

5 April 2019

Camsing Healthcare Limited  
101 Eunos Ave 3 #06-01  
Singapore 409835

Singapore Exchange Regulation Pte Ltd  
11 North Buona Vista Drive #06-07  
Singapore 138589

Dear Sirs,

**CAMSING HEALTHCARE LIMITED  
RESPONSE TO SGX REGCO NOTICE OF COMPLIANCE**

1. We are the former independent directors (the “Former IDs”) of Camsing Healthcare Limited (the “Company”). We formed the Company’s previous Audit Committee (“AC”).
2. We refer to SGX RegCo’s Notice of Compliance dated 29 March 2019 (the “SGX Notice”). Paragraph 9 of the Notice directed the Company to obtain and disclose via SGXNet by 5 April 2019 *“detailed explanations from each of the Former IDs as to why he considered it proper and appropriate to resign when the Audit Matters have yet to be resolved and the auditors have suspended their audit pending resolution of the Audit Matters”*.
3. At the outset, we acknowledge the following:
  - a. SGX RegCo’s concerns in paragraph 8 of the SGX Notice, including their disappointment that we had chosen to resign at the point when the Audit Matters raised by the auditors have not yet been resolved.
  - b. With the benefit of hindsight, we should have gone to SGX RegCo to seek their advice and counsel on how best to deal with the difficulties that we were facing, right up to our resignations on 20 March 2019. Upon consultation, if SGX RegCo had advised us to stay on, we would have done so.
  - c. We did not, and we apologise for not having consulted SGX RegCo in this matter.
4. Notwithstanding the above, we respectfully believe that there were grounds for us to consider it “proper and appropriate” to resign, even though the Audit Matters had yet to be resolved and the auditors had suspended their audit pending resolution of the Audit Matters. We now provide our detailed explanations.

## **A. PRELIMINARY POINTS**

5. For a start, we wish to state the following preliminary points.
6. First, there are two other directors on the board. They are Executive Chairperson Ms Lo Ching (“EC Ms Lo”) and Executive Director Ms Liu Hui (“ED Ms Liu”). EC Ms Lo and ED Ms Liu form part of the Company’s management, which include other senior executives such as Chief Executive Officer Mr Hua Min (“CEO Mr Hua”) (collectively, the “Management”).
7. Second, we refer to paragraph 3 of the SGX Notice which set out the four items which formed the Audit Matters. We wish to state that we were actually the ones who requested the Company’s auditors to closely scrutinise, during the audit, items (a), namely, the distribution and consignment agreements, and (b), namely, the purchase agreement amounting to approximately HK\$15,600,000.
8. Third, we note that SGX RegCo has ordered the appointment of a special auditor to investigate the Audit Matters raised. To avoid interfering with the work of the incoming special auditor, we shall provide details only where necessary in this explanation.

## **B. EVENTS LEADING UP TO OUR RESIGNATIONS ON 20 MARCH 2019**

9. We now set out the chronology of events leading up to our resignations on 20 March 2019.
10. In late 2018, the auditors commenced their audit for the Company, which has its financial year-end on 31 January.
11. On 7 December 2018:
  - a. AC Chairman Mr Kenneth Lau (“ID Mr Lau”) asked the auditors for an update on the audit. The auditors informed him that they discovered that certain China customers were unable to sell goods previously purchased from the Company’s subsidiary Nature’s Farm and they had entered into an agreement to consign the goods back to Nature’s Farm. No further details were provided by the auditors.
  - b. ID Mr Lau updated the AC accordingly. ID Mr Lau then informed Chief Operating Officer Ms Jennifer Wang Lu (“COO Ms Wang”) what the auditors had told him, and he requested for sales information regarding the China distributor.
12. On 10 December 2018, COO Ms Wang replied to ID Mr Lau’s query.

