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ABSTRACT:

Throughout the world today, overseas-listed Chinese firms ("OLCFs") have received much flak from the media, securities regulators and investors alike. It appears that despite their initial popularity, the performances of these OLCFs have been dismal across the board, both in terms of corporate governance and stock performance. All in all, the prevailing rhetoric seems to suggest that OLCFs as a whole are not only poorly governed, but are also predisposed to be so.

While there might be some truth attached to this perception, this author would caution against perpetuating these warnings or taking them at face value. This author will therefore attempt to explore two issues in this paper. In the first part of the paper, the author seeks to assess whether perceptions about OLCFs are justified. In the second part of the paper, this author aims to explore possible ways to correct the issues underlying such a perception.

This author will attempt to explore both issues in the context of Singapore's capital markets and the regulatory environment. Much will also be devoted to the case studies of a few recent 'S-Chip' scandals that taken Singapore's financial markets by storm.

I. INTRODUCTION

A. Looking Abroad – Rise of the OLCFs

Despite the phenomenal expansion of the Chinese economy over the last decade, many businesses in the People’s Republic of China (“PRC”) are still in need of capital to fund their growth¹. Many Chinese firms have therefore looked to finance such their expansion through the sale of its shares to the public – and sometimes – to look into listing beyond the domestic exchanges². At the same time, many major exchanges around the world – including the New York Stock Exchange (“NYSE”) and the London Stock Exchange (“LSE”) – have in recent years held promotional tours in the PRC in a bid to attract Chinese businesses on board their listing platforms³. Since the listing of Tsingdao Beer on the Hong Kong Stock Exchange in 1993, there has been a flood of Chinese firms who have sought to list in overseas markets⁴ - particularly in Hong Kong, Singapore and the United States⁵. Singapore and Hong Kong in particular have now become priority listing venues for Chinese firms due to lower language barriers, geographical advantages and the relative cost-savings involved in the Initial Public Offer (“IPO”) process⁶.

¹ See Joel Dreyfuss, "China's next IPO tidal wave" *CNBC* (12 December 2013) online: <<http://www.cnbc.com/id/101268605>>. Some venture capital firms estimate that as many as 760 Chinese companies are waiting in line to raise money from the domestic market in China.

² Grace Ng, "More Chinese firms look abroad to list" *The Straits Times* (15 January 2013) online: <<http://www.straitstimes.com/premium/story/more-chinese-firms-look-abroad-list-20130115>>

³ U.S. Treasury, Press Release, “Opening Statement by Secretary Henry M. Paulson, Jr. at the Meeting of the U.S. – China Strategic Economic Dialogue” (12 December 2007) online: U.S. Treasury <<http://www.treasury.gov/press-center/press-releases/pages/hp727.aspx>>

⁴ Zhang Ran, “Overseas fever of Tsingtao Beer”, *China Daily* (8 September 2008) online: <http://www.chinadaily.com.cn/bizchina/2008-09/08/content_7007294.htm>

⁵ Jane W. Lu, Khee Hong Goh & Jessie Xueji Liang, *Overseas Listing of Chinese Firms: An Examination of Post-Listing Performance*, (2011) [unpublished, archived at <http://research.nus.biz/Documents/Research%20Paper%20Series/2011-005.pdf>] at Page 4. See also "More SOEs seeking listing in Singapore" *China.org* (9 January 2014) online: http://www.china.org.cn/business/2014-01/09/content_31137426.htm, Paul Mozur et al., "China Companies Line Up for U.S. IPOs" *Wall Street Journal* (31 October 2013) online: <http://online.wsj.com/news/articles/SB10001424052702303843104579167632835494614> and Chen Jia, "More Chinese firms to list in Hong Kong, US" *China Daily* (31 May 2013) online: <http://usa.chinadaily.com.cn/epaper/2013-05/31/content_16551649.htm>

⁶ Cinder Xinde Zhang & Tao-Hsien Dolly King, “The decision to list abroad: The case of ADRs and foreign IPOs by Chinese companies” (2010) 20 *Journal of Multinational Financial Management* 71 at Page 75. See also Sarkissian, S. &

For the purposes of this essay, we shall term these companies as Overseas-Listed Chinese Firms (“OLCFs”). Further, in order to preserve more avenues for research, OLCFs will be defined loosely as any firm listed in an overseas exchange outside of Mainland China that either (1) has majority of their operations and assets based in the PRC, (2) obtains a majority of their revenue from the PRC, (3), has a majority of their management based in the PRC or (4) has a majority of shareholding under Chinese entities or persons. OLCFs for the purposes of our discussion need not necessarily be incorporated in the PRC.

OLCFs however have generally under-performed the benchmark and industry peers in the event windows post-listing⁷. The lacklustre performances of OLCFs have further been tied to the poor corporate governance practices of some of these companies, due in part to the string of regulatory scandals that have taken place across the globe involving OLCFs. It seems – at least for now – that the impression of the OLCF is one plagued by much negativity.

In light of this, it appears necessary for us to question the accuracy of such a perception towards OLCFs as well as address the real issues underlying the perception. This author will therefore attempt to answer two questions in this paper. In the first part of the paper, the author seeks to explore whether perceptions about OLCFs are justified, *i.e.* whether OLCFs share any common factors that predisposes them to practice poor corporate governance. In doing so, this author will also keep in mind that OLCFs themselves are very diverse – it is entirely possible for more variance to occur within OLCFs than within overseas-listed firms (“OLFs”) as a whole.

Regardless of whether grounds do exist to justify our perception of OLCFs, it would still be important for us to address the issues underlying such a perception. The fact remains that some OLCFs are indeed corporate governance deficient – there is still a need explore the possible corrective and preventive measures moving forward. The second part of this research paper hence aims to critique the current measures taken to protect investors in the marketplace. Further, this author seeks to determine the best way to protect investors and the integrity of the market

Schill, M., “The overseas listing decision: new evidence of proximity preference” (2004) 17 Review of Financial Studies 769

⁷ Luo, Fang & Esqueda, “The overseas listing puzzle: Post-IPO Performance of Chinese stocks and ADRs in the U.S. market” (2012) 22 J. of Multi. Fin. Manag. 193 at 197.

without eroding away the benefits of listing on the capital markets.

This author will attempt to answer both questions in the context of Singapore's capital markets and their regulatory environment. In particular, many examples and illustrations will be based upon on 'S-Chips' and other OLCFs based in Singapore.

II. BACKGROUND TO OLCFS

A. Reasons for Venturing Abroad

Traditionally, firms have sought to list abroad in order to strengthen their position in the industry they are based in. Beyond enhancing the firm's reputation with suppliers, employees and customers, listing abroad also signals to the market that the firm has risen to the ranks of a global player⁸. By publishing quotations and trading statistics in a foreign market, a firm effectively also increase their visibility to the broader market, allowing it to increase its shareholder base relative to its domestic peers and vice versa⁹. This is particularly so in the case of OLCFs – studies have shown that domestically-listed Chinese firms tend to have the lowest number of analysts covering their stocks as compared to Hong Kong or U.S.-listed Chinese firms¹⁰.

Further, a foreign exchange may have deeper liquidity compared to domestic ones¹¹. Another key reason why Chinese firms tend to look overseas for capital stems from the relative immaturity of the Shenzhen Stock Exchange and the Shanghai Stock Exchange to satisfy the large amounts of capital raisings required¹². To date, retail investors continue to represent a sizable portion of the Chinese capital markets, with relatively less involvement from the financially stronger foreign institutional investors¹³.

⁸ Pagano, M. et. al., "The Geography of Equity Listing: Why Do Companies List Abroad?" (2002) 57:6 Journal of Finance 2651 at 2653

⁹ Merton, R. C., "A Simple Model of Capital Market Equilibrium with Incomplete Information" (1987) 42:3 Journal of Finance 483

¹⁰ Yang, T. & Lau, S.T., "Choice of foreign listing location: Experience of Chinese firms" (2006)14 Pacific-Basin Finance Journal 311

¹¹ Karolyi, A., "The World of Cross-Listings and Cross-Listings of the World: Challenging Conventional Wisdom" (2006) 10 Review of Finance 99

¹² Su, Q. & Chong, T., "Determining the contributions to price discovery for Chinese cross-listed stocks" (2007) 15 Pacific-Basin Finance Journal140

¹³ "China's Capital Markets: The Changing Landscape" KPMG (June 2011) online: <http://www.kpmg.com/cn/en/IssuesAndInsights/ArticlesPublications/Documents/China-Capital-Markets-FTSE-201106.pdf> at Page 7

B. How Are OLCFs Doing Today?

Singapore, Hong Kong, and New York are currently the 3 largest markets for OLCFs¹⁴. By 2009, OLCFs have comprised 17.5% of the U.S. IPO market¹⁵. In particular, there are currently a total of 71 OLCFs on the NYSE¹⁶ and 121 OLCFs listed on the NASDAQ¹⁷, the two largest stock exchanges in the U.S.. Over at Hong Kong, latest figures by the Hong Kong Exchange (“HKEx”) indicate that OLCFs comprise approximately 40.66% of the Mainboard’s total market capitalization¹⁸.

Performances of OLCFs have unfortunately been dismal across the board. According to data from Bloomberg, about 180 Chinese firms that have gone public in global exchanges since 2010 are now trading at 21% below their IPO prices on average¹⁹. Studies have also shown that Chinese firms in the U.S. tend to underperform the benchmark and industry peers in the first 3 years pursuant to IPO²⁰. Further, more than a quarter of OLCFs listed on HKEx’s Mainboard in 2010 have lowered their profit forecasts since trading began²¹.

The low valuations of OLCFs have been traced to corporate governance malpractices. In Hong Kong, at least 6 disputes have arisen in the first 4 months of 2012 between auditors and OLCFS listed on the HKEx²². The Hong Kong Financial Reporting Council has also announced that 13 Chinese firms are in need of close monitoring²³. More recently, in the U.S., the Securities and Exchange Commission (“SEC”) and the Public Company Accounting Oversight Board (“PCAOB”) have also increasingly focused on

¹⁴ Fox Hu, “Investor Distrust of Chinese Listings Hits IPOs, Prices” *Bloomberg* (19 April 2012) online: Bloomberg <<http://www.bloomberg.com/news/2012-04-18/investor-distrust-of-chinese-listings-hits-ipos-prices.html>>

¹⁵ Renaissance Capital LLC, “2009 Global IPO Market Review and 2010 Outlook 5” (2010) online: Renaissance Capital <<http://www.renaissancecapital.com/ipohome/review/2009Review.pdf>>

¹⁶ NYSE, Listed Companies, Accessed 15 January 2014, online: NYSE <http://www.nyse.com/about/listed/lc_ny_region_7.html?ListedComp=All&start=61&startlist=1&item=4&firsttime=done>

¹⁷ NASDAQ, Companies in China, Accessed 15 January 2014, online: NASDAQ <<http://www.nasdaq.com/screening/companies-by-region.aspx?region=Asia&country=China>>

¹⁸ HKEx, Market Capitalization of China-related Stocks (Mainboard and GEM), Accessed December 2013, online: HKEx: <http://www.hkex.com.hk/eng/stat/smstat/chidimen/cd_mc.htm>

¹⁹ *Supra* Note 11

²⁰ *Supra* Note 7

²¹ *Supra* Note 14

²² *Ibid*

²³ *Ibid*. Companies suspected to be on this list include Daqing Dairy Holdings Ltd, Shirble Departmental Stores Ltd., Ausnutria Dairy Corp Boshiwa and China Forestry Ltd.

alleged accounting fraud involving OLCFs, in response to the billions in investor losses and a flood of auditor resignations at the end the last audit season²⁴. As of June 2012, 67 auditors have resigned from OCLFs and 126 OCLFs were either delisted or no longer filing reports with the SEC²⁵.

Accompanying these reports from official sources is a negative narrative about OCLFs in the media. Across the media, we are told that OCLFs have been involved in accounting irregularities and non-compliances²⁶. Later, as investigations are being conducted, we are told that these firms signal an unwillingness to cooperate and evince general evasiveness in response to questions posed by regulators²⁷.

In the meantime, trading of their stocks are suspended, with investors suffering considerable losses or otherwise left in limbo²⁸. All in all, the prevailing rhetoric seems to suggest that the OCLFs as a whole are not only poorly governed but also predisposed to be so. While there might be some truth attached to this perception, this author would caution against perpetuating these warnings or taking them at face value. Where no basis exists to justify these perceptions with regard to OLCFs, irresponsible writing will not only prompt a dangerous ‘Herd Effect’, but may also taint other compliant OLCFs since investor confidence in a firm is intrinsically linked to its perceived corporate governance²⁹.

