

IN THE STATE COURTS OF THE REPUBLIC OF SINGAPORE

District Arrest Case No 908134 of 2021 & Ors

Public Prosecutor

Against

Ng Swee Khiang (Huang Ruiqiang)

ORAL JUDGMENT

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Public Prosecutor

v

Ng Swee Khiang (Huang Ruiqiang)

District Arrest Case No 908134 of 2021 & Ors

District Judge Salina Ishak

2 – 3 & 10 - 13 September 2024,
21 – 24 & 27 January 2025,
18 – 21 February 2025,
8 – 11 January 2025

23 May 2025

District Judge Salina Ishak:

Introduction

1 These are my brief oral reasons for my decision. I will issue full written grounds in due course, if necessary.

Background

2 The present case involves an investment scheme whereby investors ‘copy’ trades made by a master trader in leveraged foreign exchange with a promise of lucrative monthly returns.

3 The accused, Mr Ng Swee Khiang claims trial to 23 charges, namely:

- a) 19 charges of engaging in a conspiracy to cheat investors by misrepresenting that they would be investing in leveraged foreign exchange with a purported brokerage under s 420 read with s 109 of the Penal Code (Cap 224, Rev Ed 2008) (PC),
- b) one charge of knowingly being a party to a fraudulent trading business under s 340(5) Companies Act (Cap 50, Rev Ed 2006),
- c) two charges of being a director consenting to a company holding itself out as carrying on a business of dealing in capital markets products without a capitals market licence under s 82(3) read with s 331(1) Securities and Futures Act (Cap 289, Rev Ed 2006) and
- d) one amalgamated charge of instigating another person to alter electronic trading records on a trading platform with intend to defraud under s 477A read with s 109 Penal Code (Cap 224, Rev Ed 2008) and s 124(4) Criminal Procedure Code (Cap 68, Rev Ed 2012).

4 54 remaining charges of cheating by conspiracy under s 420 read with s 109 of the PC were stood down. The accused denies these charges.

5 In the course of the trial on 21 January 2025, the Prosecution withdrew two charges under s 82(3) read with s 331(1) Securities and Futures Act. The accused was granted a discharge amounting to an acquittal on these charges.

6 To establish its case beyond a reasonable doubt, the Prosecution must prove that:

- a) the accused together with the late Mr Edward Lau Wai Tak, defrauded investors by using their capital for Pareto SG's operational expenses and for payment of "returns" to earlier investors instead of for trading purposes.
- b) the accused was knowingly a party to Pareto SG carrying on a business for a fraudulent purpose and
- c) the accused instigated Mr Jason Chin Jie Cheng, an officer of TransactCloud LLP to delete electronic trading records on the MT4 system with intend to defraud by making the accused's trading performance appear profitable.

Prosecution's case

7 The Prosecution asserts that the accused, and Pareto SG, marketed an investment scheme whereby investors 'copy' trades in leveraged foreign exchange made by purportedly experienced traders. Investors would trade using the Veritas Global Exchange ("VGX") trading platform. To fund their trading accounts opened with Veritals Solutions Limited ("VSL"), investors had to transfer capital to a purportedly segregated bank overseas account in the name of another entity, Pareto International Pte Ltd ("Pareto International"). Thereafter, the investors' trading accounts would reflect trades copied from a master account controlled by the accused, which purportedly earned monthly returns ranging from 3.81% to 16.87% in 2019. Every month, investors were charged 30% of the profits reflected in their account for this copy trading service.

8 The Prosecution further asserts that Pareto SG, VSL and Pareto International were in fact controlled by the accused's business partner, Mr

Edward Lau Wai Tak. The investors monies were not held by any independent or neutral party that would prevent the investment provider from running off with the investors' monies or using such monies for purposes other than trading.

9 The Prosecution also asserts from July 2019 to February 2020, the investors' capital was not used for any trading purposes and was essentially a Ponzi scheme. The accused and Mr Edward Lau agreed not to conduct any actual trading during this period. This deceptive outward appearance was to prevent a bank run and to keep attracting new investments. In reality, the capital was used for operational expenses including sales commissions of Pareto SG staff, and to pay "returns" to earlier investors. According to the Prosecution, during this period, the trades keyed into VGX were not genuine and the profits reflected in the trading records were non-existent. Of the US\$4.8 million that investors had put into this scheme within this period, only about 30% of the sum remains in Pareto International's bank accounts. Hence, the Prosecution asserts that the accused is a knowing party to Pareto SG carrying on business for a fraudulent purpose.