13. On 14 January 2019, ID Mr Lau asked the auditors for the “Key Audit Matters” that they would be flagging. On 23 January 2019, the auditors responded to that query.
14. On 31 January 2019:
  - a. The auditors informed ID Mr Lau that they found out that sales of health supplements by the Company to an overseas customer called Global Biotech Medical Inc (“Global Biotech”) in prior years had been sent back to Nature’s Farm on consignment basis, via another firm called I-Nitra Consulting Limited, to be sold in Nature’s Farm’s retail outlets. ID Mr Lau requested the auditors to seek clarification from Management and to raise the matter formally with the AC by way of an Addendum to their professional services planning memorandum (the “Addendum”).
  - b. The auditors informed ID Mr Lau that they would prepare the Addendum to include issues relating to the consignments.
  - c. The AC was informed accordingly.
15. On 19 February 2019, the auditors informed ID Mr Lau that the Addendum had been circulated to Management for comments (if any) and it would be circulated to the AC thereafter.
16. On 20 February 2019, ID Mr Ong Wei Jin (“ID Mr Ong”) requested that the board convene a special board meeting to discuss potential issues from the audit as well as internal controls.
17. On 21 February 2019, ID Mr Lau informed the AC members that he spoke at least twice to the auditors to flag the AC’s concerns to the auditor, and that he had urged them to send over the Addendum as soon as possible. On the same day, a special board meeting was scheduled on 8 March 2019 to address the auditors’ concerns.
18. On 22 February 2019, ID Mr Lau informed the auditors that there would be a special board meeting on 8 March 2019 and asked them to send over the list of audit issues to be addressed. ID Mr Lau also asked the Company for a list of concerns flagged by the auditors.
19. On 25 February 2019, the auditors sent the Addendum to the AC. It highlighted the key audit issues to be flagged.
20. On 6 March 2019, Nature’s Farm sent the Addendum to the entire board.
21. On 8 March 2019, the AC had an informal meeting with the auditors prior to the special board meeting. The auditors discussed their concerns with the AC.
22. On the same day, the special board meeting was held:

- a. EC Ms Lo and ED Ms Liu did not attend despite being notified.
  - b. In EC Ms Lo's absence, ID Mr Lau chaired the special board meeting which was attended by, *inter alia*, ID Mr Ong, ID Mr Maurice Tan ("ID Mr Tan"), CEO Mr Hua, COO Ms Wang and the auditors.
  - c. ID Mr Ong began the meeting by highlighting that the auditors had raised serious concerns which, if not addressed by Management, could give rise to a need for certain actions to be taken either by the AC or SGX.
  - d. Prior to the special board meeting, the auditors had raised only the three issues set out in paragraphs 3(a), (b) and (c) of the SGX Notice. Those three issues were discussed one at a time. CEO Mr Hua and COO Ms Wang provided explanations to the auditors on behalf of Management.
  - e. In addition to the three issues, the auditors also brought up their concern whether the Group's cash flow could meet its operating and financing needs for the next 12 months after the end of the reporting period in view of the breach of certain bank covenants for credit facilities, as set out in paragraph 3(d) of the SGX Notice.
  - f. The AC requested another special board meeting on 13 March 2019 for Management to respond to the auditors' questions. The AC emphasized that the next special board meeting would have to involve the entire board, and that EC Ms Lo and ED Ms Liu must be notified and that they must attend.
23. On 11 March 2019:
- a. ID Mr Ong asked the Company to update the board on the information provided to the auditors to address the auditors' concerns, and to furnish an explanation if any of the auditors' requests had not been met by 13 March 2019.
  - b. The auditors sent Management a long list of items to be provided, copied to the board.
24. On 13 March 2019, the auditors contacted ID Mr Lau to inform him that they would be suspending the audit and would also be asking the board to investigate various issues that would be detailed in a letter addressed to the board. The auditors also asked to meet the AC before the special board meeting scheduled for 5 pm later that day. ID Mr Lau agreed.
25. On the same day, the auditors issued to the board a letter dated 13 March 2019 setting out their audit concerns. The auditors made the following points:

- a. They had raised concerns over certain transactions, made inquiries with Management for those matters, but had yet to be provided with satisfactory explanations.
- b. They suggested that the board investigate the matters and consider the associated impact on the Company and Group financial statements.
- c. They would suspend the audit until they received satisfactory responses and a resolution of the matters raised. As such, they were unable to commit to any deadline until the matters referred to in the letter had been properly addressed.
- d. They looked forward to the board's response so that the next course of action could be determined and noted that their audit for financial year ended 31 January 2019 remained outstanding until the matters referred to in the letter had been resolved.

The auditors set out four issues of concern in detail in an Appendix to the letter. Those four issues form the Audit Matters mentioned in paragraph 3 of the SGX Notice.

26. On the same day, the AC held a separate meeting with the auditors to discuss the auditors' letter. No one from the Company was invited as the AC wanted to have a frank discussion with the auditors. Briefly, the following transpired during that AC meeting:
  - a. When asked about the progress of Management in providing the outstanding information, the auditors replied that they had obtained some information from Management, but that the information was not complete.
  - b. The AC asked the auditors why they had issued the letter suspending the audit when it was earlier agreed on 8 March 2019 that Management had up to 13 March 2019 to respond and provide the information required by the auditors. The auditors explained that the decision to issue the letter was made after they had reviewed the state of matters and had an internal discussion with the risk assessment partner.
  - c. The AC noted the auditors' concerns but observed that it would only be appropriate to allow Management until 13 March 2019 to respond to the issues raised. After discussion, the AC and auditors agreed that Management would be given until 6 pm on 15 March 2019 to provide all the information required by the auditors. The auditors would then assess the information provided and give their views on whether the information and documents provided would address their concerns.

