

INDEPENDENT REVIEW REPORT RELATING TO AXINGTON INC.

*This Executive Summary and the separate detailed report (the "**Report**") was prepared based on the terms of reference agreed with Axington Inc. (the "**Company**")'s Audit Committee and is confined to the circumstances surrounding the release of the Completion Announcement only (as defined below). This Executive Summary is intended for, and only for, the benefit of the Company's Audit Committee.*

1. INTRODUCTION

- 1.1 Axington Inc. (the "**Company**") is a company incorporated under the Labuan Companies Act 1990, Malaysia. Its shares are listed and quoted on the Catalist board of the SGX-ST.
- 1.2 As announced by the Company on 16 July 2021, the Audit Committee of the Company (the "**AC Board**") and the board of directors (the "**Board**") undertook a complete review of the affairs of the Company (the "**Internal Review**") and discovered, among others, that a sum amounting to S\$750,000 remained due (the "**Outstanding Amount**") from Kerrigan Medical Supplies Pte. Ltd. ("**Kerrigan**") under a subscription agreement entered into between the Company and Kerrigan on 28 July 2020 (the "**Kerrigan Subscription Agreement**", and such non-payment, the "**Kerrigan Breach**") as part of a placement exercise announced by the Company on 28 July 2020 (The "**Placement**"). The Company released an announcement on the completion of the Placement on SGXNet on 18 August 2020 but did not disclose that the Outstanding Amounts remained unpaid (the "**Completion Announcement**").
- 1.3 The findings were reported to Foo Kon Tan LLP, being the Company's Independent Auditors who then subsequently on 7 July 2021, released a Disclaimer of Opinion on the Audited Financial Statements for the Financial Year ended 31 December 2020, which was announced by the Company on 8 July 2021.
- 1.4 The AC Board and Board has confirmed that as at 5 May 2022 (being the date of the Report), save for the Outstanding Amount, the Company has accounted for all other subscription monies payable by placees (each a "**Placee**") under their respective placement agreements entered into for the Placement.
- 1.5 Following this discovery, the AC Board appointed TSMP Law Corporation ("**TSMP**") to conduct an independent review of (i) the nature and circumstances of the Kerrigan Breach and the Company's release of the Completion Announcement via SGXNet, notwithstanding the Kerrigan Breach; and (ii) to identify any breaches in rules, laws and regulations by the Company and its directors.

2. MATERIAL EVENTS LEADING UP TO THE PLACEMENT

- 2.1 As at the date hereof, Dorr Global Healthcare International Pte. Ltd. ("**Dorr**") has a direct interest in 77.88% of the shares of the Company. Dorr is currently wholly-owned by Mr Terence Loh. Based on its electronic register of members, from 7 April 2020 to 28 April 2021, Dorr was owned as to 50.0% by Mr Terence Loh, and 50.0% by Mr Nelson Loh. Mr Nelson Loh ceased being a shareholder of Dorr on 28 April 2021. Mr Terence Loh and Mr Nelson Loh are cousins.
- 2.2 Dorr acquired its interest in the Company via a mandatory unconditional cash offer announced on 1 June 2020 (the "**MGO**"). The MGO resulted in Dorr acquiring an interest in 92.53% of the Company.

- 2.3 On 15 July 2020, the Company announced the reconstitution of the Board and Board Committees, including the appointment of (i) Ms Shen, Che as Non-Independent, Non-executive Chairman; (ii) Ms Marjory Loh as Executive Director; (iii) Mr Wong Soon Yuh ("**Mr Michael Wong**") as Non-Independent, Non-executive Director, (iv) Mr Chua Siong Kiat, Lead Independent Director, (v) Mr Low Junrui, Independent Director and (vi) Mr Roberto Dona, Independent Director. Ms Marjory Loh is Mr Terence Loh's sister.
- 2.4 Shortly after the reconstitution of the Board, the Company announced that it intended to undertake the Placement, amongst other corporate actions on 29 July 2020.
- 2.5 On 18 August 2020, the Company released the Completion Announcement.
- 2.6 Shortly after the release of the Completion Announcement, adverse reports emerged in various print and online media relating to Bellagraph Nova Group, a group associated with Mr Nelson Loh and Mr Terence Loh, among others.
- 2.7 Following this, a majority of the Board, including Ms Shen Che, Ms Marjory Loh and Mr Michael Wong resigned, leaving Mr Roberto Dona and Mr Low Junrui as the only Directors of the Company.
- 2.8 On 31 August 2020, the Company subsequently announced a voluntary suspension of its shares (the "**Suspension**") pending the release of an announcement in relation to strategic changes to be made in the business direction of the Company.
- 2.9 In November 2020, Mr Low Junrui resigned and the Company appointed two new Independent Directors, Mr William Teo and Mr Ang Chiang Meng. The reconstituted Board then conducted the Internal Review from December 2020 to March 2021 and appointed TSMP Law Corporation to conduct investigations relating to the Kerrigan Breach and to prepare the Report. Mr Ang Chiang Meng was re-designated as an Executive Director on 4 June 2021.