²⁴ Gibson Dunn, “Securities Enforcement – 2012 Mid-Year Securities Enforcement Update”, *Gibson Dunn* (16 July 2012), online: Gibson Dunn <<http://www.gibsondunn.com/publications/pages/2012MidYear-SecuritiesEnforcementUpdate.aspx> >

²⁵ Lewis H. Ferguson, “Investor Protection through Audit Oversight” *PCAOB* (19 June 2012) online: PCAOB <http://pcaobus.org/News/Speech/Pages/06192012_FergusonSECConference.aspx>

²⁶ Sarah N. Lynch, "U.S. SEC charges China MediaExpress, CEO with fraud" *Reuters* (20 June 2013), online: <http://www.reuters.com/article/2013/06/20/sec-chinamedia-idUSL2N0EW1BE20130620>, See also Robert Cookson, "China foreign listings dogged by scandals" *Financial Times* (5 June 2011), online: <<http://www.ft.com/intl/cms/s/0/9b70a976-8f8a-11e0-954d-00144feab49a.html#axzz2qWGs1IVp>>

²⁷ Michael Rapoport, "U.S.-China Audit Spat May Spill Over" *Wall Street Journal* (28 December 2012), online: <<http://online.wsj.com/news/articles/SB10001424127887323530404578205621606618616>>

²⁸ Robert Cookson & Alice Ross, "Bolton reveals losses at China holdings accused of fraud" *Financial Times* (14 July 2011), online: <<http://www.ft.com/intl/cms/s/0/fc1bc16c-adf2-11e0-a2ab-00144feabdc0.html#axzz2qWGs1IVp>>

²⁹ This opinion is also shared by Investor Chien Lee, founder of CS Capital USA LLC, an investor advisory firm. See "Investor Chien Lee Says don't lump all PRC listings together" *China Economic Review* (25 December 2013), online: <<http://www.chinaeconomicreview.com/investor-chien-lee-says-dont-lump-all-prc-listings-together>>

III. DEALING WITH THE PERCEPTION OF ‘S-CHIPS’ – A CASE STUDY OF OLCFS IN SINGAPORE

A. A History of OLCFs in Singapore

Given their popularity abroad, it would only be a matter of time before Chinese firms were introduced into Singapore’s capital markets. Investors had an interest in these firms because these firms were perceived to be riding on China’s economic growth³⁰ - most of their prospectuses allude to grand plans of making the most out of the huge consumer boom in the PRC³¹. Investors were also attracted to these Chinese alternatives because Singaporean stocks themselves did not seem to offer them a sufficiently large critical mass³².

Chinese firms similarly find much benefit in listing in Singapore. It has been noted by practitioners that Chinese firms are interested in listing in Singapore because the approval process is much faster than in China, where long queues exist for those who wish to list on the domestic exchanges³³. Moreover, Chinese exchanges have been known to favour companies with a larger market capitalization – effectively neglecting the small and medium-sized enterprises³⁴.

B. Performance of OLCFs in Singapore

Today, foreign companies constitute 302 out of the 769 listed on the Singapore Exchange (“SGX”) – of which almost half (142) have been identified to be OLCFs³⁵. Despite making up almost a quarter of the

³⁰ Qian Meijun, “Why S-chip fraud cases keep cropping up” *The Business Times* (17 February 2012)

³¹ Goh Eng Yeow, “Tougher action needed on errant S-Chips” *The Straits Times* (1 June 2009)

³² R. Sivanithy, “Will S-Chips go the way of Clob” *The Business Times* (17 June 2011)

³³ Shen Hong, “China's Regulator Gets Tougher on IPOs” *Wall Street Journal* (22 February 2013), online: <<http://online.wsj.com/news/articles/SB10001424127887323864304578318101227205828>>. See also Josh Noble, & Simon Rabinovitch, “China acts to relieve IPO backlog” *Financial Times* (9 January 2013), online: <<http://www.ft.com/intl/cms/s/0/103dd078-5a53-11e2-a02e-00144feab49a.html#axzz2qchUGXtH>>

³⁴ Lynette Khoo, “China moves pose IPO challenge for SGX” *The Business Times* (2 November 2009). See also Sheldon Gao, “China Stock Market in a Global Perspective” *Dow Jones Indexes* (September 2002), online: <http://people.stern.nyu.edu/jmci/b40/ChinaIndexCom.pdf> at Page 28 - 29.

³⁵ In the first Monthly Statistics Report released by SGX in February 2010, ‘Foreign Listings’ were defined as companies whose principal place of business is outside of Singapore. In later reports, the category was revised and called ‘Foreign Companies’ instead. See SGX, “SGX Monthly Market Statistics for month of Feb 2010”, online: SGX <http://www.sgx.com/wps/wcm/connect/c33b6000479c27cb915595b5eac0cac8/SGX+Monthly+Statistics_Feb+2010.pdf?MOD=AJPERES&CACHEID=c33b6000479c27cb915595b5eac0cac8> The reasonable inference is that Chinese Companies would simply refer to companies whose principal place of business is in China, which falls within the definition of OLCFs.

number of listings on the SGX, OLCFs however constitute only slightly more than 10% of the entire market turnover by volume of shares, and approximately 9% by value³⁶.

The performances of OLCFs in Singapore have similarly been less than encouraging. One good estimate of their performance is the FTSE China Index, an index based on firms with majority of their sales revenue or operating assets based in Mainland China³⁷. Since the Index's reception in 10 January 2008, it has declined from a height of 742.87 to 219.71³⁸. Further, 8 OLCFs that have gone public in 2010 have notably declined an average of 47% from their offer prices³⁹. Accordingly, there has also been a sharp fall in the velocity of OLCF listings on the SGX – it has been observed that de-listings of OLCFs have in fact far outpaced listings in 2011 alone⁴⁰.

C. Rise of the 'S-Chip' Literature

i. Background to the 'S-Chip' Literature

Alongside these observations with regards OLCFs on the SGX is a plethora of literature on 'S-Chips' – a loose collection of China-related companies that have found their way into the SGX in recent years. While these are firms associated with China, it is hard to pinpoint the exact reason why they have been grouped as such by the media. These 'S-Chips' suffer from much definitional clarity – even the SGX does not define what S-Chips are. As will be shown in the paragraph below, 'S-Chip' companies are generally perceived as companies with a tendency to practice poor corporate governance.

'S-Chip' history seems to date as far back as the China Aviation Oil fiasco in 2003, which involved a series of insider trading activity that exposed a serious lapse in the firm's internal controls⁴¹. Following the China Aviation Oil fiasco, many incidences of corporate scandals were subsequently discovered in

³⁶ SGX, "SGX Statistical Report September 2012", online: SGX
<<http://www.sgx.com/wps/wcm/connect/7e5bf2804cf158b6a3f2ef8e8ccf4cd1/SGX+Monthly+Statistics+%28September+2012%29.pdf?MOD=AJPERES&CACHEID=7e5bf2804cf158b6a3f2ef8e8ccf4cd1>>

³⁷ FTSE, "Factsheet: FTSE ST China Index and FTSE ST China Top Index", online: FTSE
<http://www.ftse.com/chinese/Indices/FTSE_ST_Index_Series/Downloads/FTSE_ST_China_Index_Factsheet.pdf>

³⁸ *Supra* Note 36

³⁹ *Supra* Note 14

⁴⁰ *Supra* Note 36. The number of Chinese companies on the SGX has fallen from 148 in September 2011 to 142 in September 2012.

⁴¹ Lynette Khoo, "Make Chinese listings uphold higher standard of governance" *The Business Times* (28 April 2008). See also Teh Shi Ning, "China Sun chairman suspended" *The Business Times* (8 May 2009)

other ‘S-Chip’ companies, most notably during the period between 2008 and 2009. Money from bank accounts was found to be missing by auditors over at Sun Bio-Chem Technology⁴². The husband and wife management team of China Printing and Dyeing pulled a disappearing act after the company’s parent company (Jianglong Holdings) went bust⁴³. The Chief Executive Officer cum Chairman of Oriental Century, a China-based education provider, was discovered to have been cooking the books for years and diverting money to an interested party⁴⁴. Other companies like Beauty China, Zhonghui Holdings and Bio-Treat have also been found in default of loans to the tune of millions. These loan defaults were followed by a period of disconcerting silence, leaving investors on tenterhooks⁴⁵. By 2011, close to half of the bottom 20 counters in the Governance and Transparency Index were identified to be ‘S-Chips’⁴⁶. Poor performers in this index are usually firms who have been slipshod or evasive in the disclosure of material information as well as firms which have failed to disclose the potential risks in their operations⁴⁷.

ii. *Has the ‘S-Chip’ Literature Been Helpful?*

It seems – however – that companies are only identified by the media (and other academic contributors) to be S-Chips when a corporate scandal occurs or is at the brink of occurring. Needless to say, the negative perception about the state of corporate governance in these firms identified as ‘S-Chips’ would be reinforced by then. Accordingly, almost all ‘S-Chips’ that have been mentioned by the media have never been in good light. Eventually, the lack of a clear distinction between OLCFs and ‘S-Chips’, coupled with negative perception with regards to ‘S-Chips’, has led many investors to perceive all OLCFs as being risk-laden stocks.

In light of the above, some have warned against the possibility of a ‘Herd Effect’ taking place with

⁴² *Supra* Note 31

⁴³ Chew Xiang, “Risks and S-chips on SGX’s mind” *The Business Times* (4 April 2009). See also “China Printing & Dyeing Holding Limited (“CPD”)” *SLAS*, online: <http://www.sias.org.sg/index.php?option=com_content&view=article&id=127:china-printing-a-dyeing-holding-limited-qcpdq&catid=20:press-releases&Itemid=43>

⁴⁴ Lynette Khoo, “Oriental Century appoints legal advisor, special accountant” *The Business Times* (14 March 2009). See also Harry Suhartono, “China’s Oriental Century says CEO inflated ‘08 book” *Reuters* (12 March 2009), online: <<http://in.reuters.com/article/2009/03/12/singapore-oriental-idINSIN50269020090312>>

⁴⁵ Joyce Hooi, “Emphasis of Matter alarms sounding regularly” *The Business Times* (14 April 2009)

⁴⁶ NUS Business School, “Governance and Transparency Index 2012”, online: NUS Business School <[http://bschool.nus.edu/Portals/0/images/CGIO/Resources/BT%20GTI%202012%20v6%20\(A-Z\).pdf](http://bschool.nus.edu/Portals/0/images/CGIO/Resources/BT%20GTI%202012%20v6%20(A-Z).pdf)>

⁴⁷ NUS Business School, “Governance and Transparency Index”, online: Nus Business School <http://bschool.nus.edu/Portals/0/images/CGFRC/docs/GTIMethodology_11July2011.pdf>

respect to OLCFs⁴⁸. To understand how the ‘Herd Effect’ works in the case of OLCFs, we must first recognize that today’s media is a key means of coordination in the financial markets as a result of disintermediation and the growing financial literacy in the investing public⁴⁹. Further, studies have shown OLCFs to be disproportionately sensitive to market sentiment⁵⁰. This is in line with the technical school of investing which sees the ‘Herd Effect’ as a result of extreme market sentiment⁵¹.

Arguably, the ‘Herd Effect’ has already taken root here in Singapore. Given the less-than-savoury comments that have been made about ‘S-Chips’ by the local media, one would expect the reasonable investor (institutional or otherwise) to move away from ‘S-Chip’ stocks and into greener pastures. Unfortunately, what has been observed instead is a rapid disposal of OLCFs stocks together with a decline in the valuation of OLCFs listed on the SGX – compliant ones included⁵². Investors therefore seem to have associated or equated ‘S-Chips’ with that of OLCFs, due in part to the lack of clarity in the prevailing literature on ‘S-Chips’.

Clearly, if these perceptions are allowed to perpetuate, what we can anticipate in the near future is perhaps the mass delisting of good OLCFs because of severe undervaluation⁵³. Moving forward, this author therefore wishes to use an objective assessment to see if there are indeed unique and common characteristics amongst ‘S-Chips’ that justifies the generalized negativity directed at them. Clearly, where no unique and common characteristics exist between firms under the ‘S-Chip’ label, discrimination against these ‘S-Chips’ (and more broadly, OLCFs) would be very much uncalled for.

IV. A JUSTIFIED PERCEPTION?

It is this author’s opinion that if the perception about ‘S-Chips’ is to hold water, then we should look into

⁴⁸ Herd Effect describes how individuals within a group can act together without any planned direction. See Lee Lennard, *S-Chips on the SGX: A Case Study* (BBA Hons. Thesis, NUS Business School, 2010/2011) [unpublished] at 36 - 39

⁴⁹ Gordon L. Clark, Nigel Thrift & Adam Ticknell, “Performing Finance: The Industry, the Media and Its Image” (2004) 11:2 *Review of International Political Economy* 289 at 303

⁵⁰ *Supra* Note 48 at 38

⁵¹ Robert Prechter, *The Wave Principle of Human Social Behavior* (New Classics Library, 1999) at 152 - 153

⁵² *Supra* Note 37. Also see Kirsty Green, "Where S-Chips Fall" *Wall Street Journal* (10 March 2009), online: <http://online.wsj.com/news/articles/SB123668027115082001>. Green notes that even analysts have "ditched coverage" of Chinese companies as investor interest evaporates.

⁵³ This is perhaps already happening with Yangzijiang Shipbuilding, one of the biggest OLCFs listed on the exchange. See Note 30 and Andy Chiok, “S-Chip Woes” *Shares Investment* (23 March 2011), online: Shares Investor <<http://www.sharesinv.com/articles/2011/03/23/s-chip-woes>>

what is common to all these firms that predisposes them to practice poor corporate governance. This author therefore seeks to determine if there are indeed common factors unique to the firms identified as ‘S-Chips’.

Firstly, this author will attempt to construct a table that comprises companies which have been termed ‘S-Chips’ by the media⁵⁴. Next, the author will attempt to surmise the similarities (if any) amongst these firms across key factors that are allegedly common amongst ‘S-Chip’ firms. Finally, the author will seek to confirm if the identified similarities are unique and check if counter-examples exist.

It would be appropriate at this juncture to detail some of the key factors that are most likely to yield similarity amongst the firms identified as 'S-Chips'. These key factors that have been identified as being common to all 'S-Chips' are as follows.

A. Regulatory Breach

Regulatory breaches come in various forms – ranging from fraudulent activity to general evasiveness in disclosure of information. Breaches can also range from breaches of the Code of Corporate Governance⁵⁵, SGX Listing Rules⁵⁶, Securities and Futures Act⁵⁷, Companies Act⁵⁸ or the Penal Code⁵⁹. If the prevailing rhetoric is to hold true, all firms identified to be ‘S-Chips’ are expected to be involved in a breach of one of the abovementioned legislations, rules, regulations or guidelines.

