

**AXINGTON INC.**

(Company Registration No.: LL12218)

(A company incorporated under the Labuan Companies Act 1990, Malaysia)

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**DISCLAIMER OF OPINION BY THE INDEPENDENT AUDITORS ON THE AUDITED FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021**

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Pursuant to Rule 704(4) of the Listing Manual Section B: Rules of Catalist (the "**Catalist Rules**") of the Singapore Exchange Securities Trading Limited (the "**SGX-ST**"), the Board of Directors (the "**Board**") of Axington Inc. (the "**Company**", and together with its subsidiaries, the "**Group**") wishes to announce that the Company's Independent Auditors, Foo Kon Tan LLP, have included a disclaimer of opinion (the "**Disclaimer of Opinion**") in their Independent Auditors' Report dated 5 May 2022 (the "**Independent Auditors' Report**") in relation to the audited consolidated financial statements of the Group and the Company for the financial year ended 31 December 2021 ("**FY2021**") (the "**Financial Statements**").

The basis for the Disclaimer of Opinion is mainly in relation to the (i) opening balances which were subject to a disclaimer of opinion and carry-forward effects from the previous financial year ("**Carry-Forward Effects**") and (ii) an ongoing independent review of the nature and circumstances relating to the unpaid placement shares which was set out in the Company's announcement dated 16 July 2021 ("**Independent Review**").

A copy of the Independent Auditors' Report is attached to this announcement for information.

Board Comments on Matters Highlighted in the Independent Auditor's Report

In relation to the matters raised in the Independent Auditor's Report, the Board wishes to highlight the (i) Carry-Forward Effects will likely be resolved in the financial year ending 31 December 2022 and (ii) the Independent Review is expected to be completed by end-June 2022.

Further announcements will be made by the Company to update shareholders on any material developments in due course.

The Independent Auditors' Report and a complete set of the Financial Statements are also contained in the Company's Annual Report for FY2021 ("**FY2021 Annual Report**"), which has been concurrently released by the Company on SGXNet on 5 May 2021. Shareholders of the Company are advised to read this announcement in conjunction with the FY2021 Annual Report.

Shareholders of the Company are advised to exercise caution when dealing in the shares of the Company. Persons who are in doubt as to the action they should take should consult their stockbrokers, bank managers, solicitors, accountants or other professional advisers.

By Order of the Board

Ang Chiang Meng  
Executive Director  
5 May 2022

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*This announcement has been prepared by the Company and reviewed by the Company's sponsor, Novus Corporate Finance Pte. Ltd. ("**Sponsor**"), in compliance with Rule 226(2)(b) of the Singapore Exchange Securities Trading Limited ("**SGX-ST**") Listing Manual Section B: Rules of Catalist.*

*This announcement has not been examined or approved by the SGX-ST and the SGX-ST assumes no responsibility for the contents of this announcement, including the correctness of any of the statements or opinions made, or reports contained in this announcement.*

*The contact person for the Sponsor is Mr. Pong Chen Yih, Chief Operating Officer, at 7 Temasek Boulevard, #18-03B Suntec Tower 1, Singapore 038987, telephone (65) 6950 2188.*

# Independent auditor's report to the members of Axington Inc.

## Report on the Audit of the Financial Statements

### Disclaimer of Opinion

We were engaged to audit the financial statements of Axington Inc. (the "Company") and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position of the Group and the statement of financial position of the Company as at 31 December 2021, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

We do not express an opinion on the accompanying consolidated financial statements of the Group and the statement of financial position of the Company. Because of the significance of the matters described in the *Basis for Disclaimer of Opinion* section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

### Basis for Disclaimer of Opinion

a) Opening balances and comparative information

We had issued a disclaimer of opinion on the financial statements for the year ended 31 December 2020 on 7 July 2021, in respect of the matters described below. Our opinion on the current year's financial statements is also modified because of the possible effect of these matters on the comparability of the current year's figures and the corresponding figures.

(i) *Other receivables and payables*

Included in Note 7 to the financial statements were other receivables as at 31 December 2020 relating to an outstanding balance of S\$1,075,000 arising from the issuance of placement shares by the Company on 17 August 2020, and included in Note 13 to the financial statements were other payables as at 31 December 2020 comprising a total amount of S\$325,000 received from a company on 19 August 2020.

