

## AXINGTON INC.

(Incorporated under the Labuan Companies Act 1990, Malaysia)  
(Company Registration No. LL12218)

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### RESPONSE TO SGX QUERIES ON THE DISCLAIMER OF OPINION BY THE INDEPENDENT AUDITORS ON THE FY2020 AUDITED CONSOLIDATED FINANCIAL STATEMENTS

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#### 1. Introduction

The board of directors ("**Board**") of Axington Inc. (the "**Company**", and, together with its subsidiaries, the "**Group**") refers to:-

- 1.1 the disclaimer of opinion included by the Company's Independent Auditors, Foo Kon Tan LLP, in their Independent Auditors Report dated 7 July 2021 (the "**Independent Auditors Report**") in relation to the audited consolidated financial statements of the Group for the financial year ended 31 December 2020 ("**FY2020**"), as announced by the Company on 7 July 2021; and
- 1.2 the Company's announcement on 8 July 2021 announcing the Company's receipt of queries from the Singapore Exchange Securities Trading Limited (the "**SGX-ST**" and such queries, the "**SGX Queries**").

The SGX Queries are in relation to certain transactions which were highlighted in the Independent Auditors Report, which are immaterial vis-à-vis the latest audited net tangible assets of the Group, including:-

- (i) missing medical equipment – the amounts paid by the Company for the missing medical equipment represents approximately 1.3% of the latest audited net tangible assets of the Group (as at 31 December 2020); and
- (ii) the non-receipt of proceeds from Kerrigan Medical Supplies Pte. Ltd. ("**Kerrigan**") under the Company's placement announced on 28 July 2020 (the "**Placement**") – the amount of proceeds that are outstanding represents approximately 3.6% of the latest audited net tangible assets of the Group (as at 31 December 2020).

As at the date of this announcement, the Group has cash and bank balances of approximately RM90.9 million, of which approximately S\$26.6 million (approximately RM82.1 million, converted at an exchange rate of S\$1 : RM3.0839 as at 6 April 2021), representing at least 90% of the Company's total cash balance, will be placed in an escrow account with DBS Bank Ltd. (the "**Escrow Account**") by end of July 2021, given the Company's announcement on its cash company status dated 6 April 2021. As at the date of this announcement, the Company has yet to complete the transfer to the Escrow Account as the Company had encountered technical difficulties when attempting to access the Company's e-banking services. This has since been resolved with the support of the bank, and the Board expects the transfer to be completed in the following week. The Company will update shareholders if there are any material developments.

Before setting out its responses to the SGX Queries, the Company wishes to update shareholders on (i) certain key issues arising from a complete review of the affairs of the Company conducted by the reconstituted Board (the "**Internal Review**"); and (ii) the progress the Board has made in resolving the key issues of the Internal Review.

## 2. The Internal Review

- 2.1 The Company's controlling shareholder, DORR Global Healthcare International Pte. Ltd. ("**DORR**"), announced a mandatory unconditional cash offer on 1 June 2020 (the "**MGO**"), which resulted in DORR acquiring an interest in 92.53% of the Company. The Company then announced a proposed acquisition, the Placement, a compliance placement and a two-for-one, renounceable, non-underwritten rights issue (the "**Rights Issue**").
- 2.2 Mr Terence Loh Ne-Wei and Mr Loh Ne-Loon Nelson (collectively, the "**Controlling Shareholders**") were then the shareholders of DORR.<sup>1</sup> Following the MGO, the Controlling Shareholders appointed directors to the Board and a new management team was appointed (the "**DORR Management Team**").

### The DORR Management Team

Based on publicly available information and information reviewed in the course of the Internal Review, the Board understands the DORR Management Team comprised the following individuals:-

- Ms Shen, Che (Non-Independent, Non-executive Chairman)
- Ms Marjory Loh Erchang (Executive Director)
- Mr Wong Soon Yuh (Non-Independent, Non-executive Director)
- Mr Joshua Lim (Analyst)

Subsequent to the developments in the media relating to the Controlling Shareholders, all of the DORR Management Team and the majority of the Board resigned in late August 2020, leaving only two independent directors on the Board.

