SGX Group

Regulatory Announcement

11 December 2025

Corporate governance practices within NutryFarm International fall short of standards expected

Singapore Exchange Regulation (SGX RegCo) refers to the Notice of Compliance issued to NutryFarm International Limited (under judicial management) (NutryFarm) on 8 September 2021 and NutryFarm's announcement dated 11 December 2025 on the independent review findings by the special auditor, FTI Consulting Singapore (FTI). FTI reported the findings directly to SGX RegCo.

FTI's review focused on NutryFarm's proposed acquisitions of First Linkage Inc. and Xinjiang Zhongtong Internet Science and Technology Development Co., Ltd (XJZT) from Mr. Wang Xiaoxin, the prepayments made by NutryFarm to Mr. Wang in connection with the proposed acquisition of First Linkage Inc., and the advances made by NutryFarm to an unrelated party, Meili Tianyuan Agriculture Co. Ltd (MLTY).

FTI's Findings

Proposed acquisition of First Linkage Inc. and XJZT

On 15 March 2018, NutryFarm announced the proposed acquisition of First Linkage Inc. from Mr. Wang for an aggregate consideration of RMB 90 million (approximately HKD 111.6 million[1]). Under the terms of the acquisition, a purchase consideration of RMB 67.5 million (approximately HKD 83.7 million[1]) was to be paid on completion and the remaining RMB 22.5 million (approximately HKD 27.9 million[1]) would be payable upon the target company achieving the pre-agreed profit targets post-acquisition.

Notwithstanding that the parties had agreed to pay the purchase consideration in accordance with the above timelines, FTI noted that NutryFarm had (a) prepaid Mr. Wang as early as April 2017 and (b) entered into a loan agreement with Mr. Wang in June 2017 to provide an interest-free working capital loan of up to RMB 77 million (approximately HKD 88.6 million[2]), both in contemplation of the proposed acquisition of First Linkage Inc.. As of the 15 March 2018 announcement, HKD 53.4 million[3] (which accounted for more than 60% of the purchase consideration required to be paid on completion) had been disbursed to Mr. Wang and his nominated parties. The prepayments and loan agreement were neither disclosed during the material times nor in the 15 March 2018 announcement even though the amount disbursed was significant.

[1] Based on exchange rate as of 15 March 2018 (RMB 1 = HKD 1.24) as published on xe.com.
[2] Based on exchange rate as of 15 June 2017 (RMB 1 = HKD 1.15) as published on xe.com.
[3] This amount excluded advances that had been repaid during the same period.

FTI further reported that professional advisors were only appointed to perform due diligence and independent valuation for the acquisition of First Linkage Inc. in November / December 2017. At the time when the prepayments were made or when the loan agreement was signed, the due diligence and valuation had either not commenced or were still ongoing. FTI also did not find any documentary evidence of internal evaluation performed by the board or management.

NutryFarm continued to provide such prepayments or loan to Mr. Wang after 15 March 2018. The outstanding amount due from Mr. Wang accumulated to HKD 91.4 million[3] as of July 2018, which exceeded the loan amount and the purchase consideration required to be paid on completion. These prepayments and loan, which were extended interest-free to Mr. Wang, were partially funded by NutryFarm undertaking interest-bearing loans ranging from 3.5% - 7.4%, resulting in NutryFarm bearing the borrowing costs. There was no board resolution in connection with the loan agreement or the amounts disbursed to Mr. Wang. It was only in August 2018, upon the advice of NutryFarm's lawyers, that the board passed a resolution for the monies disbursed to Mr. Wang as the amount had snowballed significantly.

FTI reported that the disbursements to Mr. Wang went through Mr. Paul Gao Xiangnong (former Chief Executive Officer and Executive Director of NutryFarm), with the bank transfers were approved by Mr. Paul Gao and Mr. Andy Xu Peng (former Chief Financial Officer of NutryFarm). Mr. Paul Gao only provided verbal, ad-hoc notifications to the remaining directors of the disbursements. The directors interviewed by FTI confirmed that they were privy to the loan agreement with Mr. Wang, but were unaware that monies had been disbursed before the loan agreement was signed.