- d. The auditors suggested that, if there were no proper answers from Management, the AC might consider investigating the matter.
  - e. ID Mr Lau suggested that the AC brief Management on the gravity of the current situation and the consequences arising therefrom. He emphasised that the AC would need to explain unequivocally to Management the consequences arising from a failure to provide the requisite information to the auditors.
27. Shortly after the AC meeting ended, a special board meeting was held:
- a. Again, EC Ms Lo and ED Ms Liu did not attend despite being notified.
  - b. In EC Ms Lo's absence, ID Mr Lau chaired the special board meeting which was attended by, *inter alia*, ID Mr Ong, ID Mr Tan, CEO Mr Hua, COO Ms Wang and the auditors.
  - c. CEO Mr Hua informed the board that EC Ms Lo was on an airplane and ED Ms Liu was visiting a client in Shenzhen. The board asked whether the EDs might still be able to take telephone calls. EC Ms Lo could not be reached. A call was made to ED Ms Liu and she picked up the call.
  - d. ID Mr Ong briefed ED Ms Liu in Chinese. He told her that: (1) The Company's audit could not be completed due to the concerns highlighted by the auditors; (2) The auditors had informed the Company that they would be suspending their audit and had requested the Company to investigate the transactions; (3) The consequences that might arise if the explanations provided by Management were still not satisfactory and the auditors actually did stop their audit; (4) The auditors would set a deadline and this might be the last chance for the Company to answer the questions raised by the auditors. Before ending the telephone call, ED Ms Liu replied that she understood the situation.
  - e. CEO Mr Hua also confirmed that he understood the consequences arising from the audit findings.
  - f. There was a short discussion regarding the outstanding issues.
  - g. The auditors asked the Company to provide a written response to their letter of 13 March 2019, and indicated that the said response should be signed by an ED.
  - h. ID Mr Ong informed Management that: (1) The deadline for providing their written response and all outstanding information would be 6 p.m. on 15 March 2019; and (2) If the response remained unsatisfactory and the auditors were

still not satisfied and insisted on stopping their audit, the Company might need to make an announcement regarding the auditors' letter.

- i. CEO Mr Hua noted the auditors' requests and deadline. He was also asked to inform EC Ms Lo and ED Ms Liu about the discussions at the special board meeting.
28. Shortly after the special board meeting ended, the AC had a short meeting with the auditors. ID Mr Lau asked the auditors to explain clearly to the Company what information they needed to address their audit concerns.
  29. On 13 March 2019, after the meetings had ended, ID Mr Tan sent a WeChat message to EC Ms Lo and ED Ms Liu. He told them: (1) The auditors had sent a letter and they had requested a response from Management, no later than 15 March 2019; (2) If the auditors did not receive a satisfactory response, an announcement would need to be made to SGX, and the anticipated consequences could include investigation by SGX, trading halt, delisting and resignations by the IDs. ID Mr Tan added the threat of the ID resignations to put maximum pressure on EC Ms Lo and ED Ms Liu to take the auditors' concerns very seriously.
  30. On 15 March 2019, the Company provided the auditors a draft response and supporting documents in an attempt to address the auditors' concerns.
  31. On 19 March 2019:
    - a. Management sent a written response dated 18 March 2019 to the auditors. This was signed by EC Ms Lo and ED Ms Liu. Certain documents were also provided to the auditors. Management asked the auditors for more time to produce some of the documents sought.
    - b. ID Mr Lau asked the auditors whether Management's written response was satisfactory, and if not, the further steps that need to be taken.
  32. On 20 March 2019, ID Mr Tan sent another WeChat message to EC Ms Lo and ED Ms Liu. He told them that, if the auditors remained dissatisfied with Management's response, all the IDs would resign. He issued them that threat in order to emphasise unequivocally that they should to take the Audit Matters very seriously.
  33. On 20 March 2019, the auditors sent a second letter to the board. After making reference to their earlier letter dated 13 March 2019, they stated, *inter alia*, the following: (1) The auditors continued to have concerns regarding the matters raised; (2) The auditors suggested again that an investigation be carried out; (3) The AC would be entitled to commission an investigation or obtain independent professional advice it deemed necessary in the discharge of its responsibilities; and (4) The auditors would provide inputs on the terms of reference for the investigation based on the information they had on hand.

