

Regulatory Action - SGX reprimands E3 Holdings and Six Directors

Singapore Exchange (the "Exchange") reprimands **E3 Holdings Ltd (the "Company")** and six of its directors (one of whom remains on the Board) for breaches of the Listing Rules ("Listing Rules") and failures of corporate governance.

1. Based on the findings of the Report of the Special Auditors ("Special Audit Report" as defined in paragraph 13 below), the Exchange is of the view that the Company has breached the following Listing Rules:
 - a. Listing Rules 905 – failure to announce the disposal of the Company's equity interest in Song Yuan Petrochemical Co Ltd ("Song Yuan Petrochem") to an interested person;
 - b. Listing Rule 906 – failure to seek shareholders' approval for the disposal of the Company's equity interest in Song Yuan Petrochem to an interested person; and
 - c. Listing Rule 703 - failure to disclose material agreement and accurate information on its investments in China.
2. Based on the Exchange's assessment, the following directors (the "Relevant Directors"⁷) failed to comply with Listing Rule 103(5) to act in the interests of shareholders as a whole:
 - a. Mr Peter Ngo Gim Kang ("Mr Peter Ngo")¹
 - b. Dr Anthony Soh Guan Cheow ("Dr Anthony Soh")²
 - c. Mr Kenneth Ngo Chin Chow ("Mr Kenneth Ngo")³
 - d. Ms Sieh Li Huan ("Ms Sieh")⁴
 - e. Mr Chong Hon Leong ("Mr Chong")⁵
 - f. Mr Liau Beng Chye ("Mr Liau")⁶

All, except Ms Sieh, are former directors of the Company and its subsidiary, Englo Real Estate Development Pte Ltd ("Englo").

4. The Exchange reprimands the Relevant Directors for not demonstrating the qualities and standards expected of directors and the management of SGX-listed companies, as required under Listing Rules 210(5)(b) and 720.
5. Based on the findings of the Special Audit Report, the Exchange is also of the view that the Company had failed in corporate governance practices to safeguard the interests of the Company and shareholders. Amongst other things, material agreements and disbursements had been made without Board approval.
6. The details of the failures of corporate governance are set out in the Special Audit Report and the rule breaches are set out in paragraphs 29 to 34.

Exchange's Directions

7. The Exchange directs the Board to appoint its sponsor or with the guidance of its sponsor, to appoint an independent professional adviser, to conduct a thorough review of the enlarged group's systems, procedures, controls and resources with immediate effect. The review is to improve the Company's governance standards and assure its compliance with the Listing Rules. The review should take into consideration the fact that Company is currently a cash company and proposes to undertake a reverse takeover as announced on 16 July 2009.
8. Following the independent review, the Board is required to disclose in the Company's annual report, the procedures and corporate governance practices instituted to address the concerns highlighted in the Special Audit.
9. The Exchange requires the sponsor to state if it is satisfied that the Company has adequate systems, procedures, controls to enable it to proceed with the proposed reverse takeover.
10. SGX-listed companies are advised to consult the Exchange before they appoint any of the Relevant Directors as a director or member of management.

SGX reports case to MAS

11. Listing Rule 703 has statutory backing under section 203 of the Securities and Futures Act. The Exchange will refer this breach to the Monetary Authority of Singapore ("MAS").

Release of Executive Summary of Special Audit Report

12. The Company announced in October 2008 that the Audit Committee had appointed Deloitte & Touche Financial Advisory Services Pte Ltd ("Special Auditor") to perform a special audit into allegations in complaint letters received by the Company and its then external auditors (the "Special Audit").
13. On 9 February 2010, the Company released the Executive Summary of the Special Audit Report. The findings in the

- Special Audit Report point to failures of corporate governance and breaches of Listing Rules 703, 905 and 906.
14. For more information, refer to the "Background" attached below.