### The Axcelasia Management Team

Prior to the MGO, the Company, previously known as "Axcelasia Inc.", was an integrated professional services firm headquartered in Malaysia. In April 2020, the Company divested its Malaysian operations. Based on the annual report of the Company for FY2019, the previous Company's executive directors prior to the divestment comprised the following individuals:-

- Mr Ranjit Singh (Group Chief Executive Officer and Executive Director)
- Dato' Tang Swee Guan (Deputy Executive Chairman and Executive Director)

Based on the annual report of the Company for FY2019, the Board understands that the Executive Directors were assisted by the following individuals, who formed part of the management team prior to the divestment:-

- Mr Sivaruban Kandasamy (Chief Financial Officer)
- Ms Leow Mui Lee (Managing Director)
- Mr Derek Lee (Managing Director)
- Datin Chai Seow Lin (Managing Director)
- Ms Sylvia Anita Rockey (Executive Director)

(collectively, the "**Axcelasia Management Team**").

- 2.3 Following the resignation of the independent director, Mr Low Junrui, and the appointment of two new independent directors, Mr William Teo and Mr Ang Chiang Meng in November 2020, the reconstituted Board undertook the Internal Review from December 2020 to March 2021.

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<sup>1</sup> As at the date of this announcement, DORR's sole shareholder is Mr Terence Loh Ne-Wei.

2.4 The Board wishes to update shareholders on the progress made to address the key issues arising from the Internal Review:

No.	Issue	Description	Status
1.	<b>Management and business</b>	<p>As at the commencement of the Internal Review, the Company did not have any employees (including employees responsible for the Company's finance function).</p> <p>Subsequent to the developments in the media and the resignation of the DORR Management Team, the affairs of the Company were handled by the Company's independent directors who were assisted by a part-time administrative assistant.</p> <p>The Company had engaged an outsourced accounting firm, however, the firm's scope of work thus far was limited to overseeing the collection of sums due to the Company under invoices issued by the Company after September 2020.</p>	<p>The Board hired a part-time finance manager on 26 November 2020 who, under the supervision of the Board, is principally responsible for assisting with the finance function of the Company.</p> <p>Despite the best efforts of the Board, the Board has not been able to contact the DORR Management Team.</p> <p>The Board has had limited contact with the Controlling Shareholders – to date, the Board has only been in contact with Mr Terence Loh Ne-Wei. It is the Board's understanding that Mr Loh Ne-Loon Nelson has left Singapore.</p>
2.	<b>Auditors</b>	<p>The Company's previous auditors had withdrawn their consent to act as auditors on 26 August 2020. This was only brought to the Board's attention on 30 September 2020.</p>	<p>The Board has secured the appointment of Foo Kon Tan LLP as auditors of the Company, which was approved by the Company at the extraordinary general meeting held on 19 February 2021.</p>
3.	<b>Control over bank accounts</b>	<p>The Board did not have access to any of the Group's six bank accounts, including:</p> <ul style="list-style-type: none"> <li>(a) its main bank account with Malayan Banking Berhad (Singapore Branch) ("<b>Maybank</b>") holding the majority of the Company's cash reserves ("<b>Main Account</b>");</li> <li>(b) a bank account with DBS Bank Ltd ("<b>DBS</b>");</li> <li>(c) a bank account with Public Bank Berhad ("<b>Public</b></li> </ul>	<p>As a result of the media developments in relation to and the consequent financial troubles faced by the Controlling Shareholders and the inability to contact members of the DORR Management Team, the reconstituted Board faced considerable difficulty in obtaining control over the Group's bank accounts.</p> <p>The Board now wishes to report that it has obtained control over the Company's Main Account with Maybank and the Company's bank account maintained with Public Bank, and as mentioned in section 1 above, approximately 90% of the Company's</p>