34. On 20 March 2019, we tendered our resignations as the Company's IDs and requested the Company to make the necessary announcements:
- a. In our resignations, we indicated the following: (1) There were unresolved differences in opinion on material matters between the IDs and the Board, including matters which would have a material impact on the Group or its financial reporting; and (2) There were matters in relation to our resignations that needed to be brought to the attention of the shareholders.
  - b. We provided the following comment: "*The Independent Directors note that the auditors have raised certain matters arising from their audit work and pending resolution of those questions are stopping their audit. The Independent Directors urge the management to address these and any other matters and concerns of the auditors so that the audit may continue and in a timely manner.*"
35. The Management, through the Company Secretary, asked us to remove our comments indicating that there were unresolved differences in opinion on material matters between the IDs and the Board, and that there were matters that need to be brought to the attention of the shareholders. We refused to accede to Management's request.
36. On 21 March 2019, our resignations were announced.

**C. THE KEY CONSIDERATIONS WHICH LED TO OUR DECISION TO RESIGN ON 20 MARCH 2019**

37. There were several key considerations which ultimately led to our decision to resign en masse on 20 March 2019.
38. First, we were of the opinion that Management did *not* take the Audit Matters seriously. We formed this opinion based on several factors:
- a. As early as 7 December 2018, the auditors already had concerns with the audit, which were duly communicated to ID Mr Lau. Up until the special board meeting on 8 March 2019, the Management had more than ample time of about three months to resolve the auditors' concerns. Yet, we understand from the auditors that the Management had either not responded or only given partial responses.
  - b. A special board meeting was convened on 8 March 2019 solely to address the auditors' concerns. EC Ms Lo and ED Ms Liu did not attend this meeting.
  - c. A second special board meeting was convened on 13 March 2019, again to address the auditors' concerns. Again, EC Ms Lo and ED Ms Liu did not



attend this meeting, despite being told to attend after their absence on 8 March 2019, and after having been warned about the seriousness of the auditors' concerns.

- d. Further, EC Ms Lo's and ED Ms Liu's reasons for failing to attend on 13 March 2019 were unacceptable. At that material time, EC Ms Lo was allegedly on an airplane while ED Ms Liu was allegedly visiting a client in Shenzhen. Both activities could easily have been rescheduled and avoided if they genuinely had an intention to attend the special board meeting. We finally managed to speak to ED Ms Liu for a few minutes on the telephone, but only after the board made an effort to track her down. EC Ms Lo was uncontactable that evening.
  - e. Despite being given until 15 March 2019 to respond to the auditors' concerns, Management only issued a formal response dated 18 March 2019, and sent this to the auditors on 19 March 2019. This response was unsatisfactory to the auditors.
39. Second, we were of the opinion that Management did *not* take corporate governance seriously. We formed this opinion based on our past experience with Management where we faced resistance from Management when we urged them to take steps that would enhance corporate governance.
40. For instance, in October 2018, we discovered that CEO Mr Hua, on behalf of Nature's Farm, had entered into a transaction to purchase from Global Biotech 5,000 brainwave detecting headbands, made by a company called BrainCo:
- a. That transaction caught our attention for two reasons: (1) The Company paid Global Biotech the full contract sum of HK\$15.6 million (equivalent to approximately S\$2.8 million at the time) shortly upon signing the agreement, even before the first batch of goods was received; and (2) Publicly available information indicated that those BrainCo devices were being trialled in China and it was unclear whether they had commercial potential. To us, this was most imprudent.
  - b. The following occurred in October 2018: (1) We made the discovery on 24 October 2018; (2) On 28 October 2018, ID Mr Tan called EC Ms Lo to express the AC's concerns. On the same day, ID Mr Ong followed up via email; and (3) On 31 October 2018, the AC called EC Ms Lo to again express concerns over the transaction and recommended reversing the purchase.
  - c. The following occurred in November 2018: (1) On 6 November 2018, the AC had a conference call with CEO Mr Hua; (2) On 12 November 2018, the AC had a meeting with CEO Mr Hua. He eventually agreed to change the transaction terms via a supplemental agreement, get a 90% refund on the HK\$15.6 million full contract sum, and communicate the terms of the draft

supplemental agreement to the AC before signing it; and (3) From 17 November 2018 onwards, the AC corresponded with COO Ms Wang regarding the proposed supplemental agreement.