⁵⁴ Firms that have been identified as ‘S-Chips’ by The Straits Times and The Business Times will be included in this table. Further, the displayed information in the table is based on Corporate Announcements, Annual Reports and Prospectuses of these firms, which are made available on SGX’s website.

⁵⁵ Monetary Authority of Singapore, *Code of Corporate Governance* (2 May 2012) online: MAS <http://www.mas.gov.sg/en/Regulations-and-Financial-Stability/Regulatory-and-Supervisory-Framework/Corporate-Governance/Corporate-Governance-of-Listed-Companies/~//media/resource/fin_development/corporate_governance/CGCRevisedCodeofCorporateGovernance3May2012.ashx>

⁵⁶ Singapore Exchange, *SGX Listing Rules: Mainboard Rules*, online: SGX <http://rulebook.sgx.com/en/display/display_main.html?rbid=3271&element_id=4830>

⁵⁷ *Securities and Futures Act* (Cap 289, 2006 Rev Ed)

⁵⁸ *Companies Act* (Cap 50, 2006 Rev Ed Sing)

⁵⁹ *Penal Code* (Cap 224, 2008 Rev Ed Sing)

B. Identity of the Firm's Substantial Shareholders

The focus here is to assess if there are similarities in the type of substantial shareholder behind the 'S-Chip' firms. Beyond this, the author will also attempt to identify similarities in the percentage of shareholding held by the biggest shareholder of these companies. If prevailing rhetoric is accurate, the substantial shareholders of 'S-Chip' companies are likely to be the firm's key management personnel or directors.

C. Location of the Operations, Assets, Revenue Source and Key Management

The oft-cited defining attribute of an 'S-Chip' firm has been the fact that all their operations, assets, revenue source and key management figures are attributable to or based in the PRC. Here, the author intends to explore if there are similarities with regards to the corporate visibility of the identified 'S-Chip' firms, as alleged in the prevailing rhetoric.

D. Place of Incorporation

The place of incorporation is traditionally determined based on considerations of tax planning, confidentiality and the judgment enforceability. The prevailing rhetoric assumes that 'S-Chips' are incorporated in jurisdictions outside of the reach of regulators in the countries they are listed in. The author intends therefore to assess the accuracy of this assumption with regards to an 'S-Chip's' place of incorporation.

E. Province / Cities that Firm is based in

The PRC is large and comprises of different provinces and cities – accordingly, there would be stronger grounds for the use of a common label for these firms where these 'S-Chips' derive from the same region. Here, the author seeks to determine if these 'S-Chip' firms are based in similar locations, as has been alleged.

F. Type of Industry

In this section, we will be assessing if ‘S-Chip’ firm are indeed based in the same type of industry. Possible industries include the following: basic materials, consumer goods, consumer services, financials, healthcare, industrials, oil & gas, technology, telecommunications and utilities⁶⁰.

V. ANALYSIS OF THE RESEARCH

A. Considerable Similarity Between Companies Identified as ‘S-Chips’

To date, there are 19 firms which have been specifically identified as ‘S-Chips’ by the media. Overall, these 19 ‘S-Chip’ firms tend to share a few similarities. A copy of the completed table can be found in *Appendix A*.

Firstly, all 19 firms have been identified to in breach of one or more of the abovementioned regulations. In particular, a large majority of the 19 ‘S-Chip’ firms have been observed to have made false or misleading statements in their disclosures⁶¹ as well as submitted inaccurate information to the exchange⁶². Other breaches are less common across the board but generally include the following: falsifying or destroying books⁶³; the failure to disclose major transaction⁶⁴, information necessary to avoid the establishment of a false market⁶⁵ or changes to a substantial shareholder’s interest in company securities⁶⁶ as well as the lack of internal control and processes⁶⁷ (See *Fig. 1.1* below).

⁶⁰ *Supra* Note 36 at 5. These categories are as provided for in SGX’s monthly report.

⁶¹ *Supra* Note 57 at Section 199

⁶² *Supra* Note 56 at Listing Rule 114

⁶³ *Supra* Note 58 at Section 338

⁶⁴ *Supra* Note 56 at Listing Rule 1014

⁶⁵ *Ibid* at Listing Rule 703(1)

⁶⁶ *Ibid* at Listing Rule 704(3)

⁶⁷ *Ibid* at Listing Rule 719

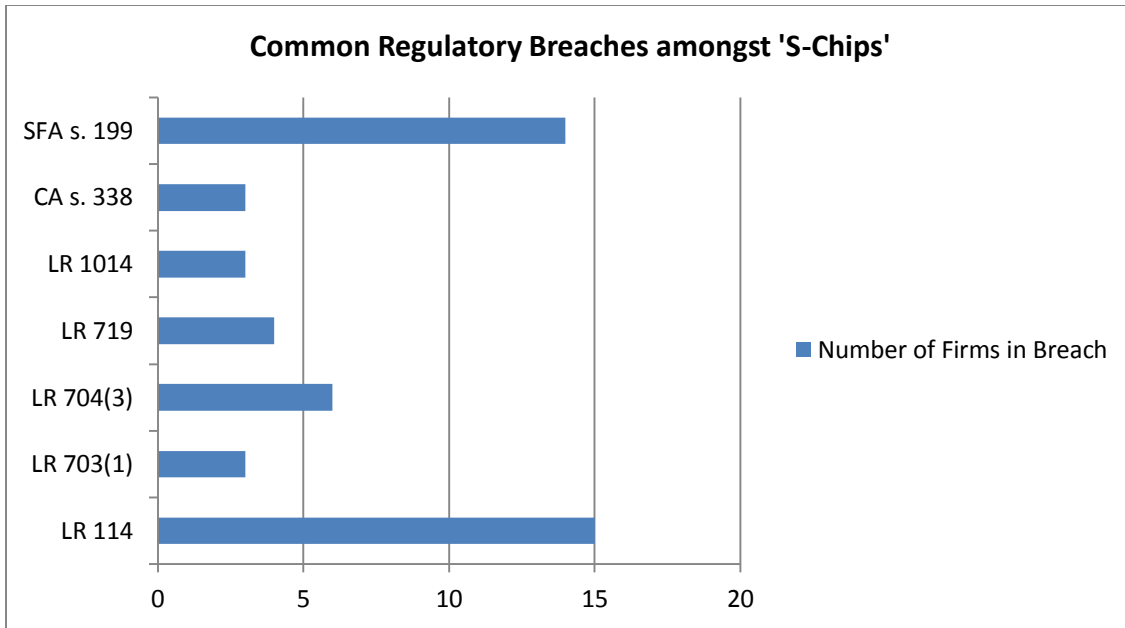


Fig. 1.1

All of the 19 companies identified to be 'S-Chips' are either incorporated in Singapore, Bermuda or the Cayman Islands (see *Fig. 1.2* below). Apart from one company, almost all of the companies identified as 'S-Chips' have originated from another company or joint venture in which their current / previous Chief Executive Officers had a majority stake in. Also, apart from one company, a high proportion of shares of these companies (within the range of approximately 25% to 60%) are usually held in the hands of key executives or directors. In some cases, substantial shareholdings may also be held by these persons through the use of other business vehicles.

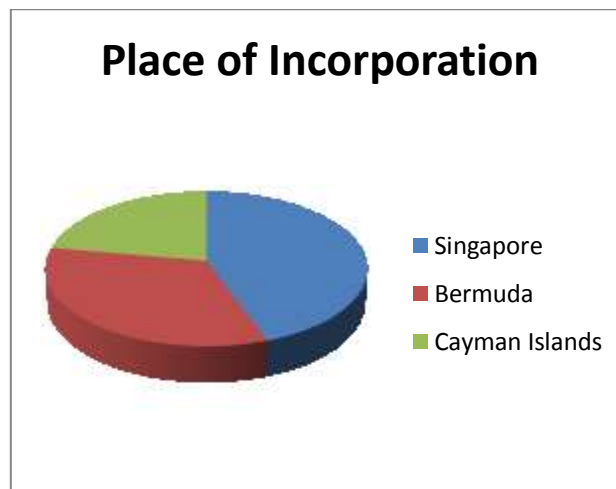


Fig. 1.2

In terms of corporate visibility, the operations of 18 out of 19 firms are based in the PRC. Almost all assets (mostly, non-current and fixed) of the all 19 firms are located in the PRC as well. Across all companies identified to be ‘S-Chips’, revenue is similarly derived mainly from customers from the domestic (Chinese) market. Lastly, more than 50% of key management figures in these companies are found to be based in the PRC.

Similarities between these companies however end here. Companies identified as ‘S-Chips’ hail from different provinces, including Shanxi, Jiangsu, Zhejiang, Fujian, Guangdong, Liaoning, Shandong and Heilongjiang. Geographically, there is no perceptible similarity in the regions which these companies originate from.

‘S-Chip’ companies are generally also spread out across different industries. Most companies however are involved in technological development, consumer services, as well as the manufacture of basic materials and consumer goods (see *Fig. 1.3* below).

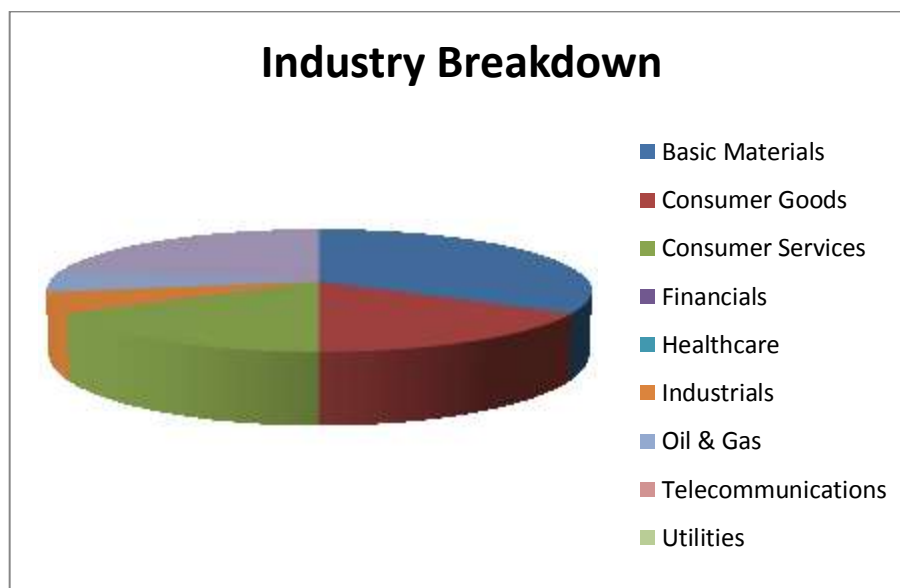


Fig. 1.3

B. Similarities Identified Not Unique to ‘S-Chips’ Alone

While what can be observed is considerable degree of similarity amongst firms identified to be ‘S-Chips’, it is submitted that these characteristics are hardly unique to ‘S-Chips’. It has been noted that there are examples of other foreign issuers with similar characteristics based in other countries that have been plagued by similar corporate scandals – practitioners have noted that other OLFs based outside of the PRC have similarly been afflicted by issues that plague ‘S-Chips’⁶⁸. To illustrate, this author will now turn to look at 2 case studies – Daka Designs Ltd. (based in Hong Kong) and Japan Land Ltd (based in Japan).

i. Daka Designs Ltd (Hong Kong)

While Daka Designs was incorporated in Bermuda, its origins can be traced back to a firm called Daka Developments, which was incorporated as a private limited trading company in Hong Kong. Daka Designs was primarily involved in the design, development and marketing of innovative products for the consumer market⁶⁹. Most of Daka Design’s manufacturing activities were also outsourced to Daka Manufacturing, which had a plant in Dongguan, PRC⁷⁰.

In terms of corporate visibility, over 90% of the Group’s assets were located in Asia⁷¹. Also, most of Daka’s major customers were distributors located mainly in North America⁷². Accordingly, majority of the firm’s revenue were also derived from there⁷³. Lastly, it has been observed that almost all key management figures in Daka Designs were based in Hong Kong⁷⁴. In essence, aside from being based in a different region⁷⁵, Daka Designs shared many of the attributes found in most of the abovementioned ‘S-Chips’.

⁶⁸ Lynette Khoo & Oh Boon Ping, “Don’t single out S-Chips: Roundtable” *The Business Times* (25 May 2009)

⁶⁹ SGX, *IPO Prospectus: Daka Designs Ltd.* (2004) online: SGX <<http://info.sgx.com/webipo.nsf/IPOByCompanyNameInitial/91B956B5611BA4D148256ECA00310D7B?opendocument>> at Cover Page and 69 - 72

⁷⁰ Ibid at 84

⁷¹ Ibid at F-46. Unfortunately a regional breakdown has not been provided.

⁷² *Supra* Note 70

⁷³ *Supra* Note 71

⁷⁴ Ibid

⁷⁵ Hong Kong lies outside of Mainland China

Like these ‘S-Chip’ firms, Daka Designs was also embroiled in a series of corporate scandals. In the year following its listing, SGX called for a special audit on Daka Designs following 2 profit warnings which were issued by the company⁷⁶. Daka Designs subsequently failed to comply and even blocked access to its books. This resulted in a trading suspension imposed by the exchange in January 2006 which has not since been lifted⁷⁷. It was later revealed that ex-senior executives of the company (including the ex-CEO and ex-CFOs) were charged in Hong Kong for conspiring to defraud shareholders between early 2003 and May 2005. In particular, it was uncovered that they ‘dishonestly falsified’ financial records of a Daka Design subsidiary, as well as inflated the turnover and profit figures of the company by over S\$1.63 million⁷⁸. Daka Designs was later sold back to its parent company in 2007⁷⁹ and subsequently renamed (Carats Ltd), but was eventually delisted in March 2009 as it was unable to meet the exchange’s deadline to secure a new business⁸⁰.

ii. *Japan Land Ltd (Japan)*

Japan Land was incorporated in Singapore in 1997 and listed on the SGX since 2000. On its website, Japan Land calls itself ‘a specialist provider of real estate and related solutions and services in Asia’⁸¹. The company operated in Japan, Singapore and Vietnam and its key subsidiaries and associated companies were based in parts of Asia outside of Singapore. Amongst its key assets is a 20% stake in one of the largest customized housing company in Hyogo Prefecture, Japan⁸². Unsurprisingly, members of its key management were Japanese citizens based in Japan – including managing director Mitsutoshi Ono and deputy managing director Junichiro Meno⁸³.