On 3 December 2019, NutryFarm announced the termination of the proposed acquisition of First Linkage Inc., and that the prepayments or working capital loan given to Mr. Wang in connection with the proposed acquisition of First Linkage Inc. would be set off against the purchase consideration for the proposed acquisition of XJZT announced in June 2019. XJZT was indirectly owned by First Linkage Inc.. However, the acquisition of XJZT did not materialise either.

As of 31 March 2022, Mr. Wang still owed NutryFarm a sum of HKD 59.8 million. The last repayment by Mr. Wang was in April 2021.

Advances to an unrelated party, MLTY

The advances to MLTY were disbursed from NutryFarm's principal subsidiary, Nutryfarm (Chengdu) Biomedicine (NFC). MLTY was an associate of NFC's customers. The provision of such financial assistance to MLTY was a long-standing practice, which started before NFC was acquired by NutryFarm in 2012.

FTI reported that RMB 26.81 million due from MLTY to NFC as of 31 March 2021 arose from two loan agreements entered into between NFC and MLTY on 31 March 2019. Under the loan agreements, NFC

would provide MLTY with (a) an interest-free working capital loan of RMB 7 million for a one-year period and (b) an interest-free working capital loan of RMB 30 million for a two-year period. The reason for extending these loans to MLTY was to, among others, maintain a positive relationship with two major customers of NFC whom MLTY had influence over.

However, FTI did not find any commercial justification for these two loan agreements. FTI noted that (a) the interest-free loans extended to MLTY was partially funded by a RMB 13 million interest-bearing loan taken by NFC from Agricultural Bank of China, (b) there were no trades between MLTY and NFC subsequent to October 2018, (c) there was no affiliation between MLTY and the two major customers after 2014, and (d) the annual combined revenue contribution to NFC from the two major customers was only RMB 5.1 million for the financial year ended 31 March 2019 and RMB 6.2 million for the financial year ended 30 September 2020, which did not commensurate with the aggregate loan amount of RMB 37 million extended to MLTY.

The loans to MLTY were unsecured and MLTY last made repayments for these loans in September 2021. The outstanding amount due from MLTY as of 30 September 2021 was RMB 18.1 million.

FTI further understood from Mr. Andy Xu Peng (former Chief Financial Officer of NutryFarm) that NFC's extension of loans to MLTY did not require NutryFarm's board approval as "NFC runs their business independently". Mr. Paul Gao confirmed that he was privy to these loans as the assistant general manager of NFC had kept him informed. The other directors interviewed by FTI represented that they only became aware of the loans to MLTY when the outstanding balance started to appear significant in the financial statements.

In April 2023, NutryFarm disposed of NFC. FTI reported that the disposal was not authorised by the judicial manager even though it took place during the period when NutryFarm was under judicial management.

SGX RegCo's Concerns

FTI reported potential late disclosures and control lapses surrounding the advances and loans extended to third parties. Of great concern was a fundamental failure of corporate governance within NutryFarm marked by poor and ineffective board oversight over corporate transactions, and the lack of transparency and disclosure. Advances appeared to be freely made to third parties with no apparent commercial reason. Decisions appeared to be made without due diligence. NutryFarm eventually failed to meet repayment obligations and was placed under the judicial management. Such conduct undermines accountability, transparency, and the principles of sound governance expected of a listed issuer. SGX RegCo will investigate the potential listing rule breaches highlighted in the report.

As announced by the judicial manager on behalf of NutryFarm on 9 July 2025, NutryFarm had commenced an originating claim against its former directors and third parties in the High Court of the

Republic of Singapore for, among others, breaches of fiduciary duties owed to NutryFarm as well as claims for dishonest assistance or knowing receipt.

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About Singapore Exchange Regulation (SGX RegCo)

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