10 The Prosecution also asserts that on 21 occasions within this period, the accused directed Mr Jason Chin of TransactCloud LLP to delete 307 trades he had entered onto the master account. Hence, the electronic records on the MT4 trading platform were altered and a significant net loss of US\$2,142,617.41 was wiped from VGX's trading records. The Prosecution states that this has the effect of making the accused's trading performance seem better and more profitable than it actually was.

11 The Prosecution further asserts as the accused had conspired with Mr Edward Lau to cheat investors with trades that were not genuine, the accused acted with intent to defraud when the trading records were altered.

Defence's Case

12 The accused asserts that Mr Edward Lau had left his position and gave up his shares in Pareto SG Pte Ltd and VGX. He retained his directorship and shares at Pareto International Holdings. To the accused this shows that Mr Edward Lau clearly tried to separate the operations of the three companies involved in this case. This reinforces the accused's belief that they were part of a legitimate business operation. There was no reason to doubt Mr Edward Lau and suspect that anything illegal or dishonest was taking place.

13 The accused further asserts that there was no conspiracy between him with either Mr Edward Lau or Mr Jason Chin to manipulate the trading. According to the accused, there was no difference in his trading, whether A book or B book, throughout the entire duration of operations from Feb 2019 to Feb 2020. The only additional feature after June 2019 was that he could place and delete test trades easily on the B book model.

14 The accused asserts that before June 2019, there was feedback and complaints that some of the client's accounts were not copying the trades. To ensure that the clients' accounts were linked properly before he started trading for that day, he placed test trades and then deleted them. He disagrees that he would conduct trades and delete the losing trade so that clients would only see the winning trades and profits when there was no actual trading. He also asserts that from Exhibit P29, there is a mix of winning and losing trades. Out of the total of 288 trades deleted, 111 trades were winning trades and 174 were losing trades. The test trades that were deleted were not just losing trades.

15 The accused disputes the Prosecution's position that there was no actual trading. The accused asserts that the fact that there was document labelled Closed Trades or Deleted Trades means that there was actual trading done. The

accused further asserts that he did not stop trading as there was no pause in trading. This is based on Exhibit P23 which showed closed trades on the VGX platform from 29 March 2019 to 12 February 2020.

16 The accused asserts that he was not involved in the planning or implementation of any cheating scheme. The Prosecution fail to show that he benefited from allegedly cheating the clients. He received a fixed monthly salary and a commission on sales revenue as a normal employee would.

Undisputed Facts

17 In the present case, the following facts are not disputed:

- (a) Mr Edward Lau set up Pareto SG in or about 1 February 2019, with the accused as a minority shareholder. The accused was subsequently appointed as a director.
- (b) Pareto SG marketed a copy trading service in contract-for-differences in leveraged foreign exchange, whereby investors could copy the trades of experienced traders like the accused.
- (c) Potential investors were told that the trades on this account had generated net profit every month of operation, ranging from 3.7% to 20.7% in 2019.
- (d) Under this scheme, investors did not make any trading decisions themselves. Instead, they opened and funded trading accounts with VSL, on the trading platform VGX which it operated. The investors' trading accounts were then linked to a master trading account or MAM account operated by a master trader. The trades made on the MAM account would then be copied to all the linked trading accounts.

(e) To fund their trading accounts with VGX, investors deposited monies into a Bank of China (Hong Kong) bank account belonging to Pareto International. This company and its bank account were set up and controlled by Mr Edward Lau. He had similarly set up and controlled VSL.

(f) VGX operated the MT4 system and VSL had a white label licence agreement with TransactCloud for this. Investors could access their VGX accounts and see the closed trades that had purportedly been made with their monies.

(g) Initially, the trades made by the accused on the MAM account were passed through to or hedged with Broctagon Prime (“Broctagon”) a liquidity provider.

(h) After 13 June 2019, no further trades were made with Broctagon and VSL did not have any other liquidity providers.

(i) From 3 July 2019 to 22 January 2020, seven investors invested in this scheme marketed to them by Pareto SG. They transferred a total of US\$229,845.99 and S\$206,632.89 into the abovementioned Pareto International account ending 552-2.

(j) From 3 July 2019 to 16 December 2019, on 21 occasions, the accused instructed Mr Jason Chin of TransactCloud to delete certain trades from the MAM account.

The Law on Cheating

18 To establish the 19 cheating by conspiracy charges under s 420 read with s 109 of the Penal Code, the Prosecution must prove:

- (a) The accused engaged in a conspiracy with Mr Edward Lau to cheat investors.
- (b) Pursuant to this conspiracy, the seven investors were told that they would be investing in leveraged foreign exchange with trades conducted through VSL.
- (c) They were induced to transfer monies into Pareto International's bank account and
- (d) The accused acted with dishonest intent.

