CAMSING HEALTHCARE LIMITED
(Company Registration Number: 197903888Z)
(Incorporated in the Republic of Singapore)

RESPONSE TO QUERIES FROM SIAS

The Board of Directors (the "**Board**") of Camsing Healthcare Limited (the "**Company**" and together with its subsidiaries, the "**Group**") wishes to thank the Securities Investors Association (Singapore) ("**SIAS**") for submitting its questions in advance of the Annual General Meeting ("**AGM**") of the Company to be held at Csuites, Studio 3, 2 Tanjong Katong Road #05-01, PLQ 3, Singapore 437161 on 28 June 2024 at 10.00 a.m.

The queries from SIAS and the Company's responses are set out below.

Query 1:

For the financial year ended 31 January 2024, the group reported lower revenue of $4.85 million as both retail sales and business-to-business sales revenue declined. The consolidated revenue of $4.85 million represents the lowest for the group in the past five years, during which the group has consistently been loss-making.

GROUP FINANCIAL HIGHLIGHTS

Five-Year Group Financial Statistics

Year Ended 31 January	**2024 $'000**	2023 $'000	2022 $'000	2021 $'000	2020 $'000
INCOME STATEMENT					
Revenue	**4,852**	6,103	5,530	5,690	7,308
Loss before tax	**(2,723)**	(2,402)	(1,349)	(829)	(5,458)
Income tax credit	**-**	-	20	-	-
Loss for the year	**(2,723)**	(2,402)	(1,329)	(829)	(5,458)
Loss attributable to owners of the parent	**(2,722)**	(2,402)	(1,328)	(828)	(5,458)
PER ORDINARY SHARE					
Loss after tax attributable to owners of the parent (cents)	**(9.07)**	(8.01)	(4.43)	(2.76)	(18.19)
Net tangible assets (cents)	**(28.19)**	(19.12)	(11.11)	(6.73)	(3.97)

(Adapted from company annual report; page 7)

In the interim financial statements for the three months ended 30 April 2024, revenue decreased by 26% to $1.07 million, down from $1.44 million in the previous corresponding period. Losses for the first quarter increased by 56%, amounting to $(669,000).

The group is in a net liability position of $(8.46) million as of 31 January 2024, which worsened to $(9.13) million by 30 April 2024.

(i) Can management help shareholders better understand the competitive advantage of the group's principal subsidiary, Nature's Farm? Is the current business model viable given the competitive nature of the health foods and supplements market?

<u>Company's Response:</u>

While the health food and supplements market is competitive, Nature's Farm Pte Ltd ("**NF**") is unique in its brand strength owing to it being the first health supplement chain to be set up in Singapore 42 years ago. As a result, the NF brand (the "**Brand**") carries an "evergreen" characteristic where not only many Singaporeans recognize the Brand, but many customers have consumed our products from youth to old age. Opportunities arise in the current market where consumers are buying lower grade and common supplements such as calcium and Vitamin C from e-commerce platforms such as iHerb. However, products with unique formulation and patented ingredients supported by clinical studies cannot be easily replicated on such platforms. Thus, central to NF's competitive advantage and the turnaround plan lies within its ability to market its products, as well as conducting enough Above The Line & Below The Line marketing activities so that the Brand is commonly seen by Singaporeans again.

The Group also believes the current revenue base provides for an ideal springboard for meaningful growth. The Group is working to gain market share with the abovesaid advantages, as well as fostering a stronger online presence by leveraging its 40-year-old local brand. This provides a competitive edge vis-a-vis local consumers, who are already familiar with the Barnd. Additionally, as mentioned above, the Group will focus on differentiation through unique features and superior quality, optimizing costs to offer competitive prices. The Group intends to continue forming strategic partnerships, developing a stronger online presence, and expanding via newer marketing channels such as TikTok Shop and Xiaohongshu.

(ii) What are some notable business-to-business ("B2B") collaborations the group has undertaken in the past? How does the group source these partnerships?