3. THE PLACEMENT AND THE RELEASE OF THE COMPLETION ANNOUNCEMENT

Based on the interviews conducted with key individuals and the documents reviewed, we set out below our key findings on the facts surrounding the Placement and the release of the Completion Announcement:-

- 3.1 The Company was, at all material times, represented by Mr Michael Wong and Mr Joshua Lim, who were copied on all correspondence among the professional parties appointed for the Placement, notwithstanding that (i) Mr Michael Wong was a non-executive director; and (ii) Mr Joshua Lim was not an employee of the Company.
- 3.2 We understand from our interview with Mr Joshua Lim that he was an employee of "NOVU Aesthetics", a firm associated with Mr Nelson Loh and Mr Terence Loh, and was never an employee of the Company. At NOVU Aesthetics, he reported directly to Mr Michael Wong, and his involvement in the Placement was in response to Mr Michael Wong's request to assist with the Company's "paper work". He was not aware that the Outstanding Amount under the Kerrigan Subscription Agreement was unpaid at the time the Completion Announcement was released.
- 3.3 Ms Marjory Loh, notwithstanding her role as the Company's sole Executive Director, did not appear to ever be involved in the discussions relating to the Placement leading up to the

release of the Completion Announcement; she was not kept copied in any of the email correspondence provided to us. Further, we were provided with a copy of a letter issued by Tricor Singapore Pte. Ltd. to the Company relating to the Placement that was addressed to Mr Michael Wong (instead of Ms Marjory Loh).

- 3.4 Based on our interview with Ms Marjory Loh, we understand that prior to her appointment as an Executive Director of the Company, she had worked for Mr Nelson Loh and Mr Terence Loh at NOVU Aesthetics where she was principally in charge of day-to-day operations. She had taken up the role of Executive Director at the instruction of Mr Nelson Loh, and admitted that she would only take a cursory reading of any announcements or documents that were sent to her for her approval, and that she would sign any document without question if instructed to do so by Mr Nelson Loh. She was not aware that the Outstanding Amount was unpaid at the time the Completion Announcement was released.
- 3.5 We were not able to contact Ms Shen Che, Mr Terence Loh, Mr Nelson Loh and/or Mr Michael Wong for an interview.

4. Potential breaches

4.1 Rule 703(4) of the Catalist Rules

Rule 703(4) of the Catalist Rules requires the Company to observe the Corporate Disclosure Policy set out in Appendix 7A of the Catalist Rules, which includes the making of factual announcements.

Based on our understanding of the facts, on 18 August 2020, being the date of the release of the Completion Announcement, the Outstanding Amount remains unpaid. Notwithstanding this, the Company proceeded to issue and allot the shares to Kerrigan and released the Completion Announcement on 18 August 2020. In the Completion Announcement, the Company announced that it had completed the issue and allotment of the shares to be allotted under the Placement on 17 August 2020, without disclosing that it had yet to receive the Outstanding Amount. This may potentially be in breach of Rule 703(4) of the Catalist Rules as the public may have been misled that the Company had received all the consideration in full from all of the Placees (including Kerrigan).

4.2 Rule 719(1) of the Catalist Rules

Rule 719(1) of the Catalist Rules requires the Company to have a robust and effective system of internal controls to address financial, operational and compliance risks.

The Company did not appear to have any internal controls in place. It also does not appear to us that the Company ever appointed a proper management team following the MGO, and instead relied on non-executive directors and employees of related companies to oversee the Placement. In addition, there was no clear demarcation of roles. Mr Michael Wong was a Non-Executive, Non-Independent Director, but appeared to function effectively as an Executive Director. Based on our review of the correspondence and the interviews, it would appear that he acted on the instructions of Mr Terence Loh and Mr Nelson Loh, who maintained oversight and control over the Company. On the other hand, it did not appear that Ms Marjory Loh, the Company's sole Executive Director, was involved in or was kept apprised of the developments in relation to the Placement. We also note that none of the

Company's employees were involved in the Placement, with the only representatives that we can identify being Mr Joshua Lim, who was not an employee of the Company, and Mr Michael Wong, the Company's Non-Executive Director. In all email correspondence relating to the Placement, both Mr Joshua Lim and Mr Michael Wong used business email accounts belonging to Novena Life Healthcare, a company which appears to be associated with Mr Nelson Loh and Mr Terence Loh.