		<p><b>Bank<sup>2</sup></b>) opened by the Company and various bank accounts opened in the name of the Company's subsidiaries which have not been properly handed over to the DORR Management Team after the MGO. As at the date of this announcement, these subsidiaries are dormant and the amounts in these bank accounts are not material.</p>	<p>total cash balance will be transferred to the Escrow Account with DBS as Escrow Agent by end July 2021 with the remainder to be deposited in other bank accounts (i.e. with DBS and Public Bank), which the Board has obtained control over.</p> <p>In respect of the bank accounts of the Company's subsidiaries, as at the date of this announcement, the Board is still in discussions with Maybank and Public Bank on taking over control of these bank accounts and will update shareholders when there are material developments.</p> <p>The Board expects this to be completed by September 2021.</p>
4.	<b>Books and records</b>	<p>The Board did not have access to the books and records of the Company.</p>	<p>The reconstituted Board has had to contact Mr Terence Loh Ne-Wei and the previous Executive Director of the Axcelasia Management Team for the books and records of the Company.</p> <p>A review of the books and records handed over by the Axcelasia Management Team to the DORR Management Team and the books and records retrieved from Mr Terence Loh Ne-Wei, indicated that the books and records were incomplete. The books and records did not include (a) supporting documents and other information sighted and relied on by the Company's previous auditors in relation to the Company's FY2019 financial statements; and (b) certain supporting documents for transactions occurring post-1H2020.</p> <p>As such, the Board has had to reconstruct the financial statements of the Company and its subsidiaries, based on (i) bank statements shared with the Board by the Company's bankers; (ii) information provided by the Axcelasia Management Team; and (iii) information provided by the Company's previous auditors.</p>

			As at the date of this announcement, the Board has completed the reconstruction of the missing financial statements based on the limited information available to the Board.
5.	<b>Control over subsidiaries</b>	<p>At the commencement of the Internal Review:-</p> <p>(i) certain members of the DORR Management Team were directors of the Company's subsidiary, Axington Singapore Pte. Ltd. ("<b>Axington Singapore</b>"); and</p> <p>(ii) certain members of the Axcelasia Management Team were directors of the Company's subsidiaries, Axington Lao Co., Ltd ("<b>Axington Lao</b>") and Axington Vietnam Co., Ltd ("<b>Axington Vietnam</b>").</p>	<p>The Board has procured the resignation of members of the DORR Management Team from the board of directors of Axington Singapore and appointed certain members of the Board as directors, with effect from 21 December 2020.</p> <p>The Board continues to liaise with advisors in Laos and Vietnam and members of the Axcelasia Management Team in order to effect the resignation of the Axcelasia Management Team from the board of directors of Axington Lao and Axington Vietnam.</p> <p>The Board expects this to be completed by September 2021.</p>
6.	<b>Rights Issue</b>	The Company received requests from shareholders for the refund of application monies paid under the Rights Issue.	<p>In light of the trading suspension, the Board has had to liaise with the SGX-ST on whether a refund of the application monies paid by subscribers under the Rights Issue would be possible.</p> <p>The refund was completed in March 2021. Please refer to the Company's announcement dated 15 March 2021 for more information.</p>
7.	<b>Matters relating to the SGX Queries</b>	<p>In the course of the Internal Review, the following matters came to the Board's attention:</p> <p>(i) the missing medical equipment;</p> <p>(ii) the non-receipt of proceeds due from Kerrigan under the Placement;</p> <p>(iii) the Company's receipt of two unknown funds transfers; and</p>	Please refer to the Company's responses to the SGX Queries set out below.

		<p>(iv) the lack of supporting documents for the transactions with Huntington (as defined below).</p> <p>The SGX Queries relate mainly to the above matters.</p>	
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2.5 The Board had considered the appointment of an external adviser such as a forensic investigator to review the affairs of the Company, and is of the view that appointing a forensic investigator would not be the most efficient use of the Company's resources nor be in the best interests of the Company and its shareholders for the following reasons:-

- (i) the Internal Review was overseen by the Company's Independent Directors, who were recently appointed to the Board and are unrelated to the Controlling Shareholders;
- (ii) pursuant to the Internal Review, the Board has already expended substantial time and energy to conduct extensive investigations into the affairs of the Company. This has uncovered the issues highlighted in the above table and the Board has since taken proactive steps to resolve such issues;
- (iii) certain findings of the Internal Review, namely, the matters set out in row 7 in the above table, were presented to the Board at a meeting of the Audit Committee (with the Independent Auditors and the Sponsor in attendance). In the course of the Company's audit, the Independent Auditors, Foo Kon Tan LLP, were aware of, and had scrutinized, the findings of the Internal Review;
- (iv) in respect of the incomplete books and records of the Company, the missing documents related to (a) supporting documents relied on by the Company's previous auditors in preparing the Company's FY2019 accounts; and (b) certain transactions entered into by the Company in 1H2020, which are not numerous. The Board has since completed a reconstruction of the financial information of the Company for these periods, and, given the extent of information available, the Board is of the view that the reconstructed information is as good a view of the Company's affairs as what a forensic investigator would be able to provide;
- (v) the Board has implemented adequate internal controls and procedures to ensure that the Company's books and records are properly maintained moving forward;
- (vi) the amount paid by the Company for the missing medical equipment in aggregate amounts to approximately 1.3% of the latest audited net tangible assets of the Group (as at 31 December 2020). The Board has since located one disinfection machine, which has been delivered to the Company. Given the extent of the information available, the Board is not confident that a forensic investigator would be able add further value to shareholders on this issue;
- (vii) in relation to the Placement of 30 million shares and the compliance placement of 150,000 shares, the Board has verified the receipt of the subscription monies for all other places save for the amounts outstanding from Kerrigan. The Board is at present seeking advice from external advisors on its options regarding this place; and