19 To prove its case on the cheating charges, the Prosecution relies on the testimonies of seven investor-victims, Mr Jason Chin of TransactCloud, its expert witness Mr Adam James Reynolds, the objective documentary evidence and Mr Edward Lau's 17 statements. Although Mr Edward Lau is no longer available as a witness, I admitted his statements pursuant to s 32(1)(j)(i) of the Evidence Act 1893 after an ancillary hearing as they are statements of relevant facts.

20 The accused asserts that it is fair to assume that Mr Edward Lau had been threatened by Assistant Director of CAD Lim Kok Meng as he alleges the same had happened to him. In my view there is no basis to support this assumption that Mr Edward Lau was threatened as there was no evidence before me to support this assertion. Moreover, the onus lies with the accused to establish this assumption.

21 In the present case, I agree with the Prosecution that Mr Edward Lau had confessed to the conspiracy to cheat investors with the accused based on the portions highlighted by the Prosecution in Exhibits P45, P46 and P49. In these

statements, it is clear when Broctagon closed VGX's position in June 2019, both the accused and Mr Lau decided to stop trading. The accused was to continue to conduct trades and then delete the losing trades so that the investors would only see winning trades and profits. Both wanted the investors' capital to continue coming in to keep paying their existing investors.

22 I did not accept the accused's assertion that Mr Edward Lau as the owner of VGX became the liquidity provider as he would be absorbing the losses and paying out the profits. I note that in his 19 February 2020 statement (Exhibit P46), in his answer to Question 464 Mr Lau stated that when they suffered a loss of about US\$300,000, he did not have liquidity and could not cover the losses with his own money at that point.

23 In the present case, I accept that Mr Edward Lau's statements is corroborated and is consistent with other objective evidence including VSL's trading record with Broctagon, the WhatsApp messages between Mr Lau, the accused and other TransactCloud personnel as well as Mr Jason Chin's testimony.

24 From the evidence before me, the accused does not dispute that the seven investors were told by the sales personnel of Pareto SG as well as the accused that they would be investing in leveraged foreign exchange with trades conducted through VSL. In particular, the accused continued to made representations on the copy-trading scheme and the trades in the MAM account when he was aware that at the material time, Pareto SG had stopped making genuine trades.

25 As the CEO and Head of Sales in Pareto SG, the accused would have exercised direct control over what potential investors were told of the

investment scheme. As highlighted by the Prosecution, the accused had overall responsibility for the training of the sales personnel and the portfolio strategists. Hence, I find that these representations were made pursuant to the conspiracy between the accused and Mr Lau as set out earlier.

26 As all seven investors testified that they would not have invested if they knew that no genuine trades were done with their capital, I find that they were induced to transfer monies into Pareto International's bank account by such deception as set out above. Consequently, based on the facts as set out earlier, the irresistible inference to be drawn is that the accused acted with dishonest intent when he promoted the copy-trading investment scheme.

27 Hence, I reject the accused's assertion that he was not involved in the planning or implementation of any cheating scheme. It is clear from the evidence that he was complicit in this investment scheme. I agree with the Prosecution that the accused did benefit from the scheme. Not only did he receive his monthly salary, but he was also paid a recurring commission of 0.5% of the total amount collected from investors every month.

28 All things considered; I find that the Prosecution has proven its case on the 19 cheating charges beyond a reasonable doubt.

The Law on Fraudulent Trading

29 In respect of the charge under r s 340(5) of the Companies Act, the Prosecution must prove that the accused was knowingly a party to Pareto SG carrying on a business for a fraudulent purpose. The elements of such an offence are:

- (a) The business of Pareto SG was carried on for a fraudulent purpose, specifically, to market a fraudulent leveraged foreign exchange trading scheme involving VSL and
- (b) The accused was knowingly party to the carrying on of the business of Pareto SG for the fraudulent purpose.

30 In the present case, I agree with the Prosecution that Pareto SG's sole business was to market the copy-trading service in leveraged foreign exchange involving VSL. As discussed earlier, this investment scheme was fraudulent as there were no genuine trades made at the material time.

31 The accused conspired with Mr Edward Lau to stop trading on VGX around June 2019. In addition, Mr Lau had confessed in his statement at Exhibit P45 that the investors' capital was used to pay Pareto SG's sales staff and overheads and to keep paying clients at Exhibit P46. This is essentially a Ponzi scheme to prevent a bank run and to keep attracting new investments. I agree with the Prosecution the fact that the accused continued to act as CEO and Chief Trader of Pareto SG shows that he had been a knowing party to Pareto SG carrying on business for a fraudulent purpose. Hence, I find that the accused was knowingly party to the carrying on of the business of Pareto SG for the fraudulent purpose. Accordingly, I am satisfied that the Prosecution has proven this charge beyond a reasonable doubt.