⁷⁶ Jamie Lee, “Three former senior execs of Daka Designs charged in Hong Kong” *The Business Times* (16 September 2009)

⁷⁷ Ibid

⁷⁸ Michelle Quah, “Two former Daka Directors Jailed as SGX Effort Pays off” *The Business Times* (20 October 2011)

⁷⁹ Daka Designs Ltd., *Circular to Shareholders* (14 March 2007), online: SGX <[http://info.sgx.com/webcoranncatth.nsf/VwAttachments/Att_5AC34F175F174C444825737F0021CB44/\\$file/Circular.14.03.07.pdf?openelement](http://info.sgx.com/webcoranncatth.nsf/VwAttachments/Att_5AC34F175F174C444825737F0021CB44/$file/Circular.14.03.07.pdf?openelement)>

⁸⁰ Singapore Exchange, *Miscellaneous: Delisting Announcement* (6 March 2009), online: SGX <<http://info.sgx.com/webcorannc.nsf/Announcement4thYearDataByCompanyNameAndCategory/F8326F1C61492A57482575710043212E?opendocument>>

⁸¹ Japan Land Ltd., *Frequently Asked Questions*, online: Japan Land Ltd. <<http://www.japanlandltd.com/faq.php>>

⁸² Ibid

⁸³ Mak Yuen Tee, ed, *Corporate Governance Case Studies*, (CPA Australia, 2012), online: CPA Australia <<http://www.cpaaustralia.com.au/cps/rde/xbcr/cpa-site/Corporate-governance-case-studies.pdf>> at 31

As with many of the abovementioned firms, Japan Land was also found to have been deficient in the area of corporate governance. There was a lack of proper review over accounting practices of the company as well as the lack of proper monitoring of its subsidiaries⁸⁴. The uncovering of these practices was accompanied with the successive resignations of Japan Land's management in July 2009. Later, Ernst & Young, the company's auditor, also resigned just 3 days after its re-appointment in the company's annual general meeting⁸⁵. Japan Land subsequently acknowledged the existence of several conflicts of interests, including the duality of roles held by the Chairman cum Managing Director, Mitsutoshi Ono⁸⁶. Like most of the negative narratives accompanying 'S-Chip' companies, share prices of Japan Land plunged soon after. The company later also fell into financial difficulties, eventually delisting in June 2011⁸⁷.

C. Existence of Counter-Examples

As mentioned above, companies are only identified by the media to be 'S-Chips' when a corporate scandal occurs or is at the brink of occurring. It is therefore no coincidence that all of the firms identified to be 'S-Chips' are also corporate governance deficient. However, this author has found good examples of companies that are in substance similar to 'S-Chips'. Many of these OLCFs (which have been observed to share similar characteristics as 'S-Chip' companies) have notably performed well financially and have also been observed to practice good corporate governance. In particular, it was noted during 2009 recession that a vast majority of these OLCFs were coping with the downturn as best as they can by maintaining positive cash-flows despite stagnant growth⁸⁸. This author will now look at two of such firms – Cosco Corporation and Yangzijiang Shipbuilding – to provide further illustration.

i. Cosco Corporation (S) Ltd.

Cosco Corp (S) is a subsidiary of the COSCO Group (China's largest shipping group) and also amongst one of the top shipping conglomerates in the world⁸⁹. Their main operations include ship-repair, ship-building and offshore marine engineering. It is worth mentioning that Cosco Corp (S)'s major shipyards,

⁸⁴ Sim Arthur, "Japan Land Independent Director Speaks Up", *The Business Times* (10 December 2009)

⁸⁵ Japan Land Ltd., "Announcement of Cessation as Deputy Managing Director" (6 July 2009) online: Japan Land Ltd. <<http://www.japanlandltd.com/pdf/2009/cessation06jul09.pdf>>

⁸⁶ Hock Lock Siew, "Japan Land Twisting in Ever Tighter Knots", *The Business Times* (9 December 2009)

⁸⁷ Japan Land Ltd., "Delisting Announcement" (29 June 2011) online: Japan Land Ltd. <<http://www.japanlandltd.com/pdf/2011/20110629Delisting.pdf>>

⁸⁸ "Putting S-Chips in perspective" *The Business Times* (8 April 2009)

⁸⁹ COSCO Corporation (Singapore) Limited, Annual Report 2011 at 3

key management figures and operations are based mainly in China⁹⁰. Further, as of the last fiscal year, majority of its non-current assets and revenue have been identified as being attributable to the PRC⁹¹.

To date, the company is one of the top constituents of the FTSE ST China Top Index – an index comprising 20 of the largest OLCFs on the SGX Mainboard based on full market capitalization⁹². The company has generally been doing well financially. During the last fiscal year, the Group’s gross profits grew 27.3%. The company has also been steadily returning shareholders with healthy yearly dividends and has maintained profitable over the course of the past 6 years⁹³. Equally notable is its performance in the area of corporate governance – the company has been the runner-up of the SIAS Most Transparent Company Award (Foreign Listings Category) for 3 consecutive years in a row⁹⁴.

ii. Yangzijiang Shipbuilding (Holdings) Ltd.

Yangzijiang Shipbuilding was incorporated in Singapore in 2005 and is known as a leading shipbuilder in the PRC, with shipyards and dry docks located in Jiangsu Province⁹⁵. Yangzijiang’s major customers and source of revenue comes from outside of Singapore – almost half of its major customers and revenue is attributable to the PRC and Taiwan, with the rest interspersed amongst countries such as Italy, Germany and Greece⁹⁶. Like most other ‘S-Chip’ firms, Yangzijiang’s non-current assets⁹⁷ and senior management⁹⁸ are similarly all based in the PRC.

Further to this, Yangzijiang is one of the constituents of the FTSE ST China Top Index. The company is noted to be steadily growing – it has increased production capabilities and had thus experienced a 12% revenue growth within the last fiscal year⁹⁹. Also noteworthy is the company’s success in securing 7

⁹⁰ Ibid at 10

⁹¹ Ibid at 149

⁹² *Supra* Note 37

⁹³ COSCO Corporation (Singapore) Limited, *Financial Annual Report 2012*, online: <<http://infopub.sgx.com/FileOpen/COSCO%20AR2012.ashx?App=Prospectus&FileID=4057> > at Page 7 and 17

⁹⁴ Singapore Investors’ Choice Awards, Year 2010, online: http://www.sias.org.sg/cgweek2012/ICA_PWinners_MTCA10.html, Year 2011: http://www.sias.org.sg/cgweek2012/ICA_PWinners_MTCA11.html, Year 2012: http://www.sias.org.sg/cgweek2012/ICA_PWinners_MTCA12.html

⁹⁵ SGX, *IPO Prospectus: Yangzijiang Shipbuilding (Holdings) Ltd.* (2007) online: SGX <<http://info.sgx.com/webipo.nsf/IPOByCompanyNameInitial/FFA098CBBEA49428482572B800336F18?opendocument>> at Cover Page

⁹⁶ Yangzijiang Shipbuilding (Holdings) Limited, Annual Report 2011 at 108

⁹⁷ Ibid

⁹⁸ Ibid at 14 – 17

⁹⁹ Ibid at 20

shipbuilding contracts worth US\$206.2 million at the beginning of 2012¹⁰⁰. Market sentiment in its shares has generally been positive¹⁰¹ and the company has also announced its plans to continue expanding¹⁰². The firm has likewise excelled in the area of corporate governance – it is the winner of the SIAS Most Transparent Company (Foreign Listings) Award for 3 consecutive years¹⁰³.

As can be gleaned from the above, while a considerable degree of similarity exists between firms identified to be ‘S-Chips’, these similarities are evidently not unique. Further, there exists examples of firms which – although similar in form to ‘S-Chips’ – have proven themselves to be successful and compliant. In the final analysis, this author is of the opinion that while there is some information in support of the hypothesis, it would be insufficient in light of the significant amount of evidence to the contrary. In other words, it would be too much a stretch to assume that all ‘S-Chips’ share common, unique factors that predisposes them to practice poor corporate governance.

VI. ADDRESSING ISSUES UNDERLYING THE PERCEPTION

Clearly, the ‘S-Chip’ descriptor is of little practical value – it does not further our understanding of OLCFs and also has the potential to mislead. This author would therefore propose doing away with the descriptor entirely. However, disposing of the ‘S-Chip’ descriptor only solves half the problem – issues that plague non-compliant OLCFs still need to be dealt with. In any case, there is no smoke without fire – there must be in existence real corporate governance issues amongst OLCFs for this perception to have arisen. Therefore, this author attempts in the next part of this paper to scrutinize the responses and measures that have been drawn up to tackle corporate governance issues within OLCFs, with a specific focus on the regulators and the regulatory devices that are currently employed. Further, the author will also be putting forth some proposals to better regulatory efforts dealing with OLCFs and – more broadly – OLFs in general. It is this author’s hope that these proposals will go some way in addressing the issues underlying the current perception tied to OLCFs.

¹⁰⁰ Ibid

¹⁰¹ AmFraser, “Yangzijiang Shipbuilding: Rose among the thorns” (26 September 2011) online: AmFraser <https://www.amfraser.com.sg/gcsg/download/Yangzijiang_Initiate_BUY%20-%20AmFraser%20110926.pdf>

¹⁰² Yasmine Yahya, “Eye on... Yangzijiang Shipbuilding” *The Straits Times* (4 July 2011)

¹⁰³ *Supra* at Note 94

A. An Introduction to the Regulatory Environment in Singapore

Corporate governance is as much of a choice of each company as it is attributable to the regulatory environment. As such, it would be appropriate to detail 2 types of corporate governance mechanisms before going into a discussion of the current and proposed measures. The ‘internal’ aspect of corporate governance studies deals with the internal control systems and processes that firms can adopt themselves. The ‘external’ mechanism, on the other hand, focuses on what regulators can do – this aspect of corporate governance sees the regulatory environment as an external disciplinary mechanism that influences the nature and effectiveness of investor protection¹⁰⁴. As mentioned above, this part of the paper will focus on the ‘external’ aspect of corporate governance – beginning with an introduction of the regulators and the regulations that are of relevance to Singapore’s securities market.

i. The Regulators

The SGX is the securities market’s frontline regulator in Singapore¹⁰⁵. More specifically, it is involved in the day-to-day regulation of companies listed on its platforms through supervising their compliance with its Listing Rules. To perform its role, the SGX also works closely with other relevant regulatory authorities, including the Monetary Authority of Singapore (“MAS”) and the Commercial Affairs Department (“CAD”).

The MAS is the statutory regulator of the securities industry, and is principally tasked to “foster a sound and reliable financial centre”¹⁰⁶. It also has the ability to issue directives for the SGX and other approved exchanges by virtue of the power vested upon it by the Securities and Futures Act (“SFA”)¹⁰⁷.

The CAD is the primary white-collar crime investigation and enforcement body in Singapore¹⁰⁸. Cases may be referred to it by the SGX where an alleged criminal activity has taken place within the issuer or by the issuer itself – which includes (but is not limited to) the breaches of criminal provisions within both the Companies Act (“CA”) and the SFA.

¹⁰⁴ Cremers M. & Nair V., “Governance Mechanisms and Equity Prices” (2005) 60:6 *Journal of Finance* 2859

¹⁰⁵ Singapore Exchange, *Regulatory Framework*, online: SGX <<http://www.sgx.com/wps/portal/sgxweb/home/regulation/overview#panelhead1>>

¹⁰⁶ *MAS Act*, (Cap 196, 1999 Rev Ed) at Section 4(1)(b)

¹⁰⁷ *Supra* Note 57 at Section 32

¹⁰⁸ Commercial Affairs Department, *About CAD*, online: CAD <<http://www.cad.gov.sg/topNav/abo/>>

ii. The Regulations

Issuers are generally subject to the provisions laid down within the CA, SFA and the SGX's Listing Rules. Section 203 of the SFA in particular imposes a statutory obligation upon listed companies to comply with the SGX's rules. One qualification however is necessary – the CA only applies to issuers who are incorporated in Singapore. As such, it would be important to note that provisions within the CA may actually be inapplicable to a huge proportion of OLFs and OLCFs.

B. Assessing the Adequacy of the Current Regulatory Regime

To date, two sets of regulatory measures have been adopted by the regulators with respect to listed issuers – one set applied as part of the IPO process, and another pursuant to the IPO. Since corporate governance failures do not happen overnight, approaches to tackling them will require more than just a light approach. Regulators therefore need to ensure the continued implementation of regulatory measures from the pre-listing to the post-listing stages.

i. Current Pre-listing Regulatory Requirements

Pre-listing regulatory measures are mainly directed at ensuring that only issuers with sound financial backgrounds and internal controls in place enter the marketplace. As such, regulators generally prescribe certain barriers to entry to filter away listings of lower quality.

