

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 by electronic means on 4 March 2022 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 2020, the group recognised a loss attributable to owners of the parents of \$(5.46) million (FY2019: \$(6.57) million). Net tangible assets per share has slipped from 36.98 cents (FY2018) to 14.01 cents (FY2019) to (3.97) cents at the end of the financial year.

On 27 December 2021, the company announced that it has entered into investment and loan agreements with an investor who will provide a combined \$11.34 million to the company. If approved, the new investor will own approximately 90% of the company based on the fully diluted enlarged share capital.

- (i) **Can the board help shareholders understand if the health foods and supplements business operating as Nature’s Farm will continue to be the core business of the group if the investment goes through?**

Company’s Response:

It is currently contemplated that health foods and supplements will continue to be the core business of the Group should the investment go through. Shareholders may wish to refer to the Company’s announcement released via SGXNET on 27 December 2021 for more information.

- (ii) **How was the company introduced to the potential investor, Mr Lin Qiren?**

Company’s Response:

As disclosed in the Company’s announcement released via SGXNET on 27 December 2021, the potential investor was introduced to the Company by JQ Capital Pte. Ltd., a company incorporated in Singapore, providing business consultancy services.

- (iii) **What is the level of due diligence carried out by the company?**

Company’s Response:

The Company had engaged a professional firm to perform the relevant and necessary background search and due diligence on the potential investor.

Of the three directors appointed to the board between March 2021 and June 2021, only Mr Yeo Choon Tat remains on the board. The current board comprises Ms Liu Hui (executive director) and Mr Yeo Choon Tat (independent non-executive director) (“ID”). In the cessation notice of an ID, it was alleged that the company had been unable to provide the directors with timely monthly updates on the

company's financials and that the company faced operational challenges arising from the high turnover of its finance team. The company had also received a Notice of Compliance from the Singapore Exchange Regulation ("SGX Regco") in relation to the resignations of the two directors.

- (iv) **Can the company/board update shareholders on the size and experience of its finance team? Can the company clarify the role of Ms Patricia Tien in the company and in the proposed investment by the investor?**

Company's Response:

The Company's finance team is headed by the Finance Manager who is a qualified chartered accountant for more than 20 years. She is currently assisted by a team of two competent accountants. As and when the need arises, the Company will also employ more staff to bolster its finance team.

Ms Patricia Tien ("**Ms. Tien**") was appointed as Director, Sales & Marketing of Nature's Farm Pte Ltd ("**Nature's Farm**"), on 2 December 2019. She heads the operations of Nature's Farm, the principal subsidiary of the Group.

The Board does not envisage any major change to her roles and responsibilities after completion of the proposed investment.

- (v) **Is there sufficient experience, diversity and bandwidth on the board to safeguard shareholders' interests in this proposed investment?**

Company's Response:

The Company has been taking active steps to source for suitable candidates to be appointed as Non-Executive and/or Independent Directors. The Company has identified and submitted the details of two candidates to be appointed as Independent Directors to the SGX-ST for their review and prior approval on 24 November 2021.

In the interim, the Nominating Committee (the "**NC**"), having reviewed the overall performance of the Board and the Board Committees in terms of its roles and responsibilities and the conduct of its affairs as a whole and each individual Director's performance, is of the view that the performance of the Board and each individual Director has been satisfactory. Shareholders may wish to refer to the annual report of the Company in respect of the financial year ended 31 January 2020 ("**FY2020**") (the "**FY2020 Annual Report**") for more details of the review carried out by the NC.

In particular, the Board also wishes to highlight the experience of Mr. Yeo Choon Tat ("**Mr. Yeo**"), who is very experienced in such transactions due to his previous work experiences as Chief Financial Officer of other listed companies. Shareholders may wish to refer to the FY2020 Annual Report for more details on Mr. Yeo. The Board wishes to express its thanks to Mr. Yeo who has been a steadying influence during these difficult times.

The Board has also engaged professionals to advise on the proposed investment.

Query 2:

An extract of the group's financial highlights can be found on page 8 of the annual report and is reproduced below:

GROUP FINANCIAL HIGHLIGHTS

Five-Year Group Financial Statistics

Year Ended 31 January	2020 \$'000	2019 \$'000	2018 \$'000	2017 \$'000	2016 \$'000
Income Statement					
Revenue	7,308	8,386	14,912	18,235	14,131
Profit/(Loss) before tax	(5,458)	(6,571)	122	164	(2,197)
Income tax (expense)/credit	-	-	(115)	(3)	218
Profit/(Loss) for the year	(5,458)	(6,571)	7	161	(1,979)
Profit/(Loss) attributable to owners of the parent	(5,458)	(6,570)	53	161	(1,979)

(Source: company annual report)

As can be seen from the table above, revenue in FY2020 has fallen by approximately 60% from the peak revenue of \$18.2 million in FY2017.