Background

15. The following entities were involved in the transactions highlighted in the Special Audit Report:
- i. E3 Holdings Limited with subsidiaries, Englo Real Estate Development Pte Ltd ("Englo") and Englo Energy Pte Ltd ("Englo Energy");
 - ii. Jade Technologies Holdings Ltd ("Jade Tech") with subsidiary, Jade Commodities and Resources Pte Ltd ("Jade Commodities"), and
 - iii. Orientus (Asia) Holdings Limited (Orientus Asia") with subsidiary, Orientus (Jilin) Development Ltd ("Orientus Jilin")
16. On 20, 21 and 22 January 2008, the Company announced that its subsidiary, Englo and Jade Commodities, a subsidiary of Jade Tech, had jointly entered into agreements ("Agreements") to:
- i. acquire 49% interest in Song Yuan Petrochem;
 - ii. acquire a parcel of land at Song Yuan district in the Jilin province ("Song Yuan Land"); and
 - iii. extend loan to Song Yuan Petrochem ("Song Yuan Petrochem Loan")

(collectively the "Song Yuan Investments"), for a total consideration of RMB185 million or approximately equivalent to S\$37 million.

Remittances of S\$22 million to an interested person

17. Between January and May 2008, the Company and Englo remitted S\$22 million to Orientus Jilin, purportedly as partial settlement of the total consideration of S\$37 million for Song Yuan Investments. Out of S\$22 million, the Company contributed S\$14 million and Jade Commodities contributed S\$8 million.
18. Orientus Jilin is a subsidiary of Orientus Asia, which is wholly owned by Mr Kenneth Ngo. Mr Kenneth Ngo is the brother of Mr Peter Ngo, the Company's then Chairman. Therefore, Orientus Jilin constituted an interested person under the Listing Rules.
19. In the course of the Special Audit, the Company provided documentation to substantiate the payment of only S\$10 million of the S\$22 million remitted as follows:
- i. S\$6 million remitted by Orientus Jilin to Song Yuan Petrochem in the form of Song Yuan Petrochem Loan on 2 February 2008; and
 - ii. RMB20 million (equivalent to about S\$4 million) to Changchun Hua Hai Tong Machinery Manufacturing Ltd ("Changchun") allegedly as partial payment for Song Yuan Land on 12 January 2008.

The remaining S\$12 million remitted to Orientus Jilin was unaccounted for.

20. On 21 May 2008, a trust deed ("First Trust Deed") covering only S\$12 million out of S\$22 million remitted to Orientus Jilin was executed. The First Trust Deed was executed to formalize the arrangement that the S\$12 million in Orientus Jilin's bank account was held for the beneficial interest of Englo.

Disposal of Company's 49% interest in Song Yuan Petrochem to an interested person

21. On 9 May 2008, the Company entered into a supplementary agreement with Song Yuan Petrochem to transfer 49% equity interest in Song Yuan Petrochem to Orientus Jilin, and 51% to Hong Kong Duty Free Commercial Ltd ("HKDutyFree").
22. On 2 June 2008, the Company announced that Englo Energy entered into an agreement with Orientus Asia to repurchase 49% equity interest in Song Yuan Petrochem that was transferred to Orientus Asia's subsidiary for RMB95 million.
23. On 14 July 2008, Englo subsequently executed another trust deed ("Second Trust Deed") with Orientus Asia. The Second Trust Deed was to formalize the arrangement that Orientus Asia was holding the rights and interest in Song Yuan Petrochem on behalf of Englo.
24. The Special Auditor questioned the rationale for the Company's subsidiary to enter into the agreement with Orientus Asia to repurchase 49% equity interest in Song Yuan Petrochem.

Status of Song Yuan Investments

25. On 10 July 2008, the Company announced that Englo and Englo Energy had entered into an agreement with GTL Holdings Limited ("GTL") under which GTL would assume the Company's obligations for the acquisition of 49% equity interest in Song Yuan Petrochem. The announcement stated that GTL would compensate Englo for all costs and

expenses incurred in relation to the proposed investment in Song Yuan Petrochem.

