CAMSING HEALTHCARE LIMITED
Company Registration No. 197903888Z
(Incorporated in the Republic of Singapore)

RESPONSE TO QUERIES FROM THE SECURITIES INVESTORS ASSOCIATION (SINGAPORE) (SIAS) ON THE COMPANY'S ANNUAL REPORT FOR THE FINANCIAL YEAR ENDED 31 JANUARY 2018

The Board of Directors of Camsing Healthcare Limited (the "**Company**", and together with its subsidiaries, the "**Group**") would like to respond to the following queries raised by SIAS in respect of its Annual Report for the financial year ended 31 January 2018 ("**Annual Report**") as follows:

<u>Question 1</u>

1. As noted in the Chairman's Statement, the Group reported lower revenue of $14.9 million in FY2017/2018, down 18% from $18.2 million a year ago.

   This was attributed to the decrease in sales contributed by the wholesale trade sector. In the Company's profile on page 1 of the Annual Report, it is shown that the Company operates 18 retail stores (down from 19 retail stores in 2016) and has its online presence through the e-store and other e-commerce platforms.

   (i) Would the board/management provide shareholders with better clarity on the Group's strategic direction? Specifically, will the retailing of health supplements and foods in Singapore remain the Group's core business?

   (ii) Can management elaborate further on the specific plans and targets for the Chinese market in the next 3-5 years? What is the market entry strategy for the Chinese market?

   (iii) Can management also provide shareholders with an overview of the Chinese health supplements and foods market to help shareholders understand its potential?

   (iv) Can management also clarify on its business model, especially the "wholesale trade sector" which was the main reason for the drop in the Group's revenue?

   (v) What is the Group's (omni-channel) strategy to leverage its own e-store, other e-commerce sites and its network of retail stores to increase both the revenue and profits for the Group?

<u>Response to Question 1</u>

(i) Retailing of health supplements and foods in Singapore remains as one of the Group's core business. The Group has in the previous financial year ended 31 January 2017 expanded into the wholesale trade business.

To expand on the Group's wholesale business, the Group has appointed two distributors to sell the Group's health supplement products in China through e-commerce websites Tmall.com and JD.com. The wholesale trade business is in the early stage, and the Group, together with its distributors, is fine-tuning the products offering to the Chinese market, which has different consumers' preferences and buying patterns as compared to the Singapore market. The Group will continue to work closely with the distributors to build up the wholesale trade business.

In November 2017, the Group incorporated a 51% owned subsidiary, Camsing Healthcare (Fuzhou) Medical Instrument Co., Ltd (Camsing Fuzhou), in China. It is the intention of the Group to, through this company, distribute and trade in medical instrument and medical supplies, and provide logistic services to the healthcare industry in China.

The business of this company is in the early stages and the Group is working closely with the other shareholder of Camsing Fuzhou, Fuzhou Zhongxing BaoKang Trading Co., Ltd, to build a sustainable business in the healthcare industry.

(ii) The Group intends to expand on the wholesale business, in particular in China. The Group believes that the quality of the products of the Group will allow it to establish a strong brand equity in the Chinese market. The Group recognises that the Chinese market has different dynamics and consume preferences compared to the Singapore market.

(iii) The Chinese health supplements and foods market is fragmented, with many brands, both local and overseas, selling their products through multiple channels, including "over-the-counter" in pharmacies and departmental stores, and direct-selling model. In order to sell through these channels, the health supplement products must be certified by the relevant government authorities in China, and certification customarily takes more than 2 years.

The Group, through its distributors, are selling its products through two major e-commerce websites, Tmall.com and JD.com, under the "cross-border e-commerce" channel, to avoid the complex and lengthy registration requirements. This channel involves the distributors buying products from the Group and sell them to consumers in China. The products are shipped from Singapore to tax-free zones in China and store in the warehouses located in the tax-free zones. When sales orders are received from customers, ordered products will be directly shipped to the customers from these warehouses. As products are shipped to customers from the tax-free zones, which are deemed to be "outside China", no certification will be required.