In recent years, many market commentators have argued that the SGX has been lax in its pre-listing screening and admissions process by allowing firms of secondary quality to list in order to bring in more revenue¹⁰⁹. Perhaps in a bid to dispel these rumours and also to preserve the integrity of the market place, the SGX has made recent changes in its listing rules to boost its corporate governance standards. Through an amendment made to Listing Rule 210, the bar has been raised for entry into SGX's Mainboard¹¹⁰. Starting August 2012, all new mainboard entrants must have their IPOs priced at a minimum of S\$0.50 per share. Additionally, they must meet one of 3 criteria that guarantees that they are financially sound and or have an operating track record¹¹¹. However, there is no requirement for operations to be based in

¹⁰⁹ R. Sivaniyithy, "Fixing the faults with foreign listings" *The Business Times* (6 April 2009). See also Note 79

¹¹⁰ Singapore Exchange, *Admission*, online: SGX <http://www.sgx.com/wps/portal/sgxweb/home/regulation/regulation_mainboard#panelhead2>

¹¹¹ Ibid. New entrants must either have (1) A pre-tax profit of at least S\$30 million for the latest financial year and an operating track record of at least 3 years, (2) A profit in the last financial year, a market capitalization at IPO of at least S\$150 million and a 3 year operating track record or (3) A market capitalization of at least S\$300 million at IPO if the company only has operating revenue in the last completed financial year.

Singapore. The SGX has made it patently clear that the new requirements will have real impact – analysts were informed by SGX’s management that about 30% of successful IPO applicants over the past 2 to 3 years would not have met these new rules¹¹².

ii. Proposed Pre-listing Regulatory Requirements

The author is of the opinion that the bar is raised mostly to preserve the exclusivity that attaches to listing on the SGX rather than to filter out high-risk firms. This is evident from how firms of smaller market capitalizations, lower operating revenues and shorter track records are now prevented from listing. It appears also that most of the OLFs and OLCFs which have been identified as having corporate governance failures would be able to still list on the SGX despite this new set of criteria. The impact of this new set of criteria may therefore not actually have as much bite as it seems – especially with regards to foreign listings. As such, this author wishes to now consider other regulatory measures that could be implemented during the pre-listing stage.

Some have suggested the use of different listing regimes to govern local and foreign firms – in particular, a more rigorous set of listing requirements to raise the barriers to entry for foreign firms¹¹³. This has been argued as reasonable in light of how foreign firms generate employment and profits abroad, and make little contribution to Singapore’s development¹¹⁴. This author however is of the opinion that this may actually be difficult to implement or justify in practice. Potential issues of discrimination aside, the ‘foreign firm’ category may simply be inefficacious in capturing all high-risk OLFs and OLCFs since some of these high-risk firms are incorporated in Singapore.

It has also been suggested that companies waiting to list on the SGX should prominently highlight the absence of an extradition treaty between its country of origin and Singapore where applicable¹¹⁵. The absence of such treaties has been observed to worry many investors because it would mean an impediment to the investigation and enforcement efforts should the company be involved in fraudulent activity. Understandably, highlighting this pertinent fact may go some way in warning investors about the potential risks of investing under these circumstances. It is foreseeable however that such ‘prominence’ of

¹¹² Kenneth Lim, “SGX Mainboard sets sights on loftier image” *The Business Times* (20 July 2012)

¹¹³ Mak Yuen Tee, Emily Sim & Vincent Chen, “SGX should not punch above its weight” *The Straits Times* (2 August 2012). See also Emily Sim, *Impact of Regulatory Enforcement on Valuation of Foreign Firms* (BBA Hons. Thesis, NUS Business School, 2011/2012) [unpublished] at 48 - 49

¹¹⁴ Mak Yuen Tee. “Holistic review of listing regime needed.” *The Business Times*, (9 December 2010)

¹¹⁵ Rachel Kelly, “SIAS submits proposal to tighten requirements for foreign listings” *Channelnewsasia* (23 July 2012), online: CNA <<http://www.channelnewsasia.com/stories/singaporebusinessnews/view/1215236/1/.html>>

such warning statements may be subject to much debate. On the one hand, while this caveat should be made obvious enough for the reasonable investor, it should not come at the expense of nullifying the expense of effort and money that goes behind an IPO exercise by discouraging potential investors. In any case, there is also some doubt as to whether the lay investor would be able to appreciate the implications of the absence of an extradition treaty without it being spelt out explicitly.

The last proposal is specifically targeted at foreign issuers – it has been recommended that the SGX should require a foreign issuer to provide a bank guarantee or a relevant instrument of comfort of a sufficient quantum to ensure that the company and its directors will fully comply with the Regulations for a specified period at its time of listing¹¹⁶. This recommendation is in substance similar to the Newspapers and Printing Presses Act¹¹⁷, under which foreign publications are required to post a deposit in case of a lawsuit against them¹¹⁸. This author would however argue for a more targeted approach. It is submitted that this requirement should be altered to apply only to issuers based in countries without an extradition treaty signed with Singapore – this ensures that the requirement is one that is targeted at companies which are predisposed with higher risks.

iii. Current Post-Listing Regulatory Requirements

Post-listing regulatory requirements – in contrast – focuses on the use of disciplinary mechanisms and the enforcement of disciplinary measures against errant issuers. It is generally hoped that non-compliant issuers devoid of regard for the Regulations and the practice of corporate governance will be sanctioned through the enforcement of these measures. Further, effective and swift enforcement serves to deter firms and their executives from participating in market misconduct or non-compliance.

In this regard, the SGX has (since April 2010) begun publishing the names of directors of listed companies who have breached the Listing Rules¹¹⁹. Notably, quite a number of directors who have been named-and-shamed thus far come from OLCFs. Besides serving as a warning to other listed issuers, black-listing in the case of a confirmed breach can be seen as a form of reputational sanction – it is a definitive statement from the SGX about the lack of character and integrity¹²⁰ of these directors of listed

¹¹⁶ Ibid

¹¹⁷ *Newspapers and Printing Presses Act* (Cap 206 2002 Rev Ed Sing) at Section 23(3)(c)

¹¹⁸ Conrad Raj, “Relook rules for foreign listings” *Today* (29 June 2009)

¹¹⁹ SGX, *Past Disciplinary Actions*, online: SGX <http://www.sgx.com/wps/wcm/connect/sgx_en/Misc/regulations/disciplinary_actions>

¹²⁰ *Supra* Note 48 at Listing Rule 210(5)(b)

companies.

Some changes have seemingly also been made with foreign companies in mind during SGX's last revamp of the Listing Manual in September 2011¹²¹. For instance, a new Listing Rule 216(2) was introduced to require issuers to make disclosures in the law of the issuer's place of incorporation which may affect the rights of shareholders. Perceptibly, such rights would include the right to appoint proxies, the right of first refusal and other related entitlements. Another new Listing Rule, Listing Rule 610(7), has also been introduced to require the disclosure of information and risks relating to the appointment of a legal representative. These individuals (found mostly in OLCFs) wield significant power because they hold the company seal, which gives them legal capacity to represent and enter into binding agreements on behalf of the issuer¹²². Where changes are made to the legal representative, the new Listing Rule 704(11) further requires companies to disclose the change. Together, the disclosure requirements in 704(11) and 610(7) forces companies to be more careful in their selection of individuals who are tasked to perform this important role.

Of significance also is the new Listing Rule 704(31), which now requires issuers to disclose loan covenants linked to their controlling shareholders. Listing Rule 704(31) is accompanied by the new Listing Rule 728, which now requires that an issuer also obtain an undertaking from its controlling shareholder to notify the issuer as soon as they become aware that their personal share-pledges may result in a breach of the issuer's loan covenants. Once notified of such information, the issuer is also required to make an immediate announcement regarding these arrangements. It used to be that these pledging arrangements were seen as private affairs and therefore issuers were only expected to make these disclosures when notified of these changes. However, as seen in some cases, such arrangements can have a material effect on business. There is hence a need for investors and legal advisors to be informed of the risk profile of those in charge of listed companies. This new requirement by SGX therefore goes a long way in avoiding fiascos as seen in Guangzhao Industrial Forest Biotechnology Group Ltd and China Sky Chemical Fibre Co. Ltd (*see Appendix A*).

While these changes made by the SGX are laudable and will go some way in protecting investors, they still do not address the issue of enforcement, especially with regard to errant OLCFs. Notably, these changes do not address enforcement issues with regards to OLCFs which are essentially "shell"

¹²¹ SGX, *SGX-ST Listing Manual Amendments – Effective 29 September 2011*, online: SGX <http://rulebook.sgx.com/net_file_store/new_rulebooks/s/g/SGX_Mainboard_rules_September_29_2011.pdf>

¹²² Lynette Khoo, "Yet another S-Chip bites audit dust" *The Business Times* (25 March 2011)

companies – companies devoid of significant operations or transactions¹²³. Neither do they deal with evasive OLCFs who refuse orders to turn over their accounts in the name of ‘national security’ and ‘state secrets’. Further, where the OLCF’s key figures are based in China, it would be difficult to prosecute persons who have perpetuated wrongdoings since no extradition treaty between Singapore and the PRC is currently in place. Regulators are therefore unable to extradite wrongdoers to face action in a local court even if they have uncovered grounds to file an action. It also appears that securing cooperation from the Chinese side for investigation may also be difficult. It would be relevant to point out that regulatory enforcement with regards to domestic issuers is currently quite weak in China¹²⁴ - as it stands, the China Securities Regulatory Commission (“CSRC”) has been alleged to “lack[s] expertise, resources and independence from the government” to effectively carry out its duties of investigation¹²⁵. Moreover, the CSRC’s mandate is confined to the regulation of China incorporated companies¹²⁶. One therefore wonders if the CSRC would have the requisite capacity to entertain requests by the Singaporean Regulators to assist in investigations pertaining to errant issuers domiciled but not incorporated in China.

iv. Proposed Post-Listing Regulatory Requirements

While enforcement efforts in Singapore seem to have reached a dead end, new initiatives introduced by regulators based in Hong Kong and the U.S. appear promising. Regulators in these jurisdictions are now exploring the option of taking audit firms to court where they have failed to turn over accounting records of scandal-smearred OLCFs¹²⁷. In general, U.S. regulators have intensified efforts to oversee accounting activities related to OLCFs¹²⁸ - there have been recent tie-ups between the U.S. Department of Justice and the SEC to force audit firms to surrender information¹²⁹. Over at Hong Kong, the Securities and Futures Commission (“SFC”) has recently also taken up action against Ernst & Young, asking it to explain the

¹²³ *Supra* Note 113

¹²⁴ Chenxia Shi, “Protecting Investors in China Through Multiple Regulatory Mechanisms and Effective Enforcement” (2007) 24 *Ariz. J. Int'l & Comp. L.* 451 at 491

¹²⁵ *Ibid* at 486

¹²⁶ *PRC Securities Law* (Amended) 3700/05.10.27 (promulgated on 27 October 2005 and effective as of 1 January 2006), Article 71

¹²⁷ Annie Marie Roantree & Rachel Armstrong, “Hong Kong Regulator takes Ernst & Young to court for work papers” *Chicago Tribune* (28 August 2012), online: http://articles.chicagotribune.com/2012-08-28/business/sns-rt-us-sfc-ernstyoungbre87r109-20120828_1_longtop-financial-technologies-arrangement-with-chinese-regulators-hong-kong

¹²⁸ Floyd Norris, “Regulator Predicts U.S. Will Soon Take Part in Chinese Inspections of Auditors”, *The New York Times* (8 May 2012), online: <http://www.nytimes.com/2012/05/09/business/global/regulator-predicts-us-will-soon-take-part-in-chinese-inspections-of-auditors.html>

¹²⁹ SEC is suing Deloitte Touche Tohmatsu for non-disclosure of Chinese Company Longtop Financial Technologies’ corporate records

basis for citing state secrecy when it refused to hand over records of a Chinese issuer¹³⁰. Of relevance here would be China's Maintenance of State Secrets Law (promulgated in 1988), which has a broad definition of what falls under 'state secrets'. As such, the SFC is currently also looking to liaise with the Mainland regulatory authorities to define more clearly what constitutes 'state secrets'¹³¹.

In the same vein, this author proposes that Regulators in Singapore should look at securing cooperation from the audit firms of OLCFs and other Chinese authorities. Now – more than ever – there is a pressing need for international cooperation in the field of securities regulation. While the SGX has in place MOUs with various Chinese cities and provinces where most OLCFs are based in¹³², these have yet to produce any meaningful collaboration in the area of regulation and enforcement. The SGX also currently has in place a representative office in Beijing which unfortunately serves a primarily commercial function¹³³. Moving forward, this author therefore proposes that the SGX look into leveraging on its presence in Beijing to educate potential and existing listings (based in the PRC) on issues regarding corporate governance, as well as look to deepen their ties with the Chinese authorities and international audit firms based in the PRC.

VII. CONCLUSION

As explored in the first part of this paper, our perception of 'S-Chips' is in need of a revision – the term 'S-Chips' should be discarded as it obscures more than it clarifies. Accordingly, this author argues that the 'S-Chip' descriptor may act as to place unjustified blame unto a general body of OLCFs (including compliant ones), resulting in investors deserting the OLCFs by the hordes. Eventually, OLCFs may seek to apply elsewhere to seek a higher valuation¹³⁴, or worse still – voluntarily delist because they are undervalued. Further, as proposed in the second part of this paper, a two-pronged approach – i.e. the fortification of pre-listing and post-listing regulatory measures – is perhaps the best means to address the

¹³⁰ Li Xueying, "China's state secrecy laws worries HK" *The Straits Times* (20 October 2012)

¹³¹ Ibid

¹³² World Federation of Exchanges, "SGX deepens ties with China Shandong Province" *World Federation of Exchanges* (28 August 2012), online: WFE <<http://www.world-exchanges.org/news-views/sgx-deepens-ties-china-shandong-province>>. See also Jamie Lee, "SGX inks MOU with Chongqing govt." *The Business Times* (19 May 2010)

¹³³ SGX, *News Release: SGX opens Beijing Representative Office* (18 April 2008), online: SGX <[http://info.sgx.com/webcoranncaath.nsf/VwAttachments/Att_E5E634164C4B331A4825742F0031E39D/\\$file/04182008_SGX_opens_Beijing_Representative_Office.pdf?openelement](http://info.sgx.com/webcoranncaath.nsf/VwAttachments/Att_E5E634164C4B331A4825742F0031E39D/$file/04182008_SGX_opens_Beijing_Representative_Office.pdf?openelement)>

¹³⁴ Chinese listings will seek to apply for listing at a place where they would be able to trade at an average Price-Earnings ratio of 12 to 13 times, compared to 2 / 3 times in Singapore. See Yang, H. W. "More S-Chips may delist" *The Straits Times* (31 August 2009)

issues underlying this current perception of OLCFs. Aside from stepping up entry requirements into the market, it is also important for regulators to show that they can and will take credible and effective action against errant foreign firms when they are in breach.

