following sanctions:

### *The Company*

- (a) a public reprimand is issued to the Company;

### *Lim*

- (b) a public reprimand is issued to Lim; and
- (c) Lim shall provide a signed written undertaking not to seek or be appointed to any directorship on the board of directors, or role as a key executive officer (as defined in the SGX Listing Rules) of issuers whose securities are listed on the SGX Mainboard or Catalist for a period of two and a half years from the date of this Grounds of Decision;

### *Teo*

- (d) a public reprimand is issued to Teo; and
- (e) Teo shall provide a signed written undertaking not to seek or be appointed to any directorship on the board of directors, or role as a key executive officer (as defined in the SGX Listing Rules) of issuers whose securities are listed on the SGX Mainboard or Catalist for a period of one year from the date of this Grounds of Decision.

END