26. However, as at the date of the Special Audit Report, the Company had not received any payment from GTL. In addition, the proposed transfer of the 49% equity interest in Song Yuan Petrochem to GTL was not completed.
27. The remittances of S\$22 million were recorded as "other receivables" in the Company's financial statements as at 30 September 2009. An impairment provision of S\$10 million was made for the financial year ended 30 September 2009.
28. The Company made the following announcements:
 - i. 30 April 2010 : Lodged a police report with Commercial Affairs Department against Kenneth Ngo and his associates in respect of application of the Company's funds in connection with the Company's acquisition of an equity interest in Song Yuan Petrochem
 - ii. 20 May 2010 : Instituted legal proceedings against Kenneth Ngo, Peter Ngo, Anthony Soh and others in respect of, inter alia, application of the Company's funds in connection with the Company's acquisition of an equity interest in Song Yuan Petrochem and Song Yuan Land.
 - iii. 25 May 2010 : Instituted legal proceedings against Peter Ngo and Liau Beng Chye to enforce certain indemnities granted by them to the Company and Englo.

Breaches of Listing Rule 905 and 906

29. The Company's transfer of 49% equity interest in Song Yuan Petrochem to Orientus Jilin constituted an interested person transaction, discloseable and subject to shareholders' approval under Listing Rules 905 and 906, respectively. The Company contravened Listing Rules 905 and 906 as it failed to announce and obtain shareholders' approval for the interested person transaction.
30. With regards to S\$22 million remitted to Orientus Jilin, the Company had represented to the Special Auditors that Orientus Jilin had the capacity to receive the foreign remittances whereas Englo and its subsidiaries did not possess the requisite quota to receive such funds.

Breaches of Listing Rule 703

31. As set out in paragraph 21 above, the Company breached Listing Rule 703 for failing to disclose its disposal of its 100% interest in Song Yuan to Orientus Jilin and HKDutyFree.
32. In addition, there were inaccuracies in the Company's announcements pertaining to Song Yuan Investments.
33. Although the announcement stated that Englo and Jade Commodities had jointly acquired 49% equity interest in Song Yuan Petrochem for RMB95 million, the agreement showed that the acquisition was for 100% equity interest in Song Yuan Petrochem at the same purchase consideration.

Failures of Corporate Governance

34. The Special Audit Report highlighted failures of corporate governance. The findings are summarised as follows:
 - i. No evidence of any board and investment papers prepared and discussed with the Board of Directors despite the materiality of the Song Yuan Investments;
 - ii. No documentary evidence of Board's approval for the Song Yuan Investments and remittances of funds of S\$22 million to an interested person;
 - iii. Funds were remitted to Orientus Jilin, an entity with no contractual relationship with either the Company or Song Yuan Petrochem. There was no trust arrangement or other safeguards put in place at the time of remittances, thereby exposing the Company to financial risks; and
 - iv. Funds were remitted as purported payments for Song Yuan investments prior to the completion of the due diligence.

List of Directors

¹ Mr Peter Ngo - Executive Chairman from August 2005 to July 2008/ Non-Executive Chairman from July 2008 to July 2009/ Acting Executive Chairman from July 2009 to January 2010

² Dr Anthony Soh - Group President from January 2008 to April 2008/ Non-Executive Director from December 2007 to April 2008

³ Mr Kenneth Ngo - Director of Englo Real Estate Development Pte Ltd, a wholly-owned subsidiary of the Company, from July 2007 to March 2008

⁴ Ms Sieh - Executive Director and Chief Financial Officer from May 2008 to Present

⁵ Mr Chong - Director of Englo Real Estate Development Pte Ltd, a wholly-owned subsidiary of the Company, from 12 March 2008 to 25 March 2008

⁶ Mr Liao - Executive Director from September 1999 to July 2008/ Non-Executive Director from July 2008 to November 2008

⁷ Mr Peter Ngo, Ms Sieh, Mr Chong and Mr Liao were authorised signatories for remittances of Company's funds to an interested person. Dr Anthony Soh represented Englo Real Estate Development Pte Ltd in entering into an agreement to purchase a land parcel at Song Yuan district in the Jilin province of the People Republic of China. Mr Kenneth Ngo represented Englo Real Estate Development Pte Ltd in entering into an agreement to purchase equity interest in Song Yuan Petrochemical Co Ltd.