The Law on Falsification of Electronic Records

32 To prove the charge under s 477A read with s 109 of the Penal Code and s 124(4) of the CPC, the Prosecution must prove that:

- (a) Mr Jason Chin was an officer of TransactCloud.

- (b) On 21 occasions, the accused instigated Mr Chin to alter the trading records on the VGX electronic platform maintained by TransactCloud for VSL, which were electronic records in the possession of TransactCloud.
- (c) In consequence of this abetment, these electronic records were in fact altered.
- (d) These occasions amounted to a course of conduct.
- (e) The accused acted wilfully and with intent to defraud.

33 In the present case, it is unchallenged that Mr Chin is the registered manager of TransactCloud as shown from the Business Profile search. Section 2 of the Limited Liability Partnerships Act defines an officer, in relation to a limited liability partnership, to refer to “any manager” of such partnership. Accordingly, I agree with the Prosecution that Mr Chin is considered as an officer of TransactCloud.

34 Further, it is unchallenged that the accused has instructed Mr Chin to delete certain open trades from the MAM account on the VGX platform. From Exhibit P34, I agree that it is apparent that it was done on 21 occasions.

35 In his testimony, the accused sought to explain these deletions on the basis that these were test trades he had placed to ensure new client copy accounts were properly linked to the MAM account. He claimed that he aggregated these for a few days or a week basis before instructing TransactCloud to delete them, so as not to trouble the latter too often. The accused asserts that he had deleted the test trades without bothering if they were winning or losing as they were just test trades.

36 I agree with the Prosecution that his explanation is neither credible nor borne out by the evidence. If he did receive feedback or complaints from investors that the trading accounts were not linked, the proper course of action would have been to take it up with the service provider operating the system to resolve the issue. Further, it is unchallenged that TransactCloud was not informed beforehand that they were test trades or why the accused wanted them deleted. I further agree with the Prosecution that the notion of test trades was not mentioned at either 24 June 2019 meeting or at any time in the MT4 Management chat group.

37 As highlighted by the Prosecution, the accused had placed trades on a live account instead of a test account. I accept Mr Jason Chin and Mr Adam James Reynolds' evidence that test trades, on a B book model, are usually executed on an account designated as a test account rather than an account being used for trading purposes. VGX had such test accounts, which were visible to the trader including the accused. I also accepted Mr Jason Chin's evidence that it did not make sense to place test trades on this account as real monies were involved in this account. Hence, I reject the accused's assertion that placing test trades on a demo/test server makes no sense as there were no demo/test accounts for the clients.

38 Further, I agree with the Prosecution that such deletions would have altered the electronic trading records. In my view, the accused's act of instructing the deletion would amount to the accused instigating as the TransactCloud's employees duly carried his instructions and deleted the relevant trades. Hence, I find that on 21 occasions, the accused instigated Mr Chin to alter TransactCloud's electronic records, which was committed in consequence of his abetment, and which amounted to a course of conduct.

39 Similarly, as discussed earlier, as this was a fraudulent investment scheme, I find that the accused acted wilfully and with intent to defraud when he instigated the alteration of the electronic records. Accordingly, I am satisfied that the Prosecution has proven this charge beyond a reasonable doubt.

40 All things considered; I find the evidence of the Prosecution's witnesses to be reliable. Their testimonies corroborate each other and are consistent in material aspects and is externally consistent with the extrinsic evidence by the various objective documentary evidence. I also find that their evidence is also externally consistent with the extrinsic evidence from the various Prosecution witnesses.

41 In contrast, I reject the accused's evidence as I find him to be an unreliable witness as he was internally inconsistent on the material aspects relating to the case including in his own statements. As highlighted by the Prosecution, his only explanation was that he was unwilling to volunteer answers because the investigating officer was not willing to let him know the reason for the investigation. I find this reasoning incredible as he was specifically told the nature of the offence and the period in question at the commencement of each statement. From the questions posed to him during the recording of his statements, he would have known or at the very least have an inkling on the reasons for the investigations.

42 I also agree with the Prosecution that the accused is an evasive and disingenuous witness from his testimony at trial. I further agree with the Prosecution that on several occasions, he repeatedly refused to answer questions put to him directly and would respond with irrelevant matters as highlighted by the Prosecution.

Conclusion

43 Hence, I am satisfied that the Prosecution has proven every essential element of the 21 charges beyond a reasonable doubt. Accordingly, I find the accused guilty and convict the accused on these charges.



Salina Ishak
District Judge



Hui Choon Kuen S.C, Theong Li Han & Tan Pei Wei
(Attorney-General's Chambers) for the Public Prosecutor;
Ng Swee Khiang, the accused acting in person.
