INDEPENDENT AUDITOR'S REPORT

To the Members of Camsing Healthcare Limited

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Report on the Audit of the Financial Statements

Disclaimer of Opinion

We were engaged to audit the financial statements of Camsing Healthcare Ltd. (the "Company") and its subsidiaries (the "Group"), as set out on pages 40 to 96, which comprise the consolidated statement of financial position of the Group and the statement of financial position of the Company as at 31 January 2020, 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 significant accounting policies.

We do not express an opinion on the accompanying financial statements of the Group and the statement of financial position and the statement of changes in equity 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

1. <u>Opening balances</u>

For the financial year ended 31 January 2019 ("FY2019"), we expressed a disclaimer of opinion due to various matters within the scope of (a) special audit of the Group, pursuant to a Notice of Compliance issued by the Singapore Exchange Regulation to the Company on 29 March 2019, and (b) limitation of scope to complete our audit procedures of the Group.

(a) Special audit of the Group

On 24 April 2019, the Company appointed a special auditor ("Special Auditor") to investigate into certain matters, which includes, *inter alia,* the following: (i) whether the parties in certain distribution and consignment agreements are related and whether the Group retained the risks and rewards embodied in the products originally sold under the distribution agreement, (ii) whether the parties involved in a certain purchase agreement, relating to the sale of wearable technology devices, are related, and (iii) uncertainty over the recoverability of licence fee income and its subsequent reversal.

On 1 September 2020, the Special Auditor completed the special audit and set out its findings in an executive summary report, as announced by the Company on SGX-ST. On the same date, SGX RegCo issued another Notice of Compliance to the Company requiring the Company to, among others, appoint an independent firm to undertake an independent review of the internal controls and governance practices, to address and implement the recommendations made by the Special Auditor. As at the date of this report, the independent review is on-going.

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Basis for Disclaimer of Opinion (Continued)

1. Opening balances (Continued)

(a) Special audit of the Group (Continued)

As disclosed in Note 2(a), the Special Auditor noted several purported circular transactions, purchases and license fees income ("Transactions") under certain distribution, consignment and purchase agreements between the Company's principal subsidiary, Nature's Farm Pte Ltd and Global Biotech Medical Inc. Limited, I-Nitra Consulting Limited and Caring Global Health Management (Beijing) Co., Ltd., (collectively, "Parties"). The Special Auditor highlighted concerns surrounding the nature of these Transactions which had taken place during the financial years ended 31 January 2017, 31 January 2018 and 31 January 2019 and the Group's relationships with these Parties. We were unable to obtain necessary information and explanations on the Special Auditor's findings to (i) determine the commercial substance or business rationale of these Transactions and (ii) establish the appropriateness of the reversal of licence fee income and impairment made on balances arising from the Transactions during FY2019. In addition, we were unable to determine the rights and obligations of the Group under these contractual arrangements, or the exact nature of the relationship between these Parties. We were also unable to determine whether these arrangements were in compliance with the applicable laws and regulations or if there were any consequential impact to the prior years' financial statements. Consequently, we were unable to determine accuracy and completeness of the opening balances to the FY2019 and its effects on the Group's consolidated financial statements of FY2019.

(b) Limitation of scope in respect of FY2019

Certain supporting documents were not made available to us due to the long lapse of time between the reporting date and the date of our audit report. We were also unable to perform alternative audit procedures that we considered necessary, given that there were several changes in the composition of the Board of Directors and management team, and the incumbent management was unable to provide us with satisfactory explanations as it did not have full and complete knowledge of the affairs relating to prior financial years. Accordingly, we were unable to obtain sufficient and appropriate audit evidence on the following:

i) the appropriateness of the Group's loss on deconsolidation of its investment in associate, Camsing Healthcare (Fuzhou) Medical Instrument Co., Ltd ("CFZ"), including the Group's share of losses in CFZ and the basis of full impairment losses made by the management, as well as relevant disclosures;
ii) the existence, valuation and completeness of inventories;
iii) the existence and impairment assessment of property, plant and equipment of the Group;
iv) the impairment assessment of investment in the principal subsidiary of the Group; and
v) whether all significant subsequent events and transactions have been adequately adjusted or disclosed in these financial statements.