- (viii) given that the Company has no operating business, any external advisor would likely have to liaise directly with the Board, which would take up further of the Board's time and energy which could be better used in addressing the issues highlighted.

### 3. The SGX Queries

The Company sets out its responses to the SGX Queries below.

#### 3.1 Medical equipment of RM1.0m acquired in FY2020 which cannot be sighted/located

The auditors noted that included in impairment losses on PPE is an amount of RM1,003,070 relating to medical equipment. Of the total medical equipment recorded by the Group and the Company, the auditors are unable to ascertain the existence of certain medical equipment with costs amounting to RM767,387. Notwithstanding that all the medical equipment have been fully impaired by the Company, the auditors are unable to obtain sufficient appropriate audit evidence to ascertain the veracity of the underlying transactions and the subsequent impairment losses recognised by the Company.

Please explain and elaborate on the background of these PPE which cannot be located / sighted:

- (i) Please explain whom in the Company acquired and authorized such acquisition of the medical equipment.

**Company's response:** As mentioned above, the amounts paid for by the Company for the missing medical equipment represents approximately 1.3% of the latest audited net tangible assets of the Group (as at 31 December 2020). These transactions were undertaken in FY2020, when the Company was run by the DORR Management Team prior to the reconstitution of the Board. As mentioned above, the Company's books and records retrieved by the reconstituted Board from the DORR Management Team appeared to be incomplete and did not include meaningful records of these transactions. As such the Board is unable to ascertain whom in the Company acquired and authorised the acquisition of the medical equipment. In addition, the Board has queried Mr Terence Loh Ne-Wei who has confirmed that he was not involved in the management and operations of the Company and is unaware of such acquisition.

- (ii) When and how did the Company first find out that these medical equipment cannot be located / sighted?

**Company's response:** The Internal Review (including a review of the bank statements and reconstructed financial information of the Company) revealed the following payments made by the Company to certain vendors:

- (1) a cheque payment amounting to S\$250,000 to Huntington Holdings Pte Ltd ("**Huntington**") on 17 August 2020; and
- (2) a cheque payment amounting to S\$250,000 to Sino Spring Resources Pte Ltd ("**Sino Spring**") on 18 August 2020.

### ***Transaction with Huntington***

No documentation was found to support the payment made to Huntington in the books and records of the Company. Based on the searches conducted as part of the Internal Review, Huntington appears to be an associate of the Company's Controlling Shareholder, Mr Loh Ne-Loon Nelson. The director of Huntington is Mr Loh Kim Choon and its shareholders are Mr Loh Kim Choon and Ms Low Chew Yun. Mr Terence Loh Ne-Wei has confirmed that Mr Loh Kim Choon and Ms Low Chew Yun are the parents of Mr Loh Ne-Loon Nelson.

The Board has written to Huntington requesting for information on the payments and was provided with a copy of an invoice dated 1 August 2020 indicating that the Company had purchased two disinfection machines and one concierge robot from Huntington.

The Board had arranged for a site visit to the Company's old office premises (used by the DORR Management Team) in March 2021 to locate the equipment purchased by the Company. The Board has located one disinfection machine, which has since been delivered to the Company.

As this transaction was undertaken in FY2020 prior to the appointment of the reconstituted Board, the Board is likewise unable to ascertain the existence of the other disinfection machine and the concierge robot. Based on the books and records of the Company, the Board is unable to determine if the Company had ever taken delivery of the other disinfection machine and the concierge robot.

