

# INDEPENDENT AUDITOR'S REPORT

To the Members of Camsing Healthcare Limited



**Crowe Horwath First Trust LLP**

9 Raffles Place  
#19-20 Republic Plaza Tower 2  
Singapore 048619

Main +65 6221 0338

[www.crowe.sg](http://www.crowe.sg)

## 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"), set out on pages 38 to 89, which comprise the consolidated statement of financial position of the Group and the statement of financial position of the Company as at 31 January 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 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.

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 2021 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group and of the changes in equity of the Company for the financial year ended on that date.

### *Basis for Qualified Opinion*

Our independent auditor's report on the consolidated financial statements of the Group and the statement of financial position of the Company for the financial year ended 31 January 2020 ("FY2020") dated 17 February 2022 contained a disclaimer of opinion on those financial statements ("FY2020 Disclaimer Report") due to the following matters:

- a) Opening balances and special audit of the Group
- b) Limitation of scope affecting the following areas:
  - Consignment sales with I-Nitra Consulting Limited ("I-Nitra")
  - Existence, valuation and completeness of inventories
  - Impairment assessment of property, plant and equipment ("PPE") and right-of-use ("ROU") assets
  - Impairment of investment in the principal subsidiary of the Company, Nature's Farm Pte. Ltd. ("NF")
  - Use of going concern assumption

Crowe Horwath First Trust LLP (UEN: T08LL1312H) is an accounting limited liability partnership registered in Singapore under the Limited Liability Partnership Act (Chapter 163A).

# INDEPENDENT AUDITOR'S REPORT

To the Members of Camsing Healthcare Limited



## ***Basis for Qualified Opinion (Continued)***

In view of the matters that remain unresolved (as described below), we are unable to determine whether the opening balances as at 1 February 2020 are fairly stated. Any adjustments to the opening retained earnings as at 1 February 2020 would have consequential effects on the current year's consolidated financial statements. Since the opening balances as at 1 February 2020 entered into the determination of the financial performance, changes in equity and cash flows of the Group for the financial year ended 31 January 2021 ("FY2021"), 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 FY2021. 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.

### (i) Consignment sales with I-Nitra Consulting Limited

As disclosed in Note 2(a) and Note 10 to the financial statements, the special audit has concluded and an independent review is currently on-going. Pursuant to the consignment agreements signed between NF and I-Nitra, the Group recorded commission income of \$218,000 during the FY2020. Consequently, the outstanding amount due to I-Nitra, included in trade payables and accrued purchases as at 31 January 2021 and 31 January 2020 amounted to \$577,000, of which \$428,000 was brought forward since 2019.

As described in our FY2020 Disclaimer Report, we are unable to obtain sufficient appropriate audit evidence to determine the commercial substance or business rationale of the consignment arrangement and we are also unable to perform alternative audit procedures that we considered necessary, including obtaining the necessary confirmations of these balances as at the respective balance sheet date, given that there were several changes in the composition of the Board of Directors and management team. Consequently, we are unable to conclude on the appropriateness of these transactions arising from the consignment agreements with I-Nitra for the FY2020 and the corresponding trade payable balance as at end of FY2020 and FY2021.

### (ii) Existence, valuation and completeness of inventories

The Group performed 100% inventory count as at 31 January 2022 and performed an inventory roll-back exercise to 31 January 2021 with a view to validating its inventory balance as at 31 January 2021. The Group also recognised an allowance for inventory obsolescence of \$25,000 during FY2021, taking into consideration of the expiry dates of health foods and supplements and the subsequent sales of these inventories.

As mentioned in item (b) above, one of the subject matters giving rise to our FY2020 Disclaimer Report was the inability to conclude on the appropriateness of the carrying amount of the Group's inventories as at 31 January 2020 including the allowance of stock obsolescence, mainly due to the lack of necessary supporting documents. The matter remains unresolved with respect to the opening balance of inventories as at 1 February 2020. As the opening inventories entered into the determination of the costs of sales, and allowance for inventory obsolescence for FY2021, we are unable to determine the necessary adjustments to the consolidated financial performance for FY2021, if any. 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.

# INDEPENDENT AUDITOR'S REPORT

To the Members of Camsing Healthcare Limited



## ***Basis for Qualified Opinion (Continued)***

(iii) Impairment of investment in the principal subsidiary of the Company, NF

As at 31 January 2021, the Group engaged an independent valuer to perform an impairment assessment of the investment in subsidiaries, which relates primarily to the investment in NF, using the discounted cashflows to determine NF's recoverable amount (value in use). Based on the independent valuation report, NF's value in use as at 31 January 2021 amounted to \$900,000 and the Group recognised an impairment loss of \$3,172,000 for the FY2021.

As mentioned in item (b) above, one of the subject matters giving rise to our FY2020 Disclaimer Report was the inability to conclude on the appropriateness of the carrying amount of the Company's investment in subsidiaries at 31 January 2020 including the adequacy of impairment loss, mainly due to the lack of proper impairment assessment. Any adjustment to the carrying amount of the opening balance of investment in subsidiaries would have a corresponding effect on the "impairment loss" of \$3,172,000 for the Company's investment in subsidiaries recognised in the profit or loss for FY2021. As a result, we are unable to determine the consequential effects on the financial performance of the Company for FY2021. 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.

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(b) to the financial statements. The Group incurred a net loss for the year of \$829,000 for FY2021 and was in net liabilities position of \$2,020,000 as at 31 January 2021. The Group's cash and bank balances amounted to \$735,000 as at 31 January 2021. 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 since 31 January 2019 and consequently, the bank issued a letter of demand to the Group. Subsequently, the Group fully repaid one of the outstanding bank loans amounting to \$316,000 by September 2021 and managed to seek the agreement of the bank to restructure the repayment of the remaining balance. As at the date of this report, the Group still owes the bank a remaining loan balance of approximately \$847,000 and is in the process of formalising the repayment plan with the bank for the remaining indebtedness.