<u>Company's Response:</u>

The Group has undertaken collaborations with the following businesses:

(1) A large local hospital group
(2) An international insurance company
(3) A prominent local bank
(4) A leading local telecommunications company
(5) A leading telemedicine group

Collaborations are still ongoing with the bank, telecommunications company and telemedicine group. Due to confidentiality obligations, the Company is of the view that it is not appropriate to disclose the identities of the counterparties in such collaborations.

The Group sources these collaborations largely through organic reach-outs by its employees and consultants. The Group is considering the viability of hiring a dedicated employee to further develop the B2B aspect of the Group's business.

(iii) Has the board/management analysed the key factors leading to revenue decreases? How will management address these challenges?

<u>Company's Response:</u>

The principal factor leading to revenue decrease is due to the Company's prolonged suspension from trading on the Mainboard of the SGX-ST, which inhibited the ability of the Group to raise the capital for the operations of NF and led to working capital constraints. This has impacted NF's business operations, which had further been exacerbated by COVID-19 and the follow-on impact since early 2020.

The Company is of the view that the injection of new working capital following completion of the proposed investment by several investors as previously announced by the Company (the "**New Investment**"), as well as resumption of trading of the Company's shares would address the working capital constraints significantly. The management is looking to undertake certain business initiatives, including without limitation, widening its product range, developing its B2B channels and expanding its digital marketing and e-commerce activities.

(iv) What is the revenue breakdown for the B2B, e-store and e-commerce sales channels? Does the group have sufficient scale to break even in each of these channels? Is there an overlap in the e-store and e-commerce channels, and how does the group ensure that its activities on e-commerce platforms (such as Shopee and Lazada) are profitable?

<u>Company's Response:</u>

The Company is of the view that it is not appropriate to disclose the revenue breakdown for the B2B, e-store and e-commerce sales channels as such information is confidential and disclosure of the same may affect its competitive edge.

With increasing investment in online channels and dedicated personnel managing the B2B developments, Management believes both channels can be scaled exponentially and contribute to the profit of the Group.

The management is of the view that strategically, the e-store on naturesfarm.com ("**Website**") and e-commerce channels such as Shopee and Lazada serve different purposes for the Group. E-commerce channels command greater user traffic due to sales festivals and other promotions on such respective platforms. Therefore, e-commerce platforms have a benefit of augmenting traffic to our Website, where the content is much more bespoke, detailed. This would assist in converting visitors into online customers of our e-store.

(v) Does the group have sufficient working capital to support its business activities?

<u>Company's Response:</u>

The Company refers its Audited Financial Statements for the financial year ended 31 January 2024, which was announced by the Company via SGXNET on 13 June 2024 ("**AFS FY2024**"). The Company is of the view that the Group and the Company is able to continue to operate as a going concern and to continue its business activities, on the basis of the grounds set out in Note 2.2 of the AFS FY2024.

(vi) What are the top 3-5 operational priorities to achieve revenue growth and profitability for the group over the next 18-24 months?

<u>Company's Response:</u>

The Company is of the view that it is not appropriate to disclose the specifics in respect of its operational priorities due to confidentiality reasons, as well as ensuring that the Group's business plans are not revealed to its competitors. Broadly, the management is looking to undertake certain business initiatives, including without limitation, widening its product range, developing its B2B channels and expanding its digital marketing and e-commerce activities. The Group will also review its existing cost structures and streamline where appropriate.

(vii) What guidance has the board given to management for restoring the group's profitability, given that the group has been loss-making and is in a capital deficient position of $(9.13) million as at 30 April 2024?

<u>Company's Response:</u>

The Group wishes to highlight that due to the delay in the completion of the New Investment, the pace in which the Company would achieve a Net Asset position was also delayed correspondingly as the Company has not received the much-needed funding to implement its business plans and initiatives. Accordingly, this has negatively impeded the Company's ability and pace of turning around into a profitable position.