The value of the transactions with Huntington represents approximately 0.8% of the latest audited net tangible assets of the Group (as at 31 December 2020).

### ***Transaction with Sino Spring***

The payment to Sino Spring was supported by an invoice which indicated that the Company purchased four (4) units of "laser machines with robotic AI function".

Based on searches conducted as part of the Internal Review, Sino Spring has been gazetted to be struck off. Sino Spring's directors and shareholders are Zhang Yi Ping, Yong Wei Li and Wang Chunsheng. As at the date of this announcement, the Board has been unable to contact Sino Spring or its directors. Based on the enquiries made by the Board, the shareholders of Sino Spring appear to be unrelated to the Controlling Shareholders.

As this transaction was undertaken in FY2020 prior to the appointment of the reconstituted Board, the Board is likewise unable to ascertain the existence of the "laser machines with robotic AI function".

The value of the transactions with Sino Spring represents approximately 0.8% of the latest audited net tangible assets of the Group (as at 31 December 2020).

The Company is considering its legal options available in respect of the above transactions.

In addition, the Board notes that Mr Roberto Dona was appointed as an independent director on 14 July 2020, prior to the Company making the above payments to Huntington and Sino Spring for the medical equipment (the "**Relevant Transactions**").



Mr Roberto Dona has confirmed that as an independent director, he is not involved in the day-to-day management of the Company and the DORR Management Team had never informed him of or sought his approval for the Relevant Transactions. Mr Roberto Dona continues to serve as the Company's Non-executive Independent Chairman as at the date of this announcement.

- (iii) Whom did the Company acquire the medical equipment from? Are the documentation (i.e. invoices, payment voucher, delivery order, correspondence) complete in relation to such acquisition?

**Company's response:** Please refer to the Company's responses set out in paragraph 3.1(ii).

- (iv) When and why did the Company fully impair the medical equipment?

**Company's response:** The Company fully impaired the medical equipment in FY2020 as:

- (i) the Company took all available steps to locate the equipment purchased by the DORR Management Team and, save for one disinfection machine, the Company has not been able to locate the other medical equipment; and
- (ii) the Board is of the view that the medical equipment will not generate future cashflow for the Company.

### **3.2 Bad debt written off from the deferred proceeds receivables in relation to the divestment of Tricor of approx RM1.4m**

Please elaborate on the bad debt written off from the deferred proceeds receivables in relation to the divestment of Tricor Taxand Sdn Bhd in April 2020.

- (i) Why was the Company unable to recover such receivables?

**Company's response:** As disclosed in the Company's announcement dated 11 February 2020, pursuant to the terms of the Sale and Purchase Agreement entered into between the Company and Tricor Axcel Limited (the "**Purchaser**") dated 11 February 2020 ("**SPA**"), the Purchaser was entitled to retain a part of the purchase price, being the amount of approximately RM2.9 million (being accounts receivable of the target companies which have been outstanding for 120 days or more as at 31 December 2019) less certain aged receivables (being receivables received by the relevant target companies after 1 January 2020 and up to the completion of the divestment (the "**Completion**") as at Completion (the "**Retention Amount**"). The Purchaser was obligated to pay the Company any aged receivables received by the target companies from Completion up to 10 October 2020, and after such date, the Purchaser was entitled under the terms of the SPA to retain the remaining balance of the Retention Amount.

- (ii) Is the Company taking any legal actions in relation to the receipts?

**Company's response:** No. The retention by the Purchaser of the remaining balance of the Retention Amount was a term agreed between the Purchaser and the Company under the SPA.

### 3.3 Company unable to ascertain purpose of receipts totaling RM0.9m

Included in other payables and accruals on the Group's and the Company's statement of financial position as at 31 December 2020 are other payables of RM993,179, which relate to an amount of S\$125,000 (RM381,992) and S\$200,000 (RM611,187) received from a company on 19 August 2020. The Company is still in the process of determining the purpose of the receipts.

- (i) Who is the company that paid these amounts to Axington?

**Company's response:** The Company had received two (2) unknown funds transfers ("**Unknown Receipts**") on 19 August 2020 from Silver Sky Resources Pte Ltd ("**Silver Sky**") amounting to S\$125,000 and S\$200,000 respectively.