# INDEPENDENT AUDITOR'S REPORT

To the Members of Camsing Healthcare Limited



## ***Material Uncertainty Related to Going Concern (Continued)***

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. Notwithstanding these conditions, the Group has prepared the financial statements on a going concern basis due to the reasons as disclosed in Note 2(b) to the financial statements, which includes, *inter-alia*, the following:

- (i) a second loan agreement (“Second Loan Agreement”) signed with an investor (the “Investor”) on 3 March 2022 to extend an additional loan of \$2,991,000 in various tranches, in addition to the first loan disbursed from the Investor of \$1,300,000 which has been fully utilised as at the date of this report. Pursuant to the terms of the agreement, interest is charged at 12% per annum and the loans mature on 23 January 2023, unless an early repayment or immediate repayment is triggered by events of default. On the same day, the Company and the Investor entered into an investment agreement in connection with the redemption of the outstanding loans to subscribe for 102,166,007 shares of the Company at an issue price of \$ 0.042 each and 167,834,000 share options at an aggregate price of \$1 which shall be fully set-off against the outstanding loans owing to the Investor, subject to certain conditions being fulfilled by the Company which includes the resumption of the trading of the Company’s shares on SGX-ST. As of the date of these financial statements, the Company has received approximately \$932,000 from the Investor pursuant to the Second Loan Agreement.
- (ii) the ability of the Group to continue to generate positive cash flows from its operations.

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.

## ***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.

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 matters 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 the matters.

# INDEPENDENT AUDITOR'S REPORT

To the Members of Camsing Healthcare Limited



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

### Impairment assessment of non-financial assets (Group) and cost of investment in subsidiaries (Company)

As disclosed in Notes 4 and 5 to the financial statements, the net carrying amounts of the Group's property, plant and equipment ("PPE") and right-of-use ("ROU") assets amounted to \$230,000 and \$1,210,000 respectively. As a result of continuous operating losses reported by the Group's retail outlets, which was due principally to the negative effects of Covid-19, the Group identified impairment indicators and performed an impairment assessment to determine the recoverable amounts of the Group's PPE and ROU assets. Management recorded impairment charges on PPE and ROU assets of \$nil and \$171,000 respectively to reduce the carrying values of non-current assets of each loss-making retail store to their respective estimated recoverable amounts. The Group has determined the value-in-use ("VIU") for each retail stores with impairment indicator using cash flow projections based on financial budgets prepared by management for the remaining lease terms.

In addition, the Company's net carrying amount of the cost of investment in subsidiaries amounted to \$900,000, after an impairment charge of \$3,172,000 during FY2021 as disclosed in Note 6 to the financial statements. The Group's financial performance and financial position are mainly contributed by its principal subsidiary, NF. Management considered NF as a cash-generating unit ("CGU") that generates independent cash flows from the sales of health food and supplements. With the assistance of an independent valuer, the Group has determined the value-in-use ("VIU") of NF using a 5-year cashflow projections based on financial budgets prepared by management.

Impairment assessment of the Group's PPE and ROU assets and the Company's cost of investment in NF is considered to be a key audit matter due to the significance of the assets to the Group's and the Company's financial positions and also due to the estimations involved in the assessment of the VIU of the PPE and ROU assets of retail stores and of the cost of investment in NF performed by the management. Significant judgements are used to determine the discount rate and revenue growth rates used in VIU computations. The continually evolving situation due to Covid-19 pandemic during the year resulted in inherent uncertainty in the impairment assessment. In making these estimates, management has relied on past performance, its expectations of market developments including estimates of the recovery of the retail environment in Singapore.

# INDEPENDENT AUDITOR'S REPORT

To the Members of Camsing Healthcare Limited



## ***Key Audit Matters (Continued)***

### *Impairment assessment of non-financial assets (Group) and cost of investment in subsidiaries (Company) (Continued)*

#### *Our procedures to address the key audit matter*

We have assessed the key assumptions used in the impairment assessment of the Group's PPE and ROU assets and the Company's cost of investment in NF. Our audit procedures included the following:

- obtained an understanding of management's impairment assessment process and assessed the appropriateness of management's identification of CGU;
- obtained the VIU computations of each retail stores with impairment indicator and the VIU computation of NF as a CGU and identified the underlying key assumptions which include discount rate, budgeted revenue growth rate, budgeted gross margin and terminal year growth rate;
- reviewed these key assumptions for reasonableness by comparing the forecasts to historical revenue achieved, historical costs incurred, gross margin achieved and revenue growth rate and terminal year growth rate to published industry reports;
- evaluated the appropriateness of the discount rate used by management;
- performed sensitivity analysis in the areas of budgeted revenue growth rate and discount rate assumptions; and
- assessed the objectivity, competency and capability of management's expert engaged to support management in the VIU computation of NF as a CGU.

We have obtained satisfactory explanations from management and management's expert regarding the basis, methods and key assumptions used in determining the recoverable values of PPE and ROU assets of the retail stores and cost of investment in NF. We also considered the extent of disclosures set out in Notes 4 to 6 of the 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 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.



# INDEPENDENT AUDITOR'S REPORT

To the Members of Camsing Healthcare Limited



## ***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.
- 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.

# INDEPENDENT AUDITOR'S REPORT

To the Members of Camsing Healthcare Limited



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

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, related safeguards.

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 period 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.

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

In our 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 Adeline Ng Cheah Chen.

**Crowe Horwath First Trust LLP**  
Public Accountants and  
Chartered Accountants  
Singapore

14 April 2022