During the year ended 31 December 2021, the net amount of S\$750,000 was transferred by the Company to capital reserve, pending the completion of cancellation of 3,750,000 placement shares which were issued at S\$0.20 per share.

We were unable to obtain sufficient appropriate audit evidence to ascertain the recoverability of the outstanding balance of other receivables as at 31 December 2020 and whether any impairment loss should be recognised, and the validity of the placement shares issued. In respect of other payables as at 31 December 2020, we were unable to obtain sufficient appropriate audit evidence to ascertain the purpose and rationale of the two receipts and whether the company is a related party of the Group.

Accordingly, we are unable to determine whether the opening balances as at 1 January 2021 are fairly stated. Due to the carry-forward effects on the financial performance and cash flows for the year ended 31 December 2021 and the closing balances of assets and liabilities of the Group and the Company as at 31 December 2021, we are unable to determine whether any adjustments might have been necessary in respect of the financial statements for the year ended 31 December 2021.

# Independent auditor's report to the members of Axington Inc. (cont'd)

## Basis for Disclaimer of Opinion (Cont'd)

### a) Opening balances and comparative information (cont'd)

#### (ii) *Cash in banks*

Included in cash and bank deposits as at 31 December 2020 were bank balances of S\$14,000 held by two subsidiaries of the Company, for which we were unable to obtain confirmations from the respective banks. Consequently, we were unable to satisfy ourselves as to the appropriateness of the carrying amounts of these bank balances, any assets held as security, guarantees, commitments and contingencies, and the completeness of bank accounts and any loans or other banking facilities held by these subsidiaries as at 31 December 2020.

Accordingly, we are unable to determine whether the opening balances as at 1 January 2021 are fairly stated. Due to the carry-forward effects on the financial performance and cash flows for the year ended 31 December 2021 and the closing balances of assets and liabilities of the Group and the Company as at 31 December 2021, we are unable to determine whether any adjustments might have been necessary in respect of the financial statements for the year ended 31 December 2021.

#### (iii) *Impairment losses on plant and equipment*

Included in impairment losses on plant and equipment in profit or loss for the year ended 31 December 2020 was an amount of S\$329,000 relating to medical equipment (Note 3). We were unable to ascertain the existence of certain medical equipment with costs amounting to S\$250,000. Notwithstanding that all the medical equipment had been fully impaired by the Company as at 31 December 2020, we were unable to obtain sufficient appropriate audit evidence to ascertain the veracity of the underlying transactions and the subsequent impairment losses recognised by the Company. Consequently, we were unable to satisfy ourselves in respect of the appropriateness of the classification and carrying amounts of plant and equipment at 31 December 2020 and impairment losses on plant and equipment for the year ended 31 December 2020.

There is no impact of the above on the financial statements for the year ended 31 December 2021 as the medical equipment had been fully impaired as at 31 December 2020.

#### (iv) *Other expenses*

Included in other expenses for the year ended 31 December 2020 was an amount of S\$150,000 written off and recognised in profit or loss (Note 18), relating to the remaining balance of a payment made to a vendor. As the Company had assessed that the amount was not likely to be recoverable, it was written off. Notwithstanding this, we were unable to obtain sufficient appropriate audit evidence to ascertain the veracity of the transaction and the subsequent write-off recognised by the Company. Consequently, we were unable to satisfy ourselves in respect of the appropriateness of other expenses for the year ended 31 December 2020.

There is no impact of the above on the financial statements for the year ended 31 December 2021 as the amount had been written off as at 31 December 2020.

# Independent auditor's report to the members of Axington Inc. (cont'd)

## Basis for Disclaimer of Opinion (Cont'd)

- a) Opening balances and comparative information (cont'd)
- (v) *Gain on disposal of subsidiaries and discontinued operations*

As disclosed in Note 20 to the financial statements, the gain from discontinued operations of S\$18,646,000 for the year ended 31 December 2020 comprised loss attributable to the disposal group from 1 January 2020 to 15 April 2020 of S\$61,000 and gain on disposal of subsidiaries of S\$18,707,000. We were unable to obtain the underlying accounting records and supporting documents of the significant components making up the profit or loss items of the disposal group from 1 January 2020 to 15 April 2020 and the assets and liabilities of the disposal group as at 15 April 2020. Consequently, we were unable to obtain sufficient appropriate audit evidence in respect of the loss attributable to the disposal group of S\$61,000 and gain on disposal of subsidiaries of S\$18,707,000, and the presentation and disclosures of discontinued operations in the financial statements for the year ended 31 December 2020.

