



Regulatory Announcement

1 September 2020

SGX RegCo to refer Camsing Healthcare's special audit report to the relevant authorities

Singapore Exchange Regulation (SGX RegCo) refers to the Notice of Compliance (NOC) issued to Camsing Healthcare Limited on 29 March 2019 and the company's announcement dated 1 September 2020 on the special audit report prepared by the independent reviewer, RSM Corporate Advisory Pte Ltd (RSM). RSM reported the findings directly to SGX RegCo.

In the course of the audit for financial year ended 31 January 2019 (FY2019), the company's statutory auditors (Auditors) raised concerns about certain sales and purchases by the company in FY2017 to FY2019 and whether they were entered into with related parties. The Auditors also expressed concerns on the Company's state of affairs including its cashflow position in view of the breach of certain bank covenants. Shortly after these audit matters were raised by the Auditors to the Company, the former independent directors (Former IDs) resigned and stated "unresolved differences with the board" as reasons for their resignation. The FY2019 audit was put on hold pending resolution of the audit matters raised by the Auditors. SGX RegCo stepped in and issued a NOC directing the Company to undertake a special audit to look into the transactions highlighted by the Auditor and required the company to obtain detailed explanations from the Former IDs on whether it was proper and appropriate to resign with the unresolved audit matters pending. The resignation of the Former IDs placed the company in jeopardy as there is no continuity in the oversight of the audit matters which fall within their purview and responsibility. Subsequent to the NOC, the Former IDs, in consultation with SGX RegCo, voluntarily undertook not to accept any new appointments to act as directors or executive officers of any SGX-listed companies without seeking SGX RegCo's prior approval.

RSM's key findings centred on the company's transactions with three entities, namely Global Biotech Medical Inc. Limited (Global Biotech), Caring Global Health Management (Beijing) Co., Ltd (Caring Global) and I-Nitra Consulting Limited (I-Nitra). RSM highlighted, *inter alia*, the following concerns surrounding the company's transactions with these entities and the company's relationships with these entities:

- (a) Circular sales were noted between the company's principal subsidiary, Nature's Farm, Global Biotech and I-Nitra. Sales of health supplements by Nature's Farm to Global Biotech (an exclusive distributor for the "Nature's Farm" brand of health supplements in Hong Kong and China) in FY2017 and FY2018 was S\$9.4 million. About 47% of these sales were subsequently consigned to Nature's Farm by I-Nitra (purportedly Global Biotech's distributor) in FY2019 for which Nature's Farm would earn a commission upon sales. Sales of honey products by Nature's Farm to Global Biotech in FY2018 was S\$600,000, of which 90% were repurchased back from I-Nitra in FY2019. RSM did not find conclusive evidence of round-tripping as there was evidence of shipment and receipt of sale proceeds. Nature's Farm appeared to have profited from these transactions;

- (b) In FY2021, Nature's Farm repurchased health supplements from Global Biotech at a cost of about S\$47,000. These health supplements were previously sold to Global Biotech in FY2018 at a price of about S\$1.23 million. In aggregate, about 60% of the health supplements previously sold to Global Biotech in FY2017 and FY2018 were "returned" to Nature's Farm in FY2019 and FY2021;
- (c) Nature's Farm purchased wearable technology devices from Global Biotech in FY2019 for a total sum of S\$2.8 million (of which, S\$2.4 million had been refunded to the company pursuant to a supplemental agreement). The purchase was approved by Mr. Hua Min (the CEO of Nature's Farm) but board's approval was not obtained. Full payment was made before devices were received. None of the devices had been sold as at 30 March 2020 as the device was not customized for the Singapore market. The payment of S\$2.8 million was approved by Mr. Jiang Shao Yang, who was the sole signatory to some of the company's bank accounts **and not an employee of the group**. Mr. Jiang was taken into criminal custody, together with the company's executive chairman and controlling shareholder, Ms. Lo Ching, by the Yangpu Branch of the Shanghai Public Security Bureau in China on 25 June 2019 and 20 June 2019 respectively; and
- (d) There was circumstantial evidence to suggest that the three entities and the group's key personnel were connected. The key personnel of the group includes Ms. Lo Ching (chairman and controlling shareholder of the group), Mr. Hua Min (CEO of Nature's Farm) and Ms. Jennifer Wang Yu (former COO of Nature's Farm).

SGX RegCo will report RSM's findings to the relevant authorities and investigate further into the potential listing rule breaches highlighted in the report.

SGX RegCo has today issued a NOC to the company, requiring the company to notify SGX RegCo in advance in relation to any future transaction with the aforementioned entities and to undertake an independent review of internal controls and governance practices. More details on the NOC can be found in a separate announcement.

SGX RegCo expects all directors to discharge their fiduciary duties and responsibilities as set out in the written term of reference of the respective board committees they sit on. It is not acceptable for the directors to resign when material issues that have a bearing on the company's state of affairs have not been resolved. SGX RegCo will take this into account in assessing the suitability of such appointees as directors or executive officers of SGX-listed issuers and will also require the Nominating Committee to consider if their past conduct has a bearing on their suitability.

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