- d. The following occurred between January and March 2019: (1) On 2 January 2019, the AC received the final draft of the supplemental agreement, which provided for, *inter alia*, a refund of 90% of the HK\$15.6 million full contract payment; (2) On 13 March 2019, the AC was informed that Global Biotech would make a refund on 28 March 2019; and (3) On 15 March 2019, the AC received documents relating to the supplemental agreement signed on 12 January 2019.
  - e. In that transaction, we were most concerned with the Company's upfront payment of the full contract sum of HK\$15.6 million soon after the agreement was signed in October 2018, even before any goods were received. It took us more than two months, after numerous emails and phone calls, just to get the terms changed. As at our resignation on 20 March 2019, the Company had yet to receive the 90% refund agreed under the supplemental agreement signed on 12 January 2019, and was still out of pocket five months after we first raised the issue to Management.
  - f. We were concerned about that transaction and highlighted it to the auditors and asked them to scrutinise it during the audit.
41. Third, we were of the opinion that Management was *not* receptive towards our inputs on corporate-governance related issues which we provided in the discharge of our duties as the Company's IDs. What should have been straightforward and routine matters took months to resolve. We formed this opinion based on our past experience with Management, such as our concerns and inputs regarding the HK\$15.6 million upfront payment for BrainCo devices in October 2018.
42. Fourth, we had informed EC Ms Lo and ED Ms Liu, via WeChat on 13 and 20 March 2019, that we would resign if Management failed to provide the auditors with satisfactory explanations to address the auditors' concerns:
- a. We had issued that threat to put maximum pressure on EC Ms Lo and ED Ms Liu and to emphasise unequivocally that they must take the auditors' concerns very seriously. We had hoped that the extra pressure would make a difference.
  - b. When Management still failed to satisfy the auditors on 20 March 2019, the issue we faced was this – do we resign to show that we meant what we said, or do we resile? We felt that we could not resile. If we resiled and remained as IDs, Management would be even less inclined to listen to us and we would be ineffective as IDs.

43. Fifth, despite our best efforts to deal with the auditors' concerns, the auditors remained dissatisfied with Management's explanations and suspended the audit. We felt that, if our best was not enough, we should make way for a new set of IDs who could perhaps bring new skills and perspectives and make some headway on the issues that we had failed to resolve despite our best efforts.
44. After the first special board meeting on 8 March 2019 to address the auditors' concerns, we had several discussions on what we should do in the event that the auditors remained dissatisfied with Management's explanations. We took into account the above key considerations.

#### **D. THE DECISION TO RESIGN**

45. The situation we then faced was that, even after months of attempting to get Management to pay attention and resolve the various issues, there was very little headway. There were two special board meetings called to address critically important audit concerns brought up by the auditors and EC Ms Lo and ED Ms Lui did not attend both meetings, despite having been informed about the meetings well in advance. In order to push them to pay attention and resolve the outstanding issues, we had on 13 March 2019 notified the EDs that we would resign if the issues are unresolved, but even that was still unsuccessful. We felt that the only way to compel the EDs to act was to resign en masse and to address our concerns in the resignation announcements.
46. After careful deliberation and much debate:
- a. We decided that we should resign to force Management to deal with the issues that they had been avoiding for months.
  - b. Since the intention behind our resignation was to send a message to Management, we decided that we should send an earnest appeal to Management in the resignation process.
  - c. As a result, we made the statement "*The Independent Directors note that the auditors have raised certain matters arising from their audit work and pending resolution of those questions are stopping their audit. The Independent Directors urge the management to address these and any other matters and concerns of the auditors so that the audit may continue and in a timely manner.*"

#### **E. CONCLUSION**

47. In summary, we reiterate the following points:

- a. We acknowledge that our decision to resign appeared to be a sudden decision which was triggered by an adverse audit finding. That was not the case.
  - b. We did not resign because we wanted to avoid dealing with the Audit Matters. On the contrary, we took our responsibility as IDs very seriously and resigned to force Management to deal with the issues that they had been avoiding for months.
  - c. With the benefit of hindsight, we should have consulted SGX RegCo, and we apologize for not having done so.
48. In conclusion, we respectfully believe that, as at 20 March 2019, there were grounds for us to consider it “proper and appropriate” to resign, even though the Audit Matters have yet to be resolved and the auditors have suspended their audit pending resolution of the Audit Matters.

Yours Sincerely,



Lau Chin Hock Kenneth Raphael  
Former Independent Director  
Former Chairman, Audit Committee



Ong Wei Jin  
Former Independent Director  
Former Member, Audit Committee



Maurice Tan Huck Liang  
Former Independent Director  
Former Member, Audit Committee