Beyond this, readers should consider that there are many other actors who should be responsible for any upset in the financial market apart from the non-compliant issuer. Admittedly, it would not make sense to expect the SGX, MAS and CAD to police all aspects of the IPO – other financial intermediaries need to shoulder this responsibility too, including institutional investors, underwriters, auditors and lawyers¹³⁵. The investing public needs to exercise individual judgment as well – they should assess a company not just based on media reports and the accompanying ‘perception’ of the market segment that the company is based in. They should instead study the merits and potential risks of an individual counter. If anything, this paper has endeavoured to show that perceptions are hardly accurate. It is submitted that investors should go through their own broking research and assess the prospectuses of individual companies thoroughly before making a decision.

¹³⁵ R. Sivatanthy, “Time to rein S-Chips in – but don’t stifle foreign listings” *The Business Times* (30 April 2009)

APPENDIX A: TABLE OF FIRMS IDENTIFIED AS 'S-CHIPS'

No. / Company	Period	Issue	Relevant Laws, Regulations or Guidelines breached ¹³⁶	Primary / Secondary Listing?	Substantial Shareholders	Location of: (1) Operations (2) Assets (3) Source of Revenue (4) Management	Origins	Province Company was based in	Industry
China Aviation Oil (Singapore) Corporation Ltd	03/2003	<ul style="list-style-type: none"> - CEO engaged in unauthorized speculation of oil futures and manipulation, causing a loss of USD 500 million for CAO - CEO and CFO deliberately withheld information on the Company's losses from shareholders and IDs - Both CEO and CFO were sentenced to jail - Chairman and NEDs were fined 	<p>CFO</p> <ul style="list-style-type: none"> - Found Guilty of Conspiring to Cheat and Conspiring to release False information (Penal Code s. 120B) <p>CEO</p> <ul style="list-style-type: none"> - Forgery (s. 463 of the Penal Code) - Cheating (s. 415 of the Penal Code) - Failure to disclose Major Transaction (LR 1014) - False or Misleading Statements (s. 199 of the SFA) 	Primary Listing (2001)	<ul style="list-style-type: none"> - CNAF – China National Aviation Fuel Group Corporation (51%), an SOE - British Petroleum (20%) 	<ul style="list-style-type: none"> (1) Based in Singapore (2) More than 95% of its non-current assets are based in China (3) More than 50% of its revenue comes from China (4) 2 out of 3 key management figures based in China 	<ul style="list-style-type: none"> - Incorporated in Singapore 1993 - Parent Company is CAOSC, a large SOE in China 	- State-wide	<ul style="list-style-type: none"> - Trading and procurement of petroleum products (Oil and Gas)
Zhonghui Holdings Ltd	03/2008	<ul style="list-style-type: none"> - There was a forced sale of 1.7 million shares in the company by President / ED which caused a change in substantial shareholdings, leading to a substantial decrease in the price of the company's shares on 24 March 2008. - Later in April 2008 the external auditors issued an audit qualification relating to an associated company's 	<p>Company</p> <ul style="list-style-type: none"> - Lack of internal controls and processes (LR 719, CCG Principle 11) - Vacancy within the audit committee (due to the departure of the ID) was left open for more than 2 months (LR 704(8)) - Failure to immediate disclosure major 	Primary Listing (2004)	<ul style="list-style-type: none"> - Gao Bin (31.69%) Chairman and President - See Hoy Chan Investment Limited (subsidiary of a Malaysian 	<ul style="list-style-type: none"> (1) Principally conducted in PRC (2) Fixed Assets located mainly in China (3) Revenue from Waste Management 	<ul style="list-style-type: none"> - Incorporated in Singapore, 2004 - Origins can be traced to Zhonghui China, a company registered in the PRC 	- Xi'an, Shanxi Province	<ul style="list-style-type: none"> - Waste Management Systems (Technology)

¹³⁶ The Companies Act does not apply to firms incorporated outside of Singapore

No. / Company	Period	Issue	Relevant Laws, Regulations or Guidelines breached ¹³⁶	Primary / Secondary Listing?	Substantial Shareholders	Location of: (1) Operations (2) Assets (3) Source of Revenue (4) Management	Origins	Province Company was based in	Industry
		<p>contribution in the group’s consolidated income statement. The auditors also issued an emphasis of matter relating to the going concern assumption</p> <ul style="list-style-type: none"> - An ID resigned in 16 October 2008 citing difficulty in getting information from the EDs. He also remarked that the AC did not get the support of the CEO in trying to engage a special accountant to resolve financial issues. - On 4 December 2008, the company revealed that it was issued a letter of demand by UOB for credit facilities granted to it. Investigations by the Auditors revealed that it was uncertain whether the company was able to meet its financial obligations and continue to function as a going concern - Company was placed under Judicial Management by the Court on 15 September 2009 - CEO and another key personnel failed to provide the judicial managers with the necessary information and assistance. CEO failed to disclose in particular that he was adjudged a bankrupt on 10 September 2009. The Company therefore terminated the employment of both persons and further removed the CEO from his appointment as the Managing Director also - Company was subsequently 	<p>transaction (LR 1014)</p>		<p>Holding Group) (10%)</p>	<p>nt projects and contracts in China (4) 1out of 2 Key management figures based in China</p>	<p>in 1996</p>		

No. / Company	Period	Issue	Relevant Laws, Regulations or Guidelines breached ¹³⁶	Primary / Secondary Listing?	Substantial Shareholders	Location of: (1) Operations (2) Assets (3) Source of Revenue (4) Management	Origins	Province Company was based in	Industry
		delisted on 5 May 2011							
Ferrochina Ltd.	10/2008	<ul style="list-style-type: none"> - Company was unable to repay its short term loans. This was not long after the Company announced positive quarterly results. - PRC Court in Jiangsu appointed administrators in the Company's subsidiaries - Banks refuse to roll over the company's loans. A statutory demand notice was issued against the company on 7 October 2009 - Delisted from SGX on 11 March 2010 	<p>Company</p> <ul style="list-style-type: none"> - False or Misleading statements (s. 199 of SFA) <p>Directors</p> <ul style="list-style-type: none"> - Inaccurate information submitted to the exchange (LR 114) - Falsification of Books (s. 338 of CA) 	Primary Listing (2005)	<ul style="list-style-type: none"> - Members of the She Family collectively (Mr She Chun Tai is the Executive Chairman) (~49%) - CMIA Capital Partners Pte Ltd (14%) 	<ul style="list-style-type: none"> (1) Operations located in Changshu, Jiangsu Province (2) Properties and plants located in Changshu, Jiangsu Province (3) Revenue largely derived from Chinese (70%) and European Market (18%) (4) 9/9 key management based in China 	<ul style="list-style-type: none"> - Incorporated in Bermuda, 30 September 2004 - Origins can be traced to Changshu Xindao, which was an equity JV Company by a PRC company and a BVI Company 	<ul style="list-style-type: none"> - Located in Changshu City, Jiangsu Province 	Galvanized Steel manufacturer (Basic Materials)
China Printing & Dyeing Holdings Ltd.	10/2008	<ul style="list-style-type: none"> - Unable to make payments on debt after parent firm (Jianglong Holdings) went bankrupt - Sole operating subsidiary (Zhejiang Jianglong Textile Printing and Dying Co. Ltd) ceased operations since October 2008 - Former CEO and Deputy CEO (husband and wife team), who are also EDs went missing on October 2008 - Company was placed under 	<p>CEO, Deputy CEO</p> <ul style="list-style-type: none"> - Destruction / Falsification of Books (s. 338 of the CA) 	Primary Listing (2006)	<ul style="list-style-type: none"> - Jianglong Holdings Ltd, an investment company incorporated in BVI (According to Prospectus, 57.68%) – The CEO and Deputy 	<ul style="list-style-type: none"> (1) Operations in Shao Xing County (4 Production Plants) (2) Main bulk of non-current assets are based there as well (3) Revenue 	<ul style="list-style-type: none"> - Incorporated in Singapore in 2005 - Origins can be traced to Zhejiang Jianglong, a wholly foreign owned enterprise established in the PRC 	<ul style="list-style-type: none"> - Shao Xing County, Zhejiang Province 	Provision of Printing and Dyeing services (Consumer Services)

No. / Company	Period	Issue	Relevant Laws, Regulations or Guidelines breached ¹³⁶	Primary / Secondary Listing?	Substantial Shareholders	Location of: (1) Operations (2) Assets (3) Source of Revenue (4) Management	Origins	Province Company was based in	Industry
		<ul style="list-style-type: none"> - judicial management on 25 November 2008 - CEO and Deputy CEO were arrested in China for destroying accounting documents - Delisted from SGX on 8 March 2010 			CEO, who are husband and wife, own Jianglong Holdings.	Streams (PRC 30.4%, rest of Asia 35.1%) (4) 3 out of 4 key management figures based in China	in 2004, owned by the CEO		
Fibrechem Technologies Ltd.	02/2009	<ul style="list-style-type: none"> - Auditors could not audit the group's trade receivables and cash balances for FY 2008 - Founder and CEO resigned from his position as CEO - Creditors issued statutory demand of USD 26 million in February 2009 - Investigator and financial advisor noted that it would be reasonable to conclude that the financial and accounting irregularities were probably carried out at the direction and knowledge of senior members of the PRC management, in particular the CEO and CFO - After 3 years of investigation, it was discovered that there were several misstatements by the group – its NAV were overstated by HK\$ 382 million, and its cash balance was overstated by HK\$ 686 million. There was also an unaccounted cash balance of HK\$ 777 million. Loans from Chinese banks, as well as a subsequent loan default were also not 	<p>Company</p> <ul style="list-style-type: none"> - Lack of internal controls and processes (LR 719, CCG Principle 11) <p>Directors</p> <ul style="list-style-type: none"> - Inaccurate information submitted to the exchange (LR 114) 	Primary Listing (2004)	- James Zhang (30.23%), also the Executive Chairman and Executive Director	<p>(1) Operations based in PRC (Fujian, Xiamen)</p> <p>(2) Most of the assets of the Group (production facilities are principally located in Fujian Province</p> <p>(3) Revenue mainly from yarn and textile manufacturers located in Fujian Province</p> <p>(4) 4 out of 5 key management figures</p>	<ul style="list-style-type: none"> - Incorporated in Bermuda in 2003 - Origins can be traced back to 1994 (Honglin International), which is an investment holding company incorporated under the name of Golden Eagle Holdings Limited in Hong Kong by James Zhang, the EC and ED 	<ul style="list-style-type: none"> - From Fujian Province - Group's Head office is in Xiamen 	<ul style="list-style-type: none"> - Manufacture and sale of polyester fibre (Basic Materials)

No. / Company	Period	Issue	Relevant Laws, Regulations or Guidelines breached ¹³⁶	Primary / Secondary Listing?	Substantial Shareholders	Location of: (1) Operations (2) Assets (3) Source of Revenue (4) Management	Origins	Province Company was based in	Industry
		<p>disclosed.</p> <ul style="list-style-type: none"> - Trading suspension since February 2009 - Trading resumption proposal passed to SGX on 22 February 2010 - Court order was made to appoint provisional liquidators for the company as of March 2012 - Ranked last in the Governance and Transparency Index 2011 				are based in China			
Oriental Century Ltd	03/2009	<ul style="list-style-type: none"> - Special auditor found inflated figures for its subsidiary's management fees. There were insufficient evidence for RMB 43.02 million worth of payments and RMB 41.28 million worth of receipts - Founder / CEO confessed to falsifying accounts by inflating sales and cash balances while diverting cash to an interested party - Acting CEO resigned in December 2009, citing differences between him and the independent directors, as well as not having been remunerated for his position - Board submitted a complaint to the CAD against the Founder / CEO - Company has also filed a police report against the CEO in China - Company delisted on May 23 2011 	<p>CEO / Chairman</p> <ul style="list-style-type: none"> - Failure to act in the interest of shareholders where the director / substantial shareholder has a material interest in the transaction entered into (LR 103(5)) - Did not demonstrate qualities (character, integrity) required under LR 210(5)(b)) - Falsification of Books (s. 338 of the CA) <p>Company</p> <ul style="list-style-type: none"> - Accuracy of information submitted to the exchange(LR 114) - Failure to announce information known to establish false market in the trading of its securities or materially affect prices of its securities (LR 703(1)) 	Primary Listing (2006)	<ul style="list-style-type: none"> - CEO Wang Yuean (25.4%) - Raffles Education Corporation Limited (29.9%) - Chew Hua Seng (next CEO) (29.9%) 	<p>(1) Operations in Guangdong, Jiangxi</p> <p>(2) Properties and Fixed Assets mainly colleges and schools based in PRC</p> <p>(3) Customers are primarily the students who attend the private schools (PRC)</p> <p>(4) 4 out of 5 key management figures are based in China</p>	<ul style="list-style-type: none"> - Incorporated in 2003 in Singapore - Origins of the Group can be traced back to 1994 in Oriental Pearl College 	<ul style="list-style-type: none"> - Comes from Guangzhou (Oriental Pearl College based there) 	<ul style="list-style-type: none"> - Provision of educational services (Consumer Services)