<u>Query 2:</u>

Trading in the shares of the company has been suspended since 1 April 2019. The company had submitted a proposal for the resumption in the trading of its shares on 15 June 2023.

Currently, there is a proposed investment by several investors to subscribe for up to 60,000,007 shares at $0.05 per subscription share and up to 50,000,000 mandatory convertible bonds of up to $2,500,000 with a conversion price of $0.05 per conversion share.

On 10 May 2024, SGX RegCo approved in-principle the trading resumption plan of the company, subject to various conditions.

(i) When does the board expect trading of the company's shares to resume?

<u>Company's Response:</u>

The Company is currently in consultation with SGX Regulation ("**SGX RegCo**") to firm up the timeline in connection with completion of the New Investment. Completion of the New Investment is one of the conditions specified by SGX RegCo on 10 May 2024 relating to the in-principle approval granted on the Company's proposal for the resumption in the trading of its shares.

(ii) Can the board/management clarify if the funds from the potential investors have been received? If not, when does the company expect to receive the funds?

<u>Company's Response:</u>

The proceeds from the New Investment currently remains in escrow. Such proceeds will be released to the Company upon completion of the New Investment.

(iii) Can the company also confirm that all outstanding obligations with QRH will be settled with the payment of $4.85 million? Has QRH agreed to further extend the loan repayment date beyond 31 May 2024 with no further penalties?

<u>Company's Response:</u>

Management has received favourable response from Qiren Holdings Pte. Ltd., which expressed inclination to consider further extension of due dates, subject to agreement to the exact period of such extension and definitive documents for the same.

(iv) How will the group deploy the remaining balance of $1.87 million (now earmarked as working capital)?

<u>Company's Response:</u>

The Group will deploy the remaining balance from the New Investment to advance its business initiatives, material aspects of which had been highlighted in the Company's response to Q1(vi) above.

(v) How does management plan to lower its financing costs, given the current reliance on loans with interest rates ranging from 8% to 12% (or possibly higher)?

<u>Company's Response:</u>

Following completion of the New Investment, the management do not expect financing costs to be a major expense as the remaining proceeds from the New Investment and cashflow generated internally should be sufficient to support working capital needs of NF and the Group.

<u>Query 3:</u>

The independent auditors have included a qualified opinion in their independent auditor's report for the financial year ending 1 January 2024. The basis for qualified opinion can be found on pages 32 and 33 of the annual report.

(i) What effort has the board, particularly the audit committee (AC), undertaken to resolve the issue raised by the independent auditor that led to the qualified opinion?

<u>Company's Response:</u>

Please refer to the Company's disclosure at Paragraph 24 of its unaudited financial statements for the three months ended 30 April 2024, which was announced by the Company via SGXNET on 14 June 2024.

Separately, on 13 June 2024, the company announced that there are material variances between the unaudited financial statements and the audited financial statements for the financial year ended 1 January 2024 following the finalisation of audit.

The announcement on the unaudited financial results was first released via SGXNet on 28 March 2024. The announcement of material differences came approximately 2.5 months after the company first announced the unaudited financial statements.

Some of the reasons for the changes include:
- Contract liabilities being recognised as revenue
- Misclassification of lease liabilities
- Misclassification of payroll expenses as marketing and distribution expenses
- Over-impairment of subsidiary

The company's announcement can be found here:
https://links.sgx.com/FileOpen/CHL%20-%20Annt%20-%20Material%20Variance%20-%20FINAL.ashx?App=Announcement&FileID=806591

(ii) Can the AC help shareholders better understand the underlying reasons for the material variances?