4.3 Potential breaches of fiduciary duties and duties under Section 157 of the Companies Act

Directors owe certain fiduciary duties to the company, including a duty to act honestly and to act bona fide. Section 157 of the Companies Act 1967 of Singapore (the "**Companies Act**") codifies the position under general law, and requires a director to, at all times, act honestly and use reasonable diligence in the discharge of the duties of his office. Based on our current understanding of the facts, Ms Marjory Loh, Mr Michael Wong, Mr Terence Loh and/or Mr Nelson Loh may each potentially be in breach of their duties under Section 157 of the Companies Act.¹

Ms Marjory Loh admitted in the interview that she did not have any access to the finances of the Company, and as such was not able to verify that the proceeds of the Placement were received by the Company prior to the release of the Completion Announcement. She also admitted to only taking a cursory reading of any announcements or documents that were presented to her for her approval, and suggested that she had, for so long as she was an Executive Director of the Company, acted on the instructions of Mr Nelson Loh.

While we have not been able to reach Mr Terence Loh, Mr Nelson Loh or Mr Michael Wong for an interview, the findings from our interviews with the other parties suggest that Mr Joshua Lim had exclusively acted on Mr Michael Wong's instructions, and that it was Mr Michael Wong, Mr Terence Loh and/or Mr Nelson Loh who were in contact with the Placees and who had oversight over the Company's finances. As such, subject to proving that Mr Terence Loh, Mr Nelson Loh or Mr Michael Wong had known that the Outstanding Amount remain unpaid on the date the Completion Announcement was released, these individuals may have breached their duties under Section 157 as they had failed to act honestly in procuring the release of the Completion Announcement.

Given the above and subject to proving that Mr Terence Loh, Mr Nelson Loh or Mr Michael Wong had known that the Outstanding Amount remain unpaid on the date the Completion Announcement was released of which such information is not available, the Company may have a potential claim against each of Ms Marjory Loh, Mr Michael Wong, Mr Terence Loh and Mr Nelson Loh (the "**Relevant Individuals**") for a breach of duty and/or a breach of fiduciary duties.

However, based on our understanding of the facts, it does not appear that the Company has suffered material financial loss as a result of the breaches leading up to the release of the Completion Announcement. We note however that our Report is confined to the

¹ A director is defined under Section 4 of the Companies Act as to include any person occupying the position of director of a corporation by whatever name called and includes a person in accordance with whose directions or instructions the directors or the majority of the directors of a corporation are accustomed to act and an alternate or substitute director, and "corporation" means any body corporate formed or incorporated or existing in Singapore or outside of Singapore and includes any foreign company. As such, the Company, as a company incorporated in Labuan, would fall under the definition of "corporation", and its directors would be required to comply with the applicable provisions of the Companies Act.

circumstances surrounding the release of the Completion Announcement, and we have not had an opportunity to consider any other acts or omissions by the Relevant Individuals which may have caused the Company to suffer loss. We are also not aware of any Relevant Individuals profiting from the release of the Completion Announcement.

In any case, even if it would be possible to make out the Company's claim against the Relevant Individuals and if the Company were to obtain a judgement against the Relevant Individuals, searches conducted on 11 April 2022 reveal that bankruptcy proceedings were concluded against Ms Marjory Loh, Mr Terence Loh and Mr Nelson Loh on 7 October 2021, 28 April 2021 and 26 November 2020, respectively. As such, it is unlikely that any of Ms Marjory Loh, Mr Terence Loh or Mr Nelson Loh would have sufficient assets to satisfy a judgement obtained against any of them. As such, the Board should consider whether pursuing a claim against any of the Relevant Individuals would be meaningful or in the best interests of its shareholders, in the circumstances.

5. Limitations

Our Report is based on the following:-

- 5.1 interviews conducted with Ms Marjory Loh, Mr Joshua Lim, Mr Roberto Dona and representatives from Drewcorp Services Pte Ltd, Tricor Singapore Pte. Ltd. and Hans Advisory & Trust Co Ltd., Novus Corporate Finance Pte. Ltd. and Zico Law Insights LLC had also provided written responses to our queries. We were not able to contact Mr Michael Wong, Mr Nelson Loh or Mr Terence Loh for an interview;
- 5.2 documents which were provided to us by the Board; and
- 5.3 documents provided to us at our request by the individuals interviewed, including emails between the professional parties involved in the Placement.

Our Report is subject to other assumptions and limitations set out therein.

TSMP Law Corporation
5 May 2022