Based on searches conducted on Silver Sky as part of the Internal Review, the Board understands that Silver Sky is wholly-owned by one Zheng Yibo, who is also its sole director. Based on the searches and enquiries made by the Board, Zheng Yibo appears unrelated to the Controlling Shareholders.

On 21 June 2021, the Company received a confirmation letter from Kerrigan, a placee under the Placement, stating that Silver Sky had paid the Unknown Receipts on behalf of Kerrigan and in satisfaction of the subscription amounts payable by Kerrigan under the Placement. Based on searches conducted on Kerrigan as part of the Internal Review, the Board understands that Kerrigan is wholly-owned by one Ang Choon Yong. The directors of Kerrigan are Wong Mee Foong and Ang Choong Yong. Based on the searches and enquiries made by the Board, these individuals appear unrelated to the Controlling Shareholders.

The Company is in the process of obtaining the relevant confirmation from Silver Sky and will update shareholders when there are material developments.

- (ii) What other documentation does Axington have in relation to these receipts?

**Company's response:** The Company has received the following documentation in relation to the Unknown Receipts:

- (1) the confirmation letter from Kerrigan dated 9 June 2021; and
- (2) email correspondence from Maybank dated 31 March 2021 confirming that incoming funds were remitted by Silver Sky.

### 3.4 Non-receipt of placement proceeds of RM3.3m

Included in trade and other receivables are other receivables of RM3,277,116 (S\$1,075,000) arising from the issuance of placement shares by the Company on 17 August 2020.

- (i) From whom are these receivables due from, i.e. who are the placees who have yet to make payments to the Company? What is their respective shareholding % in the Company?

**Company's response:**

Name of Subscriber:	Kerrigan Medical Supplies Pte. Ltd.
Subscription Price:	S\$1,075,000 (RM3,277,116)

Shareholding (%): 1.26% pre-Placement;  
2.82% post-Placement

Save for the above placee, the Board has been able to verify that all other placees under the Placement have made payment for the shares issued to them under the Placement.

- (ii) On 18 August 2020, it was announced that the Placement of 30 million shares and the compliance placement of 150,000 shares have been completed on 17 August 2020, and the respective new shares have been issued, listed and quoted. Please explain why the Company had announced that the Placement had been completed when in fact there were funds that were outstanding and yet to be received by the Company?

**Company's response:** The Board is unable to ascertain the reasons why the Company had announced that the Placement had been completed.

As mentioned above, despite the best efforts of the Board, the Board has not been able to contact the DORR Management Team who were previously responsible for the day-to-day operations of the Company.

The Internal Review also did not uncover any supporting documents and/or correspondence in relation to the release of the announcement.

In addition, the Board notes that Mr Roberto Dona was appointed as a Director on 14 July 2020, prior to the release of the Company's announcement on 18 August 2020 on the completion of the Placement and the compliance placement (the "**Relevant Announcement**").

Mr Roberto Dona has confirmed that the DORR Management Team had not sought his approval for the release of the Relevant Announcement and he was not given an opportunity to review the Relevant Announcement prior to its release. Prior to the release of the Relevant Announcement, the Company had, on 28 July 2020, announced the Placement, a compliance placement and the Rights Issue, and, subject to the approval of shareholders at an extraordinary general meeting (the "**EGM**"), a proposed change of name, a proposed change of core business, a proposed acquisition, and in connection with the proposed acquisition, a proposed issuance of consideration shares. The DORR Management Team had prepared a circular in relation to the EGM, a draft of which was shared with Mr Roberto Dona and the Board for review. Mr Roberto Dona then requested and attended a clarification meeting on 5 August 2020 with the DORR Management Team.

Mr Roberto Dona did not subsequently receive any correspondence from the DORR Management Team requesting the Board's consent to the release of the Relevant Announcement nor was he ever given the opportunity to review drafts of the Relevant Announcement.

Subsequent to the developments in the media relating to the Controlling Shareholders, the EGM was postponed, and the DORR Management Team and two Independent Directors resigned from the Company.

Mr Roberto Dona continues to serve as the Company's Non-executive Independent Chairman as at the date of this announcement.

The Board wishes to highlight that as part of the Internal Review, it has verified that save for the amounts outstanding from Kerrigan, the subscribers under the Placement and the compliance placement of 150,000 shares have all made payment for their shares.

