

# INDEPENDENT AUDITOR'S REPORT

To the Members of Camsing Healthcare Limited



**Crowe Horwath First Trust LLP**

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## 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 86, which comprise the consolidated statement of financial position of the Group and the statement of financial position of the Company as at 31 January 2023, 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 matter 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 2023 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*

#### Balance due to I-Nitra Consulting Limited

As disclosed in Note 9 to the financial statements, the Group recorded trade and other payables of \$562,000 owing to I-Nitra Consulting Limited ("I-Nitra") as at 31 January 2023, which was substantially brought forward since 2019, pursuant to consignment arrangements between I-Nitra (as consignor) and the Company's principal subsidiary, Nature's Farm Pte Ltd (as consignee). We were unable to obtain sufficient appropriate audit evidence to determine the commercial substance or business rationale of the consignment arrangements and we were also unable to perform alternative audit procedures that we considered necessary, including obtaining the necessary confirmation from I-Nitra as at reporting dates. Consequently, we were unable to conclude on the appropriateness of the outstanding balance due to I-Nitra of \$562,000 (2022: \$574,000) as at 31 January 2023.

This has led to a qualified opinion on the consolidated financial statements for the financial year ended 31 January 2022 in our report dated 23 August 2022. Any adjustments to the opening balance of trade and other payables and accumulated losses as at 1 February 2022 may have consequential effects on the current year's consolidated financial statements.

Crowe Horwath First Trust LLP (UEN: T08LL1312H) is an accounting limited liability partnership registered in Singapore under the Limited Liability Partnership Act 2005.

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

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 to the financial statements. The Group incurred a net loss of \$2,402,000 for the financial year ended 31 January 2023 and was in net deficit position of \$5,736,000 as at 31 January 2023. In addition, the Group had cash and bank balances of \$437,000 and borrowings of \$4,697,000 as at 31 January 2023.

As disclosed in Note 10<sup>(3)</sup> to the financial statements, the Company entered into two loan agreements with Qiren Holdings Pte Ltd ("QRH") on 25 December 2021 and 3 March 2022 wherein aggregate principal of \$3,200,000 (2022: \$700,000) were extended by QRH in various tranches, which will be redeemed via the allotment of new shares in the Company, pursuant to the investment agreement entered with QRH dated 3 March 2022, subject to certain conditions being fulfilled by the Company, which includes the resumption of trading of the Company's shares on SGX-ST ("Resumption of Trading") by the long-stop date, 23 December 2023 ("Long-Stop Date").

As at the date of this report, the Company has not applied for the Resumption of Trading, despite the execution of the investment agreement since March 2022. It is presently uncertain to determine whether the Company is able to obtain approval of the Resumption of Trading and if both parties will fulfil the conditions to complete the investment of QRH ("QRH's Proposed Investment"), pursuant to the investment agreement entered with QRH, by the Long-Stop Date, failing which, the Company is required to repay the outstanding loans (including accrued interests) of \$3,579,000 to QRH by 23 December 2023.

The above conditions indicate the existence of a material uncertainty which may cast significant doubt on the abilities 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 to the financial statements, which are premised on certain key assumptions including, *inter alia*, the finalisation of definitive documents with the Potential Investor(s) to undertake QRH's Proposed Investment, the release of the escrow funds of \$5,100,000 to the Company, as well as the approval of the Resumption of Trading.

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

In the event that the key assumptions do not materialise, the Group and the Company may be unable to continue as going concerns. Under the circumstances, 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, which we obtained prior to the date of this auditor's report, and the remaining sections of the annual report are expected to be made available to us after that date.

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 matter 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 matter.

## ***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 matters described below to be the key audit matters to be communicated in our report.

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

- Impairment assessment of non-financial assets (Group)

As disclosed in Notes 4 and 5 to the financial statements, the net carrying amounts of the Group's plant and equipment ("P&E") and right-of-use ("ROU") assets amounted to \$141,000 and \$1,837,000 respectively. As a result of continuous operating losses reported by the Group's retail outlets, the Group identified impairment indicators for certain outlets and performed an impairment assessment to determine the recoverable amounts of certain corresponding balance of the Group's P&E and ROU assets. The Group has determined the value-in-use ("VIU") for individual retail stores with impairment indicator using cash flow projections based on financial budgets prepared by management for the remaining lease terms.

- Impairment assessment of cost of investment in subsidiaries (Company)

As disclosed in Note 6 to the financial statements, the Company's net carrying amount of the cost of investment in subsidiaries amounted to \$900,000. 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 Company 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 P&E and ROU assets and the Company's cost of investment in NF is considered to be key audit matters 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 P&E 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. 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.

### Our procedures to address the key audit matters

We have assessed the key assumptions used in the impairment assessment of the Group's P&E and ROU assets and the Company's cost of investment in NF.

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

Our audit procedures for impairment assessment of the Group's P&E and ROU assets include:

- 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;
- reviewed these key assumptions for reasonableness by comparing the forecasts to historical revenue achieved, historical costs incurred, gross margin achieved and revenue growth rate;
- evaluated the appropriateness of the discount rate used by management; and
- performed sensitivity analysis in the areas of budgeted revenue growth rate and discount rate assumptions.

Our audit procedures for impairment assessment of the Company's cost of investment in NF include, in addition to the above, the following:

- assessed the objectivity, competency and capability of management's expert engaged to support management in the VIU computation of NF as a CGU; and
- reviewed these key assumptions for reasonableness by comparing terminal year growth rate to available market reports.

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 P&E 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, 5 and 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.

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## ***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.

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.

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

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, actions taken to eliminate threats or safeguards applied.

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

16 May 2023