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Basis for Disclaimer of Opinion (Continued)

1. Opening balances in respect of FY2019 (Continued)

In view of the above matters that remain unresolved (as described in item 2), we are unable to determine whether the opening balances as at 1 February 2019 are fairly stated. Any adjustments to the opening retained earnings as at 1 February 2019 would have consequential effects on the current year's consolidated financial statements. Since the opening balances as at 1 February 2019 entered into the determination of the financial performance, changes in equity and cash flows of the Group for the financial year ended 31 January 2020, we are unable to determine whether adjustments might have been necessary in respect of the Group's financial statements and the Company's statement of financial position for the financial year ended 31 January 2020. Our opinion for the current financial year's financial statements is also modified because of the possible effects of these matters on the comparability of current year's figures with the corresponding figures.

2. Limitation of scope

Based on the foregoing paragraphs, we are unable to satisfy ourselves as to the existence, completeness and accuracy of transactions that occurred during financial year ended 31 January 2020 ("FY2020") and balances recorded as of that date, including, but not limited to items (a) to (d) as described below.

(a) Existence, valuation and completeness of inventories

Having been appointed subsequent to the financial year end, we did not attend the Group's annual inventory count as at 31 January 2020 and we are unable to perform alternative procedures that we considered necessary to verify the existence, accuracy and completeness of the Group's inventories as at 31 January 2020 of $1,219,000 due to the long time lapse between the reporting date and the date of our report. In addition, due to the lack of inventory costing worksheets and lack of source documents to determine the accuracy of the expiry dates of the inventories as at 31 January 2020, we are not able to obtain sufficient audit evidence to conclude on the appropriateness of the carrying amount of the Group's inventories, including the allowance for inventory obsolescence of $8,000 as at 31 January 2020 (Note 9).

(b) Impairment assessment of property, plant and equipment ("PPE") and right-of-use ("ROU") assets

As at 31 January 2020, the carrying amounts of the Group's PPE and ROU assets were $650,000 and $2,167,000, net of provision for impairment losses of $443,000 and $1,513,000 respectively, as disclosed in Notes 4 and 5 respectively. Management identified certain loss-making retail outlets ("Outlets") and performed an impairment assessment of the furniture and fittings and ROU assets attributable to these Outlets, taking into consideration of, among others, current and future market conditions, subsequent sales and cashflows generated by these Outlets, and projected sales for the remaining lease terms of the Outlets. Consequently, management recognised a reversal of impairment losses for PPE of $279,000 and additional impairment charge for ROU assets of $1,513,000 during FY2020.

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Basis for Disclaimer of Opinion (Continued)

2. Limitation of scope (Continued)

(b) Impairment assessment of property, plant and equipment ("PPE") and right-of-use ("ROU") assets (Continued)

As mentioned in item 1(b)(iii) above, one of the subject matters giving rise to our disclaimer opinion for FY2019 was the impairment assessment of the Group's PPE. We were unable to obtain sufficient appropriate audit evidence to conclude on the appropriateness of the basis of the impairment loss of $655,000 in FY2019 due to a lack of a proper impairment assessment to determine the value in use of the Group's PPE. Correspondingly, the management also did not perform a proper assessment of the impairment of ROU assets upon initial adoption of SFRS(I) 16 *Leases* on 1 February 2019. Any adjustment to the carrying amount of the opening balances of PPE and ROU assets would have a corresponding effect on the "reversal of impairment losses" of $279,000 for PPE and "impairment losses" of $1,513,000 for ROU assets recognised in the profit or loss for FY2020. As a result, we are unable to determine the consequential effects on the financial performance of the Group for FY2020. Our opinion for the current financial year's financial statements is also modified because of the possible effect of this matter on the comparability of current year's figures with the corresponding figures.

