

INDEPENDENT AUDITOR'S REPORT

To the Members of Camsing Healthcare Limited



Crowe Horwath First Trust LLP
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Report on the Audit of the Financial Statements

Qualified Opinion

We have audited the financial statements of Camsing Healthcare Limited (the "Company") and its subsidiaries (the "Group"), as set out on pages 40 to 88, which comprise the consolidated statement of financial position of the Group and the statement of financial position of the Company as at 31 January 2024, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group and the statement of changes in equity of the Company for the financial year then ended, and notes to the financial statements, including a summary of material accounting policy information.

In our opinion, except for the possible effects of the matters described in the *Basis for Qualified Opinion* section of our report, the accompanying consolidated financial statements of the Group and the statement of financial position and the statement of changes in equity of the Company are properly drawn up in accordance with the provisions of the Companies Act 1967 (the "Act") and Singapore Financial Reporting Standards (International) ("SFRS(I)") so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at 31 January 2024 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group and the changes in equity of the Company for the financial year ended on that date.

Basis for Qualified Opinion

Balance due to I-Nitra Consulting Limited

As disclosed in Note 8 to the financial statements, the Group recorded trade and other payables of \$571,000 owing to I-Nitra Consulting Limited ("I-Nitra") as at 31 January 2024, which was substantially brought forward since 2019, pursuant to consignment arrangements between I-Nitra (as consignor) and the Company's principal subsidiary, Nature's Farm Pte Ltd (as consignee). We were unable to obtain sufficient appropriate audit evidence to determine the commercial substance or business rationale of the consignment arrangements and we were also unable to perform alternative audit procedures that we considered necessary, including obtaining the necessary confirmation from I-Nitra as at reporting dates. Consequently, we were unable to conclude on the appropriateness of the outstanding balance due to I-Nitra of \$571,000 as at 31 January 2024. This has led to a qualified opinion on the Group's financial statements for the financial year ended 31 January 2023.

As this matter remains unresolved in current year audit, we were therefore unable to ascertain whether any adjustments to the opening balances of trade and other payables and accumulated losses as at 1 February 2023 is required, which would have consequential effects to the Group's financial statements for FY2024.

Crowe Horwath First Trust LLP (UEN: T08LL1312H) is an accounting limited liability partnership registered in Singapore under the Limited Liability Partnership Act 2005.

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Basis for Qualified Opinion (Continued)

We conducted our audit in accordance with Singapore Standards on Auditing (SSAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Group in accordance with the Accounting and Corporate Regulatory Authority (ACRA) Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities (ACRA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

Material Uncertainty Related to Going Concern

Without further modifying our opinion, we draw attention to Note 2.2 to the financial statements. The Group incurred a net loss of \$2,723,000 for the financial year ended 31 January 2024 and as of that date, the Group and the Company was in net current liabilities position of \$9,327,000 and \$5,466,000 respectively. In addition, the Group recorded cash and bank balances of \$113,000 with external borrowings which stood at \$5,919,000 as at 31 January 2024. Included in the current liabilities is an amount of \$3,232,000 representing loans from Qiren Holdings Pte Ltd ("QRH") with a due date on 31 May 2024 (Note 9 to the financial statements) and rental in arrears amounting to \$222,000 relating to certain retail outlets and office premise (Note 10 to the financial statements).

The above conditions indicate the existence of a material uncertainty which may cast significant doubt on the abilities of the Group and of the Company to continue as going concerns. Notwithstanding these conditions, the Group has prepared the financial statements on a going concern basis due to reasons as disclosed in Note 2.2 to the financial statements, which are premised on, amongst others, the completion of the proposed listing and quotation of placement shares and convertible bonds; and the release of the potential investors' funds of \$4,850,000 held in escrow, to the Company upon successful resumption of trading of the Company's shares on the SGX-ST.

In the event that the escrow funds amounting \$4,850,000 cannot be released on time, the Group and the Company may not be able to continue as going concerns. Under such circumstance, the Group and the Company may not be able to discharge their liabilities in the normal course of business and adjustments may have to be made to reflect the situation that assets may need to be realised other than in the normal course of business and at amounts which could differ significantly from the amounts at which they are recorded in the statements of financial position. In addition, the Group and the Company may have to provide for further liabilities that might arise, and to reclassify non-current assets and non-current liabilities as current assets and current liabilities respectively. No such adjustments have been made in respect of these financial statements.

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Other Information

Management is responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements and our auditor's report thereon, which we obtained prior to the date of this auditor's report, and the remaining sections of the annual report are expected to be made available to us after that date.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. Because of the possible effects of the matter described in the *Basis of Qualified Opinion* section of our report, we are unable to conclude whether or not the other information is materially misstated with respect to these matter.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

In addition to the matter described in the *Basis of Qualified Opinion* and *Material Uncertainty Related to Going Concern* sections, we have determined the matters described below to be the key audit matters to be communicated in our report.

(1) Impairment assessment of non-financial assets – Group

As disclosed in Notes 3 and 4 to the financial statements, the net carrying amounts of the Group's plant and equipment ("P&E") and right-of-use ("ROU") assets amounted to \$27,000 and \$1,108,000 respectively. As a result of continuous operating losses reported, the Group performed an impairment assessment, using value-in-use ("VIU") to determine the recoverable amounts of the P&E and ROU assets. The Group has determined each retail store as a separate cash-generating unit ("CGU") and estimated VIU for each retail store with indicators of impairment using cash flow budget and forecast prepared by management for the remaining lease terms of the stores.