<u>Company's Response:</u>

The changes include:

(1) Contract liabilities being recognised as revenue
- B2B revenue was initially recognised when the redemption code was issued to the corporate customer.
- Upon subsequent reassessment after the announcement of the unaudited financial statements for the financial year ended 31 January 2024 ("**UFS FY2024**"), it was determined that, since the expiry date for the code can be extended by Company upon corporate customer's request and Company's approval, the revenue should be recognised only when the goods are redeemed.
- Adjustment to revenue and corresponding cost of sales were made accordingly.

(2) Misclassification of lease liabilities
- Upon reassessment, the overdue balance from landlords were reclassified to lease liabilities.

(3) Misclassification of payroll expenses as marketing and distribution expenses
- Payroll expense for CEO and Financial Controller were previously accounted under marketing and distribution expenses. Upon reassessment, the payroll expenses were reclassified to administrative expenses accordingly.

(4) Over-impairment of subsidiary
- The impairment of investment in a subsidiary is primarily concerns the valuation of the Group's principal subsidiary, Nature's Farm Pte Ltd.
- Management appointed an independent valuer to determine the value of the investment.

- For the UFS FY2024, Management applied the value in the valuer report and provided impairment of investment in the subsidiary.
- Upon the Auditor's assessment on the valuer's report after the FY2024 UFS had been announced, they are in view that the valuer report using discounted cash-flows method should also include the factor of resumption of trading and with additional funding.
- As such, a new valuer report is provided in a later stage and a reversal adjustment based on the final recoverable amount is done accordingly.

(iii) What are the challenges faced by the company's finance and accounting staff in meeting the Singapore Financial Reporting Standards (International) (SFRS(I))?

Company's Response:

The Company wishes to highlight that its finance and accounting staff are suitably qualified; however, as the Company's resources are lean, challenges may arise when the Company has to juggle various statutory reporting requirements under tight timelines, operational matters and matters relating to the Proposed Investment and resumption of trading (including the management of the proposed investors and other relevant parties).

(iv) What role did the AC play in the preparation of the financial statements? Was it adequate?

Company's Response:

The preparation of financial statements is done by Management of the Company.

In respect of financial statements, the Company's AC reviews the significant financial reporting issues and judgements so as to ensure the integrity of the financial statements and any announcements relating to the Company's financial performance; and reviews the assurance from the Chief Executive Officer and the Financial Controller on the financial records and financial statements. These roles are in alignment with Provision 10.1 of the Code of Corporate Governance.

Furthermore, the AC also regularly reviews the interested party transactions (if any) to consider such transactions are normal commercial terms and are not prejudicial to the interests of the Company or its minority shareholders, for the purposes of the necessary disclosures, including disclosures in the financial statements.

The AC is of the view that these roles are guided by the Code of Corporate Governance, and are accordingly adequate.

(v) How can shareholders be assured that the internal financial reporting/finance team is sufficiently resourced with experienced and qualified staff to ensure the integrity of the financial statements?

Company's Response:

The Group's finance function is headed by the Financial Controller Mr Chong Wee Pang, who has extensive audit experience of more than 8 years. Additionally, Executive Director and Chief Executive Officer Mr Yeo Choon Tat also oversees the Group's finance function. Some of Mr Yeo's extensive prior experience in finance and accounting includes being Chief Financial

Officer of China Star Food Group Ltd, Group Financial Controller of Intraco Limited and Financial Controller of Smartflex Holdings Ltd, as well as Head of Greater China Investments of Vertex Management Ltd. Additionally, all actions undertaken by the finance department, especially in relation to the preparation of the financial statements, follow strict standard operating procedures and are properly authorized under instructions with documented evidence.

(vi) What changes have been made/will be made to the group's financial reporting systems and processes?

Company's Response:

The Company's internal controls and processes has been reviewed by its internal auditors in FY2024 and such internal controls and processes will continue to be subject to annual review by internal auditors.

As and when there are recommendations from the internal auditors arising from the internal audit, Management works with the internal auditors to come up with changes to its internal controls and processes accordingly.

BY ORDER OF THE BOARD

Yeo Choon Tat
Executive Director
24 June 2024