No. / Company	Period	Issue	Relevant Laws, Regulations or Guidelines breached ¹³⁶	Primary / Secondary Listing?	Substantial Shareholders	Location of: (1) Operations (2) Assets (3) Source of Revenue (4) Management	Origins	Province Company was based in	Industry
Guangzhao Industrial Forest Biotechnology Group Ltd.	03/2009	<ul style="list-style-type: none"> - Chairman and CEO both pledged their stakes to a creditor - 3 independent directors quit in March 2009, citing differences in opinion with the management - The external auditor expressed a ‘disclaimer of opinion’ on the company’s financial statements. There was insufficient information to support the carrying amount of the company’s land-use rights, the land development costs as well as the trade receivables reported. The external auditors also expressed doubts on the status of the company as a going concern - Had to address numerous discrepancies between unaudited accounts and audited accounts several times - A judicial manager has been appointed on 2 April 2012 	<p>Company</p> <ul style="list-style-type: none"> - Accuracy of information submitted to the Exchange (LR 114) - False or Misleading Statements (s. 199 of the SFA) - Failure to announce notice of changes to substantial shareholder’s or director’s interests in the securities of the company (LR 704(3)) 	Primary Listing (2004)	<ul style="list-style-type: none"> - Executive Directors Sumin and Song Xuemeng own 53.76% of the company through Hireach Assets, another investment holding company incorporated in the BVI 	<ul style="list-style-type: none"> (1) Operations in Shanxi Province and Shanghai primarily (2) Properties, biological assets and Fixed assets likewise in Shanxi and Shanghai (3) Majority of Customers located in Beijing, Jiangsu Province, Jiangxi Province, Shandong Province, Shang Hai and Shanxi Province (4) 3 out of 4 of the key management figures are based in China 	<ul style="list-style-type: none"> - Incorporated in 2003 in Singapore - Origins can be traced to Shanghai Guangzhao, which was established in 1999 in the PRC as a domestic company under PRC laws 	<ul style="list-style-type: none"> - Based in Shanghai 	<ul style="list-style-type: none"> - Cultivation and Sale of poplar plants (Technology)
China Sun Bio-chem Technology Group Co. Ltd	03/2009	<ul style="list-style-type: none"> - The CEO stated that a sum of money was remitted out of the Group’s bank accounts on 31 December 2008 to purchase corn raw materials, but the auditors were unable to verify the group’s cash balances and 	<p>Company</p> <ul style="list-style-type: none"> - Accuracy of information submitted to the Exchange (LR 114) - False or Misleading Statements (s. 199 of the SFA) 	Primary Listing (2004)	<ul style="list-style-type: none"> - Executive Chairman and CEO Sun Guiji holds 39.03% through 	<ul style="list-style-type: none"> (1) Production Locations: Shenyang, Tongliao, Suzhou and Shunde 	<ul style="list-style-type: none"> - Incorporated in the Cayman Islands in 2004 - Origins can be traced 	<ul style="list-style-type: none"> - Based in Shenyang, Liaoning Province 	<ul style="list-style-type: none"> - Processing of corn kernels and production and supply of corn starch (Consumer Goods)

No. / Company	Period	Issue	Relevant Laws, Regulations or Guidelines breached ¹³⁶	Primary / Secondary Listing?	Substantial Shareholders	Location of: (1) Operations (2) Assets (3) Source of Revenue (4) Management	Origins	Province Company was based in	Industry
		<ul style="list-style-type: none"> - accounts receivable balances as of 26 March 2009 - The review auditors appointed by the company were also unable to proceed with the review due to missing accounting records (a truck transporting accounting records was allegedly stolen while the driver was at dinner) and the sudden shut-down of electric supply in the premises in China - CEO was suspended but later reinstated on May 2009 as other directors cited difficulty in controlling the subsidiaries without him - The company has rehabilitated through an investment agreement with an Indonesian firm - The most recent announcement as of 7 November 2011 by the directors indicate that the directors are unable to “ascertain the financial position of the company or estimate when the company’s shares will resume trading” 			nominee companies	<ul style="list-style-type: none"> (2) Land and Property located in PRC (3) Revenue mostly from PRC domestic market (4) 4 out of 5 of the Key Management Figures are based in China 	back to Shenyang Wanshunda, an equity JV that has been represented by Sun Guiji, the EC and CEO, since its incorporation		
Beauty China Holdings Ltd.	03/2009	<ul style="list-style-type: none"> - The company Chairman was forced to sell a total of 2.24 million shares mortgaged to creditors, reducing his stake from 38.57% to 30.51% on 5 March 2009 - The company received statutory demand from its creditors amounting HKD 134 million on 9 March 2009. Credit lines and facilities from its banks were 	<p>Company</p> <ul style="list-style-type: none"> - Accuracy of information submitted to the Exchange (LR 114) - False or Misleading Statements (s. 199 of the SFA) - Failure to announce notice of changes to substantial shareholder’s or 	Primary Listing (2004)	<ul style="list-style-type: none"> - Wong Hon Wai (Chairman and Managing Director) owns 54.17% through Lucky Gain Internation 	<ul style="list-style-type: none"> (1) 90% of Operations in Mainland China (2) 90% of Group’s, assets are attributable to Mainland 	<ul style="list-style-type: none"> - Incorporated in the Cayman Islands in 2002 - The Colour Zone brand was first conceived and created in 	<ul style="list-style-type: none"> - Started in Guangzhou 	<ul style="list-style-type: none"> - Brand Management Company (Consumer Services)

No. / Company	Period	Issue	Relevant Laws, Regulations or Guidelines breached ¹³⁶	Primary / Secondary Listing?	Substantial Shareholders	Location of: (1) Operations (2) Assets (3) Source of Revenue (4) Management	Origins	Province Company was based in	Industry
		<ul style="list-style-type: none"> - subsequently terminated - In June 2009 the auditors issued a qualified report citing insufficient evidence of the recoverability of trade receivables worth HKD 85 million, as well as expressing doubt on the status of the company as a going concern - The Company also admitted in June 2009 that there were several material differences between the audited and unaudited financial statements for FY 2008 - Trading was suspended since 12 March 2009 - A winding up petition had been submitted by creditors. A HK High Court appointed an official receiver in HK to act as the provisional liquidator on 7 September 2009 - Delisted as of 23rd April 2010 	<p>director's interests in the securities of the company (LR 704(3))</p>		al Limited	<p>(3) China</p> <p>90% of Group's revenue and operating results are attributable to Mainland China</p> <p>(4) 3 out of 4 of the Key Management Figures are based in China</p>	1996 by the Chairman / MD		
Sino-Environment Technology Group Ltd.	03/2009	<ul style="list-style-type: none"> - The CEO / Chairman was forced to sell his 56.29% stake in the company from March to May 2009 as he defaulted on an outstanding debt of \$65 million - The change in the control of the company triggered the bondholder's rights to convert or redeem \$149 million worth of bonds issued by the company. The company subsequently ran into liquidity problems - A review auditor was subsequently engaged and found questionable cash 	<p>Company</p> <ul style="list-style-type: none"> - Accuracy of information submitted to the Exchange (LR 114) - False or Misleading Statements (s. 199 of the SFA) - Failure to announce notice of changes to substantial shareholder's or director's interests in the securities of the company (LR 704(3)) 	Primary Listing (2006)	- Mr Sun Jiangrong (EC and CEO), holds 51.23% through Tumb (China) Holdings Group Limited	<p>(1) Operations in Shandong, Jiangsu, Fujian, Sichuan, Yunnan and Xinjiang (mainly in PRC)</p> <p>(2) Group does not own any properties. Fixed</p>	<ul style="list-style-type: none"> - Incorporated in Singapore in 2001 - Origins can be traced back to Fujian Daxin Investment Co. Ltd., an investment company set up in 2000 by Sun 	- Fuzhou, China	- Environment protection and waste recovery solution provider (Technology)

No. / Company	Period	Issue	Relevant Laws, Regulations or Guidelines breached ¹³⁶	Primary / Secondary Listing?	Substantial Shareholders	Location of: (1) Operations (2) Assets (3) Source of Revenue (4) Management	Origins	Province Company was based in	Industry
		<p>transactions including a JPY 920 million payment for raw materials and RMB 230 million for investment in 4 separate waste power plant projects</p> <ul style="list-style-type: none"> - The CFO was dismissed on grounds of misconduct and breach of duties. However, the Company was left without a CFO and the summary dismissal of the CFO was done without consultation of the IDs - The CEO and other members of management resigned from their executive roles to become NEDs on 5 May 2009 - Trading was suspended since 23 September 2009 - The EDs were restrained by court order (Singapore) from disposing the company's assets, discussing new contracts, as well as curtailing the mandate of the company's auditors - IDs sought a court order to call for an EGM to remove the EDs - EDs resigned on 3 January 2010, and a new CEO was appointed on 11 February 2010 - Placed under Judicial Management as of June 4 2010 - 23 August 2011, the Court made orders to summon the EDs pursuant to s. 227W(1) of the CA 	<p>CFO</p> <ul style="list-style-type: none"> - Corporate offender (s. 331(1) of the SFA) 			<p>assets are all located in PRC</p> <ul style="list-style-type: none"> (3) Major Customers accounting for most of the total revenue are based in China (4) 4 out of 6 of the Key Management Figures are based in China 	<p>Jiangrong (the EX and CEO) through his nominees</p>		

No. / Company	Period	Issue	Relevant Laws, Regulations or Guidelines breached ¹³⁶	Primary / Secondary Listing?	Substantial Shareholders	Location of: (1) Operations (2) Assets (3) Source of Revenue (4) Management	Origins	Province Company was based in	Industry
China Sky Chemical Fibre Co. Ltd.	04/2009	<ul style="list-style-type: none"> - CEO pledged his 37.72% stake of the company indirectly through another entity he owned in order to secure a personal loan - On 2 April 2009, one of the lender sold 500,000 shares to recover part of the loan owed by the CEO. The company immediately disclosed the possibility of a change in substantial shareholders. - SGX queried the company on its quarterly results since 31 March 2009 on certain issues such as goodwill impairment, changes in receivables and profit margins. 	<p>Company</p> <ul style="list-style-type: none"> - Accuracy of information submitted to the Exchange (LR 114) - False or Misleading Statements (s. 199 of the SFA) - Failure to announce notice of changes to substantial shareholder's or director's interests in the securities of the company (LR 704(3)) 	Primary Listing (2005)	<ul style="list-style-type: none"> - Cheung Wing Lin [Chairman and NED] (deemed interest of 37.75%), through Rock Mart Equities Ltd - Huang Zhong Xuan [CEO and ED] (deemed interest of 37.81%) through nominee companies and Rock Mart Equities Ltd. 	<ul style="list-style-type: none"> (1) Production facilities located in Quanzhou (2) All identifiable assets are located within the PRC (3) Most customers are from the PRC and comprise mainly textile and fabric manufacturers. Principal markets in Fujian, Guangdong, Jiangsu and Zhejiang Provinces, where the garment manufacturers are housed (4) 4 out of 5 of Key Management Figures are based in China 	<ul style="list-style-type: none"> - Incorporated in 2005 in Cayman Islands - However, the company is the ultimate holding company of the Quanzhou Tianyu Chemical Fibre and Weaving Industry Co. Ltd, a company incorporated as a foreign investment enterprise in the PRC in 2002 	- Quanzhou City, Fujian Province	- Manufacture of chemical fibres, high-end nylon fibres (Basic Materials)
	12/2011	<ul style="list-style-type: none"> - SGX had concerns over the issues, including the IPTS between the Company and its AC Chairman, an aborted acquisition and development of land in china, and certain repairs and maintenance costs - SGX issued a reprimand to the company and the board on 16 December 2011 for failing to appoint a Special Auditor persistently despite various opportunities and reminders - SGX applied for a court order (under s. 25 of the SFA) to enforce its directive for the company to appoint a special auditor, but later withdrew it. - 3 IDs quit on January 2012. The Group Financial Controller also quit on February 8 2012 	<p>Company</p> <ul style="list-style-type: none"> - Accuracy of information submitted to the Exchange (LR 114) - False or Misleading Statements (s. 199 of the SFA) - Failed to disclose value of IPTs and name of interested persons involved in the AR (Rule 907, Rule 1207(17)) - Failure to Appoint Special Auditors as required (Rule 704(14)) 						