- (iii) Whom in the Board had reviewed and approved the announcement dated 18 August 2020? What documents did the Board review before approving such announcement?

**Company's response:** Please refer to the Company's responses set out in paragraph 3.4(ii).

### 3.5 Writing off of remaining balance of payment made to vendor of RM460k

Included in other expenses is RM460,432 which has been written off and relates to the remaining balance of a payment made to a vendor. As the Company has assessed that the amount is not likely to be recoverable, it is fully written off.

- (i) What does the amount relate to and what was it previously recorded as?

**Company's response:** The amount relates to a payment made to Huntington pursuant to the transaction with Huntington as described in the Company's response to paragraph 3.1(ii). The transaction was previously recorded as other receivables under the Company's unaudited financial statements as the Board was unable to ascertain the nature of the underlying transaction at that point in time and had intended to take action to recover such monies paid.

As disclosed in our responses set out in paragraph 3.1(ii), Huntington subsequently shared an invoice with the Company, in relation to the Company's purchase of the following equipment from Huntington:

- (i) 2 units of disinfection machine amounting to a total of S\$200,000 from Huntington; and
- (ii) 1 unit of BN2 concierge robot amounting to S\$50,000 from Huntington,

the above invoice was not addressed to any particular person in the Company.

Upon identifying the nature of the transaction, the amount was fully reversed from other receivables and reclassified to plant and equipment before being fully impaired in the same financial year on the basis that such assets will not generate future cashflow for the Company.

- (ii) When was this amount first recorded in the books?

**Company's response:** The transaction was first recorded in the books of the Company in the course of the Internal Review, as part of the reconstruction of the Company's financials.

- (iii) Who is this vendor and how was the vendor introduced to the Company? Whom in the Company was liaising with this vendor?

**Company's response:** Huntington is an associate of Mr Loh Ne-Loon Nelson. Please see the Company's responses in paragraph 3.1(i) and (ii).

### 3.6 Others

Included in cash and cash equivalents on the consolidated statement of financial position as at 31 December 2020 are bank balances of RM40,271 held by the subsidiaries of the Company, for which we are unable to obtain confirmations from the respective banks. Please explain why the auditors are unable to obtain confirmations from the banks?

**Company's response:** These balances relate to three subsidiaries: Axington Singapore, Axington Vietnam and Axington Laos.

The auditors were unable to obtain the relevant bank confirmations as, as at the date of the Independent Auditors' Report, the authorised signatories for the bank accounts of the Company's subsidiaries were still certain members of the Axcelasia Management Team. As disclosed above, the Board is taking steps to ensure a change of the authorised signatories of such bank accounts and expects this to be progressively completed by September 2021.

### 3.7 Next steps

In view of the above concerns from paragraphs 3.1 to 3.6, the auditors had issued a disclaimer of audit opinion. What are the Board's plans to address the concerns raised by the auditors and provide clarity on these concerns?

**Company's response:** As disclosed above, the Board has conducted an Internal Review and is working on resolving the outstanding issues namely:-

- (i) effecting the resignation of members of the Axcelasia Management Team as directors of the Company's subsidiaries and changing the authorised signatories of the bank accounts of the Company's subsidiaries, which, at the date of this announcement are dormant and the amounts in these bank accounts are not material;
- (ii) ascertaining the purpose of the Unknown Receipts, including obtaining confirmation from Silver Sky that it had paid the amounts on behalf of Kerrigan;
- (iii) taking steps to recover the outstanding placement proceeds of RM3.3 million that should have been paid by Kerrigan on completion of the Placement; and
- (iv) exploring the Company's legal options in relation to the unpaid subscription monies under the Placement and the transactions with Huntington and Sino Spring.

The Board wishes to highlight that the aforementioned transactions were carried out by the DORR Management Team and the current Board is committed to resolving the issues identified under the Internal Review. The Board will keep shareholders apprised of all material developments.

**In light of potential breaches of the SGX-ST Listing Manual Section B: Rules of Catalyst, in consultation with the SGX-ST, the Company is required to reach out to Kerrigan to procure the return of the unpaid subscription monies due to the Company, seek legal recourse, and to investigate further into the circumstances leading to the non-payment of the subscription monies and the release of the Relevant Announcement.**

**BY ORDER OF THE BOARD**

**Ang Chiang Meng**  
**Executive Director**

16 July 2021

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*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 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.*