With the aging population and increasing affluence in China, the health supplements and foods market is expected to grow in the future. The Group will work closely with the distributors to increase its sales in the Chinese market, while exploring other sales channels to sell its products in the Chinese market.

(iv) Please refer to (iii).

(v) The Group intends to scale up its business in health supplements and foods by expanding its sales channels, so as to improve the economies of scale in its procurement and logistic operations.

The Group has started to sell on e-commerce sites more extensively in 2017, and will continue to do so in future. Although there will be some overlaps, the retail stores and e-commerce sites target different customer segments, with different product and pricing strategies. The multiple sales channels offer flexibility and enable the Group to target a larger group of customers, and both the network of 18 retail stores in Singapore and the e-store enable the Group to build a positive image in the Chinese market as a reputable foreign based company.

<u>Question 2</u>

2. As disclosed in Note 4(c) (page 54 – Financial instruments, financial risks and capital management: Capital management policies and objectives), the Group had a breach of financial covenants as it did not meet the minimum consolidated Tangible Net Worth as required by the bank facility contract. The Group has also disclosed that it is in the process of renegotiating the terms and financial covenants of the banking facility with the bank.

   From Note 15 (page 64 – Interest-bearing loans and borrowings), as at 31 January 2018, the Group has short-term loans of $3,400,000 (2017: $4,200,000) which are renewable every three months and bears interest rates between 1.89% to 1.90% (2017: 1.36% to 1.90%) per annum.

   As at 31 January 2018, the Group has cash and cash equivalents of $5.1 million, of which $2.6 million is held in fixed deposits and $2.5 million held as cash at banks and in hand.

(i) When does management expect to conclude the renegotiation of the terms and financial covenants of the banking facility with the bank?

(ii) Can the board also help shareholders understand the deliberations it has had on the optimal capital structure of the Group?

(iii) In particular, why is the Group utilising short-term loans to finance the Group's working capital?

Response to Question 2

(i) The Group expects to conclude the renegotiation by June 2018.

(ii) For the financial year ended 31 January 2018, the Group does not have non-current borrowings. The interest-bearing loans and borrowings included in the Group's current liabilities are used to finance the working capital of its subsidiaries. Out of the Group's cash and cash equivalents of $5.1 million, $3.4 million is held in the Company, Camsing Healthcare Limited. The Company does not have any current and non-current borrowings. The Group and Company set aside the cash and cash equivalent for future capital investment in its 51% owned subsidiary, Camsing Healthcare (Fuzhou) Medical Instrument Co., Ltd, and other investment opportunities.

(iii) Nature's Farm Pte Ltd, the wholly-owned subsidiary of the Group, operates 18 retail stores in Singapore that sell a wide range of health supplement products. Due to the frequency and the volume of the inventory purchase, utilization of trade financing instruments to finance these purchases will involve voluminous administrative work that will increase the administrative costs. The Group utilises short-term loans to finance its working capital as they offer flexibility. On a periodic basis, the management perform cash flow forecast and determine the borrowing amount so as to minimise the interest expenses.

Question 3

3. Ms. Lo Ching was appointed to the Company's board on 19 November 2015. It was disclosed that:

"The Company will arrange for Ms Lo Ching to attend relevant training to familiarize herself with the roles and responsibilities of a director of a public listed company, including seminars conducted by the Singapore Institute of Directors".

Similarly, Mr. Liu Hui was appointed as an executive director of the Company on the same date and the Company has also stated that it will arrange for Mr. Liu to attend relevant training as well.

(i) Can the Company disclose the training/courses and seminars attended by the executive directors since November 2015 to familiarise themselves with the roles and responsibilities of a director of a public listed company in Singapore?

Response to Question 3

(i) The Company will schedule both Lo Ching and Liu Hui to attend the relevant trainings by end of 2018 and will disclose details of such trainings attended in the next annual report.

BY ORDER OF THE BOARD

Camsing Healthcare Limited

Lo Ching
Executive Chairman
25 May 2018