

AXINGTON INC.

(Formerly known as Axcelasia Inc.)

(Company Registration No.: LL12218)

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

**RESPONSE TO THE SGX-ST QUERIES IN RESPECT OF
THE ANNOUNCEMENT DATED 8 JULY 2021**

The Board of Directors (the “**Board**”) of Axington Inc. (“**Axington**” or the “**Company**” and together with its subsidiaries, the “**Group**”) sets out below its responses to the queries raised by the SGX-ST on 9 July 2021 in respect of the Company’s announcement dated 8 July 2021 (the “**Announcement**”) in relation to the entry into a non-binding memorandum of understanding (the “**MOU**”) in connection with the proposed acquisition by the Company of 60% equity interest in Veivo Web Technology Limited.

Unless otherwise defined, all capitalised terms used herein shall have the same meanings as the Announcement.

Query 1:

- (a) Please disclose who introduced the Target Company / Vendor to Axington, and whether there are any fees payable to such introducer.
- (b) Please provide more details on the experience and track record of the Vendor and its sole shareholder, Mr Gao Hong.

Company’s response to Query 1:

The Target Company / Vendor was introduced to the Company by Terence Loh, the controlling shareholder of the Company (through his shareholdings in Dorr). No introducer fees are payable by the Company to Dorr or to Terence Loh.

Mr Gao Hong is an investor in many companies including listed companies. He has also held directorships in companies listed on stock exchanges. Mr Gao has strong experience in fund management, and was awarded the “China Venture Capital 10-year Cutting-Edge Investor” prize jointly issued by Financial Research Institute under the State Council Development Research Centre, Beijing Equity Exchange, the International Research Centre for equity investment and the International Financiers Association in 2008. The Vendor is Mr Gao’s investment vehicle for the Target Company.

Query 2:

The Company shall procure that Dorr Global Healthcare International Pte. Ltd. (“**Dorr**”), the 77.88%-controlling shareholder of the Company, to furnish a written undertaking to vote in favour of the Proposed Acquisition and not to dispose of their shares until the conclusion of the general meeting to be convened. This shall form part of the condition precedents of the Sale and Purchase Agreement to be entered as well.

Given that Dorr is owned by Terence Loh and Terence Loh had been declared bankrupt on 8 July 2021, how will the above condition be fulfilled?

Company’s response to Query 2:

The Company has been preliminarily advised by Terence Loh that Dorr would not be prevented by his bankruptcy from voting in favour of the Proposed Acquisition. Dorr’s shares in the Company have been

charged to DBS Bank Ltd. for a loan provided to Dorr, and as such the Company will be engaging with DBS Bank Ltd. in relation to this condition.

While the MOU is non-binding in nature, the Company had released the Announcement in order to update shareholders and other stakeholders on its plans. The Company wishes to reiterate that there is no certainty or assurance that the Proposed Acquisition will be completed.

Query 3:

What due diligence did the Company conduct on the Target Group prior to its entry into the MOU with Delta Investment Holding Group Ltd? What forms of due diligence will the Company be conducting prior to its entry into the SPA?

Company's response to Query 3:

The Company has not conducted any due diligence prior to its entry into the MOU given that it is non-binding in nature. The purpose of the MOU is for the Company to obtain more information for a preliminary due diligence to be conducted on the legal existence of the corporate structure of the various entities comprising the Target Group and the Vendor, as well as the main business of the Target Group before the entry into any SPA.

Query 4:

The Target Company is the legal and beneficial owner of Quwaner Technology (Shenzhen) Co., Ltd. (the "WFOE"), a wholly foreign-owned enterprise established in the PRC.

The Target Company is procuring the WFOE to have effective 100% control over, and be entitled to the economic interest and assets of, Beijing Ruihua Veivo Internet Technology Co., Ltd., which is a company established in the PRC with limited liability (the "PRC Company") (the Target Company, the WFOE and the PRC Company collectively, the "Target Group") by entering into control agreement(s) with the PRC Company and its shareholder(s) (the "Control Agreement(s)").

- (a) What legal due diligence did the Company conduct in relation to the above legal structure?
- (b) Did the Company obtain / will the Company be obtaining legal opinion on the above structure and whether the PRC Authorities display signs of disapproval of the structure as well as the Control Agreements?
- (c) How is the Board satisfied that the Company's 60%-interest in the Target Group will be secured given the risk that the PRC Authorities may invalidate the structure, resulting in loss of control and revenue / economic interest in the Target Group?

Company's response to Query 4:

As mentioned above, the Company has not conducted any due diligence in relation to the above legal structure and will be conducting a preliminary due diligence before the entry into any SPA. If the Company enters into a definitive agreement for the Proposed Acquisition, the Company will engage all relevant professionals for the Proposed Acquisition which, based on the preliminary information available, is likely to result in a reverse takeover of the Company. In connection with such reverse takeover, all necessary legal opinions will be obtained in relation to the structure of the Target Group and the Control Agreements, including any risk that the Company may lose control of the Target Group and any relevant revenue and economic interests. In this regard, the Board notes that G.H.Y. Culture & Media Holding Co., Limited, a company recently listed on the Main Board of the SGX-ST, had similar Control Agreements in place prior to its listing. Such a structure has also been utilised by various other internet companies based in the People's Republic of China and listed on overseas stock exchanges, including Alibaba amongst others.

The Company has noted the listing decision LD-2018-02 issued by the SGX-ST in December 2018 (updated in March 2021) in respect of, *inter alia*, the provision of additional safeguards for such structures and will ensure that such additional safeguards are in place should the Company proceed with the Proposed Acquisition.

Query 5:

Based on the MOU, the Vendor confirms that the value of the 100% equity interest in the Target Company is not less than S\$676,000,000 as at the date of the MOU.

- (a) What is the Vendor's basis for stating that the value of the Target Company is not less than S\$676m?
- (b) Has Axington identified a valuer to value the Target Company / Target Group?

Company's response to Query 5:

The Company has been provided, for its reference, a copy of a valuation report on the Target Group which estimated the valuation of the Target Group at between US\$360 million to US\$1 billion. As part of the Proposed Acquisition, the Company intends to appoint a third party independent valuer to conduct a valuation of the Target Group. Given that the Company has just signed the MOU, the Company has not, at this point in time, identified nor appointed any third party independent valuer.

Query 6:

In consideration that the Company has suspended trading since 31 August 2020, it is due to submit a resumption proposal by 30 August 2021, or face delisting. What is the Company's timeline for the Proposed Acquisition and submission of an RTO application?

Company's response to Query 6:

As mentioned in the Announcement, the Company has until 7 August 2021 to enter into a definitive agreement for the Proposed Acquisition. The Company intends to enter into a definitive agreement on or around that timing.

Subject to the appointment of all relevant professionals for the Proposed Acquisition, as well as their relevant advice and the Company's compliance with Chapter 10 of the Catalist Rules in respect of reverse takeovers, the Company intends to submit an application to the SGX-ST for the Proposed Acquisition prior to 31 December 2021.

The Company will make the necessary announcements when there are further developments on the Proposed Acquisition.

BY ORDER OF THE BOARD

Ang Chiang Meng
Executive Director
9 July 2021

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, 7 Temasek Boulevard, #18-03B Suntec Tower 1, Singapore 038987, telephone (65) 6950 2188.