We have determined the impairment assessment of P&E and ROU assets to be a key audit matter as impairment assessment involved significant degree of management's judgement and critical assumptions applied in deriving the recoverable amounts of the assets.

Arising from management's assessment, an impairment of \$214,000 was recognised during the financial year.

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Key Audit Matters (Continued)

(1) Impairment assessment of non-financial assets – Group (Continued)

Our audit procedures amongst others, were as follows:

- Obtaining an understanding of management's impairment assessment process and assessed the appropriateness of management's identification of CGU;
- Challenging the reasonableness of key assumptions such as annual revenue growth rate and profit margin of products;
- Testing the robustness of forecasts by comparing the forecasts to historical revenue achieved, historical operating costs incurred, gross margin achieved and revenue growth rate;
- Checking mathematical accuracy of management's computation of VIU; and
- Performing sensitivity analysis in consideration of the reasonably plausible impact on VIU by varying the key assumptions.

(2) Impairment assessment of investment in subsidiaries – Company

Included in the carrying amount of investment in subsidiaries prior to impairment assessment as at 31 January 2024 was \$900,000, which related to investment in Nature's Farm Pte. Ltd. ("Nature's Farm"). Investment in Nature's Farm (the sole operating subsidiary of the Group) is held through a wholly-owned subsidiary of the Company, namely William Jacks & Company (Singapore) Private Limited ("WJ Singapore").

Management considered Nature's Farm as a CGU as it generates independent cash flows from the sales of health food and supplements. With the assistance of an independent valuer, management has estimated the recoverable amounts of investments in subsidiaries using the sum-of-parts valuation methodology comprising income and adjusted net asset value approaches to value the Company's 100% equity investment in WJ Singapore. Management determined both VIU and fair value less costs of disposal ("FVLCD") to estimate the recoverable amount of Nature's Farm which has already had an established and mature retail business operation with certainty to generate future economic benefits to the Group. For investee companies which are dormant, adjusted net asset value approach was adopted where the net assets of the respective investee companies were considered with adjustments made to derive the assets and liabilities as at 31 January 2024.

As significant judgments were involved in determining the appropriate valuation approaches and methods, we have determined the impairment assessment of investment in subsidiaries to be a key audit matter.

Arising from management's assessment, a reversal of impairment previously made of \$1,432,000 was recognised during the financial year in respect of the Company's investment in WJ Singapore.

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Key Audit Matters (Continued)

(2) Impairment assessment of investment in subsidiaries – Company (Continued)

Our audit procedures applied in review assessment, in addition to that of Key Audit Matter #1, were as follows:

- Evaluating qualification, experience and independence of the professional valuer and scope of their work;
- Assessing the appropriateness of valuation methodologies applied. In deriving VIU of the impairment, we evaluated the reasonableness of discount rates, budgeted revenue growth rate, perpetual growth rate, taking into consideration of the general market conditions and competitive landscape of health and wellness products where Nature's Farm operates in. Where FVLCD was estimated, we reviewed the suitability of guideline public companies identified and assessed the appropriateness of market multiple applied and relevant discounts to reflect the lack of marketability of equity shares of the investee company, given that the Company's shares are currently suspended from trading on the SGX-ST;
- Performing sensitivity analysis on the key assumptions used in computing FVLCD and VIU; and
- Assessing the appropriateness of adjustments to derive adjusted net asset value, on which the recoverable amounts were based.

(3) Point-of-Sale System ("POS") System

The Group reported retail and online revenue of \$4,429,000 for the financial year ended 31 January 2024 ("FY2024"). The accuracy of underlying sales data relies heavily on effective controls over the Group's IT environment and application processing controls within the POS system. As certain accounting personnel have been tasked to make changes in the POS system, we designed substantive audit procedures to ensure that no material errors were made in the Group's financial statements for FY2024.

We identified this as a key audit matter since the POS system is crucial for accurately recording retail revenue, and substantial audit effort was required to evaluate the outcome of our procedures. Our substantive-based audit procedures included:

- Discussing with the vendor to understand the POS system's complexity and operating stability;
- Engaging our internal IT specialist to review the audit log and assess the integrity of retail sale data generated from the POS system;
- Reviewing descriptions of changes made by accounting staff and tracing them to relevant management approvals;
- Verifying retail transactions reported in the POS system against revenue amounts recorded in the accounting system; and
- Checking the accuracy and occurrence of retail revenue recognised by the Group against corresponding bank statement receipts.

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Key Audit Matters (Continued)

(3) Point-of-Sale System (“POS”) System (Continued)

For the avoidance of doubt, our substantive audit procedures were not designed to assess the robustness of the POS system, nor were they intended for evaluating the effectiveness of the Group's internal controls. Our focus was solely on assessing the accuracy of retail revenue reported by the Group for FY2024.

Responsibilities of Management and Directors for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Act and SFRS(I), and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair financial statements and to maintain accountability of assets.

In preparing the financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The directors' responsibilities include overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with SSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

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Auditor's Responsibilities for the Audit of the Financial Statements

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the current year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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Report On Other Legal and Regulatory Requirements

In our opinion, except for the matter described in the *Basis of Qualified Opinion*, the accounting and other records required by the Act to be kept by the Company and by those subsidiary corporations incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.

The engagement partner on the audit resulting in this independent auditor's report is Teo Yen Lin.

Crowe Horwath First Trust LLP
Public Accountants and
Chartered Accountants
Singapore

13 June 2024