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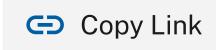
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PRESS RELEASE



## SEC Charges China-Based Tech **Company Cloopen Group with Accounting Fraud**

Commission declines to impose civil penalties because of company's self-reporting, cooperation and remediation

FOR IMMEDIATE RELEASE 2024-15

Washington D.C., Feb. 6, 2024 — The Securities and Exchange Commission today announced settled accounting fraud charges against Cloopen Group Holding Limited, a China-based provider of cloud communications products and services whose American depositary shares formerly traded on the New York Stock Exchange. The SEC determined not to impose civil penalties against Cloopen because the company selfreported its accounting issues, cooperated extensively with the staff's investigation, and undertook prompt remedial measures.

According to the SEC's order, two senior managers who led Cloopen's strategic customer contracts and key accounts department orchestrated a fraudulent scheme from May 2021 through February 2022 to prematurely recognize revenue on service contracts. The order finds that, facing pressure to meet strict quarterly sales targets, the two senior managers directed their employees to improperly recognize revenue on numerous contracts for which Cloopen had either not completed work or, in some instances, not even started work. As a result of this misconduct and other accounting errors, Cloopen overstated its unaudited financial results for the second and third quarters of 2021 and its announced revenue guidance for the fourth quarter of 2021.

Within a few days of starting an internal investigation, Cloopen self-reported the accounting violations to the SEC and subsequently provided substantial cooperation to the staff, including summarizing interviews of witnesses located in China and identifying and translating key documents originally written in Chinese. Cloopen also implemented prompt remedial measures, which included firing or disciplining the people involved in the fraudulent scheme, reorganizing the departments engaged in the misconduct, strengthening its accounting controls, and recruiting new finance and accounting staff with expertise in U.S. generally accepted accounting principles.

"This enforcement action demonstrates what we have said repeatedly: there are real benefits to companies that self-report their potential securities law violations, assist during our investigations, and undertake remedial measures," said Gurbir S. Grewal, Director of the SEC's Division of Enforcement. "As detailed in our order, Cloopen, a foreign issuer, promptly self-reported accounting errors to Commission staff, provided detailed explanations of the transactions at issue, and cooperated in other ways that substantially advanced the investigation. Cloopen also promptly undertook significant remedial measures, including terminating and disciplining employees involved in the misconduct, strengthening its internal accounting controls, and clawing back compensation from its CEO and CFO. In consideration of Cloopen's significant cooperation, the Commission determined not to impose a civil penalty against Cloopen."

The SEC's order finds that Cloopen violated the antifraud provisions of the Securities Exchange Act of 1934 as well as certain reporting, recordkeeping, and internal controls provisions of the federal securities laws. Without admitting or denying the SEC's findings, Cloopen agreed to cease and desist from further violations of the charged securities laws.

The SEC's investigation was conducted by Duncan C. Simpson LaGoy and Ellen Chen and supervised by David Zhou and Jason H. Lee of the San Francisco Regional Office.

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Last Reviewed or Updated: Feb. 6, 2024

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