No. / Company	Period	Issue	Relevant Laws, Regulations or Guidelines breached ¹³⁶	Primary / Secondary Listing?	Substantial Shareholders	Location of: (1) Operations (2) Assets (3) Source of Revenue (4) Management	Origins	Province Company was based in	Industry
		<ul style="list-style-type: none"> - CEO quit on February 8 2012 due to 'personal health reasons'. On February 16, the CAD began probe on the possible breaches that may have been perpetrated by the CEO, a Chinese national. - A court order was granted in April 2012 to freeze the ex-CEO's funds. 							
China Energy Ltd.	04/2008	<ul style="list-style-type: none"> - Went under an Auditor's review for paying an additional RMB 190 million (on top of the agreed amount) for the acquisition of another Chinese dimethyl ether producer, in order to settle liabilities of the acquired company - This was initially not disclosed by the company until queried by SGX. Auditors recommended that certain approval processes could be improved 	<p>Company</p> <ul style="list-style-type: none"> - Accuracy of information submitted to the Exchange (LR 114) - False or Misleading Statements (s. 199 of the SFA) - Failure to announce information regarding qualification or Emphasis on Matter by auditors on the company's financial statements (LR 704(5)) 	Primary Listing (2007)	<ul style="list-style-type: none"> - Cui Lianguo (Direct Interest of 50.6%) [Chairman and CEO] 	<ul style="list-style-type: none"> (1) Production Facilities in Shandong, Guangdong, and Jiang Su (2) Assets are mainly based in the PRC (3) Revenue of the Group is largely derived from customers located in the PRC (4) 5 out of 6 of Key Management is based in China 	<ul style="list-style-type: none"> - Incorporated in Singapore in 2005 to become a listing vehicle for Jiutai Chemical, which was established in December 2002 	<ul style="list-style-type: none"> - From Shandong Province 	<ul style="list-style-type: none"> - Produces Dimethyl Ethyl and Methanol (Industrials)
Celestial Nutrifooods Ltd.	07/2011	<ul style="list-style-type: none"> - Company incurred liabilities of RMB 448 million in 2009 due to redemption payment obligations on its convertible bonds 	<p>Company</p> <ul style="list-style-type: none"> - Accuracy of information submitted to the Exchange (LR 114) - False or Misleading 	Primary Listing (2004)	<ul style="list-style-type: none"> - Ming Dequan [Executive Chairman and CEO] 	<ul style="list-style-type: none"> (1) The Group's principal operating segments 	<ul style="list-style-type: none"> - Incorporated in Bermuda in 2003 - Origins 	<ul style="list-style-type: none"> - From Daqing, Heilongjiang Province 	<ul style="list-style-type: none"> - Manufacturer of soybean-based food products (Consumer Goods)

No. / Company	Period	Issue	Relevant Laws, Regulations or Guidelines breached ¹³⁶	Primary / Secondary Listing?	Substantial Shareholders	Location of: (1) Operations (2) Assets (3) Source of Revenue (4) Management	Origins	Province Company was based in	Industry
		<ul style="list-style-type: none"> - Disclaimer was issued by its auditor as the auditor was unable to obtain sufficient audit evidence to make an opinion - The status of the company as a going concern was also called into question - In mid-July 2011, it was revealed by the provisional liquidator that investigations revealed significant transfers to external parties of the Company's cash holdings in the year, at a time where the company appeared to be insolvent. Approximately SGD 16.7 million was paid to a company incorporated in the BVI who based on the Company's chairman is one of the Company's PRC Subsidiaries. - The Company's investor network has since published instructions for shareholders and bondholders on how to file complaints with the CAD and the SGX 	Statements (s. 199 of the SFA)		(Direct Interest 28.37%)	<ul style="list-style-type: none"> are in the PRC (Daqing) (2) Assets are based mostly in the PRC (3) Customer base comprises mainly distributor within the PRC (4) 10 out of 10 Key Management Figures are based in China 	however can be traced back to 1997 (Daqing Sun Moon Vegetable)		
China Gaoxian Fibre Fabric Holdings Ltd	2011	<ul style="list-style-type: none"> - The auditor could not verify or confirm the bank balances for two of its Chinese subsidiaries for the fiscal year ending 31 December 2010. In particular, one of its subsidiaries had additional bank loans but there was insufficient information for the auditors to ascertain whether these loans were actually taken up or how the proceeds were used 	<p>Company</p> <ul style="list-style-type: none"> - Accuracy of information submitted to the Exchange (LR 114) - False or Misleading Statements (s. 199 of the SFA) 	Primary Listing (2009), but now also listed on KRX (2011)	<ul style="list-style-type: none"> - Cao Xiangbin [previously CEO and Chairman, now non-executive Chairman] (deemed interest in 41.71% through 	<ul style="list-style-type: none"> (1) Operations in Fujian and Zhejiang Provinces (2) Group's non-current assets are located in the PRC (3) Group's 	<ul style="list-style-type: none"> - Incorporated in Singapore in 2008. - Origins can be traced back to Fujian Huawei, which was established in 1997 	<ul style="list-style-type: none"> - Changle City, Fujian Province 	<ul style="list-style-type: none"> - Sale and Production of premium differentiated fine polyester yarn and warp knit fabric (Basic Materials)

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		<ul style="list-style-type: none"> - Special auditors were subsequently appointed to review the financial affairs for FY2010 and Q1 2011. Around the same time, CEO / Chairman stepped down, and the Board accepted the retirement of CFO and two other Executive Directors - Audit Committee members visited the Group's subsidiaries and found that factory operations in Huzhou in Zhejiang province and Fuzhou in Fujian province were still ongoing - Special Auditors subsequently found that the company is missing 1 billion yuan from its bank accounts. The Company also has more debt than it previously disclosed (RMB 285 million compared to RMB 157 million). It was further revealed that the company may default on its contractual obligations for the construction project in Zhejiang 			the China Success Group (International Holdings) Limited	<ul style="list-style-type: none"> revenue are generated from PRC. Customer base in PRC, comprising mainly textile and garment manufacturers (4) 2 out of 4 of the Key Management Figures are based in China 			
China Hongxing Sports Ltd.	01/2010	<ul style="list-style-type: none"> - The Company took six days after receiving notification to announce a substantial shareholder's cessation of substantial shareholding in the Company – in breach of listing rules which require immediate disclosure of such information - SGX commented that the company appeared not to have proper procedures and systems in place to receive, trace and 	<ul style="list-style-type: none"> - Lack of internal controls and processes (LR 719, CCG Principle 11) - Failure to immediately announce notice of change in substantial shareholder's interests in the issuer's securities (LR 704(3)) 	Primary Listing (2005)	- Members of the Wu Family collectively own direct interest 33%. This includes Wu Rong zhao (CEO, ED) and Wu	<ul style="list-style-type: none"> (1) Production facilities are located in Quanzhou City (2) Assets are based mainly in China (3) Revenue contributio 	<ul style="list-style-type: none"> - Incorporated in Bermuda in 2005 - Origins can be traced to the HK Erke Enterprise, a sole proprietors hip 	- Quanzhou City, Fujian Province	- Design, manufacture and the sale of sports shoes and apparel (Consumer Goods)

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		announce information in a timely manner			Rongguang (Chairman, ED)	n from domestic market counts for 95.6% of the total revenue (4) 5 out of 7 of the Key Management Figures are based in China	established in HK in 1995		
Hongwei Technologies Ltd	02/2011	<ul style="list-style-type: none"> - Irregularities were noted by the auditors in the cash and bank balances, accounts receivables, accounts payables, and other expenses during the course of the audits in the company's subsidiary companies in PRC. - Special Auditors report released in July 2012 revealed that the group's cash and bank balances were overstated by RMB 1,154 million, key subsidiaries incurred and made payments in excess or without the board's approval, and of instances in the key subsidiaries of non-compliance despite established internal control procedures 	<p>Company</p> <ul style="list-style-type: none"> - Lack of internal controls and processes (LR 719, CCG Principle 11) - Accuracy of information submitted to the Exchange (LR 114) - False or Misleading Statements (s. 199 of the SFA) 	Primary Listing (2006)	<ul style="list-style-type: none"> - Non-independent, non-executive director Zhaung Xinxin (deemed interest of 61.02%) which he holds through Maxpro Global Limited 	<ul style="list-style-type: none"> (1) Manufacturing operations in Xiamen City (2) Non-current Assets located mostly in Fujian Province (3) Major customers are those located in the southern part of PRC, mainly in Fujian Province. Revenue is solely 	<ul style="list-style-type: none"> - Incorporated in 2005 in Bermuda - Origins can be traced to Shuangli, which was incorporated in PRC in 1998 	<ul style="list-style-type: none"> - Fujian Province 	<ul style="list-style-type: none"> - Polyester differential Fibre manufacturer in the PRC (Basic Materials)
	02/2011	<ul style="list-style-type: none"> - Unable to finalize audits for FY 2010 - Auditors could not ascertain their cash and bank balances in their subsidiaries - Missing funds: Auditors were 	<p>Company</p> <ul style="list-style-type: none"> - Accuracy of information submitted to the Exchange (LR 114) - False or Misleading Statements (s. 199 of 						

No. / Company	Period	Issue	Relevant Laws, Regulations or Guidelines breached ¹³⁶	Primary / Secondary Listing?	Substantial Shareholders	Location of: (1) Operations (2) Assets (3) Source of Revenue (4) Management	Origins	Province Company was based in	Industry
		<p>unable to confirm the amount of existence of RMB 130 million which constituted more than 99% of the purportedly available cash held by the Group.</p> <ul style="list-style-type: none"> - Fabricated bank statements and sales invoices, undisclosed family ties, undisclosed bank account and the possibility of undisclosed accounting records <p>Following this a non-independent, non-executive director as well as 2 other executive directors resigned</p> <p>As of 24 February 2011, is working towards transferring its listing status to privately held Singapore Cancer Centre or a new firm holding the assets of SCC</p>	the SFA)			<p>derived from the PRC</p> <p>(4) 7 out of 9 of the Key Management Figures are based in China</p>			
China Milk Products Group Limited	06/2011	<ul style="list-style-type: none"> - Special auditors uncovered undisclosed and unauthorized payments and transactions in 2011 - These undisclosed transactions added up would exceed their full year net profit for the fiscal year ending 31 March 2009 - The auditors opined that the Company failed to reach the high prudential standards of a public-listed company - There was no evidence to support any of the purported land use rights being obtained, an alleged stake acquisition in a Joint venture being completed, 	<p>Company</p> <ul style="list-style-type: none"> - Failure to immediately announce information necessary to avoid the establishment of a false market or information that would materially affect price and value of its shares (LR 703) - Failure to immediate disclosure major transaction (LR 1014) 	Primary Listing (2006)	- Liu Shuqing (Direct interest 43.74%) [Executive Chairman]	<p>(1) Heilongjiang Province</p> <p>(2) The group's assets are principally attributable to the PRC</p> <p>(3) The group's revenue are principally attributable to the PRC</p>	<ul style="list-style-type: none"> - Incorporated under the laws of Cayman Islands on 20 September 2005 - Origins can be traced to Daqing Yinluo Dairy Co. Ltd. Which was established in 2001 	- Based in Daqing, Heilongjiang Province	- Production of pedigree bull semen, dairy cow embryos and raw milk in the PRC (Technology)

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		<p>or improvement works commissioned on farm activities being undertaken</p> <ul style="list-style-type: none"> - A cattle replacement programme to replace older cows resulted in a drop (53.5%) instead of a rise in herd size 				(4) 5 out of 6 of the Key Management Figures are based in China			
Sino Techfibre Ltd	04 / 2011	<ul style="list-style-type: none"> - The Special Auditors were unable to review the company's accounting records as a fire had supposedly broken out at the PRC Entities' office premises on the morning of 20 April 2011 - SAs were also refused access to 5 of the 6 computers used by the Group's employees. The company's management said that the computers contained state secrets as a result of the company's business with government related entities. - During the review period, the PRC entities of the Group had also made significant prepayments to suppliers despite the slow-down in sales. The SAs were unable to determine if the suppliers were indeed paid - Subsequently, its auditors, EY, also noted several discrepancies in the invoices supporting the sales and purchases of the subsidiaries based in PRC. There was therefore a disclaimer of Opinion released by the Auditors 	<p>Company</p> <ul style="list-style-type: none"> - Accuracy of information submitted to the Exchange (LR 114) - False or Misleading Statements (s. 199 of the SFA) 	Primary Listing (2006)	<ul style="list-style-type: none"> - Mr Lam Tin Tsoh, a NED, and Mr Li Wen Heng, an ED, are individually deemed to hold 60.73% of the company through Merit Asia International Limited 	<p>(1) Located in Shandong Province</p> <p>(2) Assets located in the PRC</p> <p>(3) Major Customer includes the PLA and the Government Sector. With the exception of PRC, no other individual country contribute more than 10% of consolidate revenue</p> <p>(4) 8 out of 9 of the Key Management Figures are based in China</p>	<ul style="list-style-type: none"> - Incorporated in Bermuda in 2006 - Origins can be traced to Shandong Jinfeng which was established in late 2000 	<ul style="list-style-type: none"> - Longkou City, Shandong Province 	<ul style="list-style-type: none"> - Producer of high quality microfiber synthetic leather and PU synthetic leather (Basic Materials)
Bio-Treat Technology Limited	07 / 2008	<ul style="list-style-type: none"> - Company defaulted on convertible bonds, which triggered a default on its HK 360 	<p>Company</p> <ul style="list-style-type: none"> - Failure to immediately announce information 	Primary Listing (2004)	<ul style="list-style-type: none"> - Wing Hak Man (EC / ED) 	<p>(1) Located in PRC</p> <p>(2) Assets are</p>	<ul style="list-style-type: none"> - Incorporated in Bermuda in 	<ul style="list-style-type: none"> - Dongguan City, Guangdong 	<ul style="list-style-type: none"> - Waste and Wastewater treatment

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		<ul style="list-style-type: none"> - million loan from a former substantial shareholder - There was considerable delay of 4 months in disclosing the defaults after it occurred - This lack of disclosure was later picked up upon by SGX when they were queried on their FY 2009 results 	<ul style="list-style-type: none"> - necessary to avoid the establishment of a false market or information that would materially affect price and value of its shares (LR 703) - Failure to announce notice of changes to substantial shareholder's or director's interests in the securities of the company (LR 704(3)) 		deemed to hold 42% shareholding through Fullway Group Limited	<ul style="list-style-type: none"> (3) located in the PRC (3) Major customers are users of wastewater and sewage treatment plants based in the PRC (4) 4 out of 6 of the Key Management Figures are based in China 	<ul style="list-style-type: none"> - 2003 - Origins can be traced back to 1992 when the EC / ED established the GI Group which was a BVI company with operations based in the PRC 	Province	solutions provider (Technology)