(c) Consignment sales with I Nitra Consulting Limited ("I-Nitra")

Further to item 1(a) above, pursuant to three supplemental consignment agreements with I-Nitra dated 25 May 2018, 1 October 2018 and 1 January 2019, the Company's principal subsidiary, Nature's Farm Pte Ltd ("NF"), recorded commission income of $218,000, based on 60% of gross sales value of consignment goods from I-Nitra to its retail customers during FY2020. Owing to reasons stated in item 1(a) above, we were unable to obtain sufficient appropriate audit evidence to determine the commercial substance or business rationale of the consignment arrangement and we were unable to conclude on the appropriateness of commission income of $218,000 during FY2020.

(d) Impairment of investment in the principal subsidiary of the Company

As at 31 January 2020, the carrying amount of the Company's investment in subsidiaries was $4,072,000 (net of impairment loss as disclosed in Note 6), which relates primarily to investment in NF, held through William Jacks & Co. (Singapore) Pte. Ltd. on the basis that NF has implemented cost-cutting measures, including the closures of loss-making retail outlets, management concluded that no further impairment was required as at 31 January 2020. Due to the lack of a proper impairment assessment using discounted cashflows to determine NF's value in use, we are unable to obtain sufficient appropriate audit evidence to conclude on the adequacy of impairment loss recognised on investment in NF for FY2020 and the appropriateness of the Company's carrying amount of investment in subsidiaries as at 31 January 2020.

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Basis for Disclaimer of Opinion (Continued)

3. Going concern assumption

As disclosed in Note 2(b) to the financial statements, the Group incurred a net loss for the year of $5,458,000 for FY2020 and was in net liabilities position of $1,190,000 as at 31 January 2020. The Group's cash and bank balances amounted to $663,000 as at 31 January 2020. As disclosed in Note 11 to the financial statements, two subsidiaries of the Group have breached certain bank covenants and defaulted on the repayment of bank loans as at the end of FY2019 and FY2020. Consequently, the bank issued a letter of demand on 27 August 2019 to the Group. Subsequently, in September 2021, the Group repaid one of the outstanding bank loans amounting to approximately $2,200,000 in full. The Group managed to seek the agreement of the bank to restructure the repayment of the outstanding balance and has since been making monthly instalments to pay down the indebtedness. As at the date of this report, the Group still owes the bank a remaining loan balance of approximately $927,000 and is in the process of formalising the repayment plan with the bank for the remaining indebtedness.

The above conditions indicate the existence of a material uncertainty which may cast significant doubt on the ability of the Group and the Company to continue as going concerns. As disclosed in Note 2(b) to the financial statements, the Board of Directors of the Company has prepared the financial statements on a going concern basis on the assumptions that the Company's principal subsidiary, NF will continue to generate positive and sufficient cash flows, together with cash injections by an investor pursuant to an investment agreement and a loan agreement ("Agreements") dated 25 December 2021, to enable the Group and the Company to meet its obligations as and when they fall due for the next twelve months. As at the date of this report, due to the matters highlighted above, we have not been able to obtain sufficient audit evidence regarding the likely outcome of the cash injections from the investor, which is subject to the satisfaction of certain conditions precedent as stipulated in the Agreements. Accordingly, we are uncertain of the appropriateness of the use of the going concern assumption in the preparation of these financial statements.

In the event the Group and the Company are unable to continue as going concerns, the Group and the Company may be unable 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 to these financial statements.

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 Companies Act, Chapter 50 (the 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.

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Responsibilities of Management and Directors for the Financial Statements (Continued)

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 responsibility is to conduct an audit of 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 Company 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, because of the significance of the matters described 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 Act to be kept by the Company and 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 Adeline Ng Cheah Chen.

Crowe Horwath First Trust LLP
Public Accountants and
Chartered Accountants
Singapore

17 February 2022