There is no impact of the above on the financial statements for the year ended 31 December 2021 as the disposal had been completed as at 31 December 2020.

- (vi) *Functional currency*

Following the divestment of all the Group's operating subsidiaries in Malaysia during the year ended 31 December 2020, the Group does not have any revenue generating business, and the Company had, on 1 April 2021, notified the Singapore Exchange Securities Trading Limited ("SGX-ST") of its cash company status.

After the disposal of the subsidiaries, the cash and bank deposits of the Company, which predominantly make up its total assets, are primarily denominated in Singapore dollar ("SGD"). The liabilities of the Company and expenses incurred by the Company are also mostly denominated in SGD. Nonetheless, the accounting records were maintained by the Company in Malaysia ringgit ("MYR"), and all transactions and balances were recorded by the Company in MYR. The Company was unable to provide further evidence to substantiate MYR as the functional currency.

Under SFRS(I) 1-21 *The Effects of Changes in Foreign Exchange Rates*, functional currency is the currency of the primary economic environment in which an entity operates, which is normally the one in which it primarily generates and expends cash. In addition, functional currency reflects the underlying transactions, events and conditions that are relevant to the entity, and if there is a change in those underlying transactions, events and conditions, the entity shall apply the translation procedures applicable to the new functional currency prospectively.

In view of the factors described above, we were unable to satisfy ourselves as to the appropriateness of MYR as the functional currency and presentation currency, and the recording of transactions and presentation of financial statements in MYR, and to determine if there were any further adjustments or disclosures required in respect of the financial statements for the year ended 31 December 2020.

As disclosed in Note 2(d) to the financial statements, the Company has performed re-translation to account for the change in functional currency and presentation currency from MYR to SGD with effect from 15 April 2020 in accordance with SFRS(I) 1-21.

# Independent auditor's report to the members of Axington Inc. (cont'd)

## Basis for Disclaimer of Opinion (Cont'd)

### b) Independent review

During the year ended 31 December 2021, the Company appointed an independent reviewer to conduct an independent review of the nature and circumstances relating to the unpaid placement shares and the Company's announcement dated 18 August 2020 relating to the completion of placement notwithstanding the unpaid placement shares, and to identify any breaches in rules, laws and regulations by the Company and its directors.

The independent review has yet to conclude. Based on the information available to us, we are unable to determine whether any adjustments might have been necessary in respect of the financial statements for the year ended 31 December 2021.

## Other Matter

The Group does not currently have any revenue generating business, and the Company had, on 1 April 2021 notified the SGX-ST of its cash company status. Pursuant to Rule 1017(2) of the Catalist Rules, the SGX-ST will proceed to remove the Company from the Official List if it is unable to meet the requirements for a new listing within 12 months from the time it becomes a cash company. The Company may apply to the SGX-ST for a maximum six-month extension to the twelve-month period if it has already signed a definitive agreement for the acquisition of a new business, of which the acquisition must be completed in the six-month extension period. On 29 March 2022, the Company obtained approval from SGX-ST to extend the deadline to 30 September 2022 to meet the requirements for a new listing.

## 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 Labuan Companies Act 1990 ("Labuan Companies Act") and Singapore Financial Reporting Standards (International), 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.

# Independent auditor's report to the members of Axington Inc. (cont'd)

## **Auditor's Responsibilities for the Audit of the Financial Statements**

Our responsibility is to conduct an audit of the financial statements in accordance with Singapore Standards on Auditing and to issue an auditor's report. However, because of the matters described in the *Basis for Disclaimer of Opinion* section of our report, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

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.

## **Report on Other Legal and Regulatory Requirements**

In our opinion, in view of the significance of the matters referred to in the *Basis for Disclaimer of Opinion* section of our report, we do not express an opinion on whether the accounting and other records required by the Labuan Companies Act to be kept by the Company have been properly kept in accordance with the provisions of the Labuan Companies Act.

The engagement partner on the audit resulting in this independent auditor's report is Cheong Wenjie.

Foo Kon Tan LLP  
Public Accountants and  
Chartered Accountants  
Singapore