- (i) **Can management update shareholders on the ground sentiments for the health foods and supplements business, especially with the recent wave of Omicron spreading in Singapore?**

Company's Response:

It is generally anticipated that the pandemic and ongoing social-distancing measures implemented by the authorities will continue to have a negative impact on the bulk of the retail industry, including the Group.

- (ii) **Has there been an increase in consumers' interest in health foods and supplements given the pandemic? If so, is the group able to capture this interest?**

Company's Response:

According to marketing research conducted, the Group notes a general increase in consumers' interest on preventative health measures. The Group is reviewing its plans on the expansion of product range to cater for post-pandemic wellness and health needs of the public.

- (iii) **What is the progress made by the group to capture online sales? Please also elaborate further on the group's online strategy.**

Company's Response:

The Group has made progress in capturing online sales post the implementation of various "circuit breaker" measures in April 2020. The Group intends to further adopt paid social media advertising, free social media engagement, search engine marketing (SEM), search engine optimization (SEO) and influencer marketing as part of the forthcoming online strategy.

- (iv) **Ms Liu Hui is currently residing in China, as disclosed on page 103 (Additional information on director proposed for re-election). Is there sufficient oversight by the executive director to drive and to turnaround the retail operations in Singapore? Please also disclose the senior management team of the group.**

Company's Response:

Presently, the senior management team of the Group comprises Ms. Liu Hui and Ms. Tien. Ms. Tien was appointed as Director, Sales & Marketing of Nature's Farm Pte Ltd, on 2 December 2019. She has more than 10 years of management experience in the health & supplements industry.

While Ms. Liu is currently residing in China, Ms. Tien has been reporting regularly to and seeking the views of Ms. Liu regarding the retail operations in Singapore. Ms. Liu would have been spending more time in Singapore but for the COVID-19 pandemic.

As seen from the Consolidated statement of profit or loss and other comprehensive income (page 42), the group reported revenue of \$7.31 million while incurring \$3.04 million as the cost of sales, \$7.16 million as marketing and distribution expenses and an additional \$0.99 million as administrative expenses. Marketing and distribution expenses were 98% of the total revenue in FY2020(FY2019: 74%).

- (v) **What are the reasons for the high marketing and distribution expenses? Does the group have the appropriate cost structure?**

Company's Response:

Marketing and distribution expenses include mainly rental of outlets, employment costs and expenses as well as marketing and promotional expenditures. The increase in such expenses during the financial year was due mainly to some marketing expenses incurred to promote Nature's Farm's products and possibly penetrate the China market.

As the operations of the Group for FY2019 and FY2020 were at the helm of the previous management, the incumbent management is reviewing the cost structure for the Group to ensure better cost effectiveness and efficiency.

- (vi) **In addition, what is the progress made in finalising the financial statements of the group for the financial year ended 31 January 2021 ("FY2021") and the subsequent quarterly/half-year results of FY2022?**

Company's Response:

The Company is in the process of preparing its full-year results announcement for FY2021 and working with its external auditors to complete the audited financial statements for FY2021, and will publish the same in due course. The subsequent quarterly/half-year results of FY2022 will follow *seriatim*.

Query 3:

The board currently comprises two directors, namely Ms Liu Hui as executive director and Mr Yeo Choon Tat as ID. Mr Yeo, as the sole ID on the board, is also on the audit, nominating and remuneration committees as chairman.

The company has disclosed that, as of the date of the annual report, SGX RegCo has yet to approve the appointment of the two potential candidates as IDs of the company. The company submitted the two proposed candidates to SGX RegCo for review and prior approval on 24 November 2021.

- (i) **When did the board last communicate with SGX Regco over the proposed appointments? Has SGX Regco asked for additional information on the two proposed candidates?**

Company's Response:

As the communications between the Company and SGX RegCo are confidential, the Company is not at liberty to share such information publicly. However, as duly disclosed in, *inter alia*, the Company's annual report for the financial year ended 31 January 2019 (the "**FY2019 Annual Report**") and the FY2020 Annual Report, the Company had identified two candidates to be appointed as Independent Directors and submitted such proposed appointments to the SGX RegCo for review and approval on 24 November 2021, in accordance with the requirements of the 17 Dec NOC (as defined in the FY2019 Annual Report and FY2020 Annual Report). As of the date of these responses, SGX RegCo has yet to approve the appointment of the two potential candidates as Independent Directors of the Company.

(ii) What is causing the delay?

Company's Response:

The Company is not in the position to address this question as the approval of the proposed candidates is within the ambit of the SGX RegCo.

(iii) What was the search and nomination process for directors, especially independent director? Did the board leverage professional search firms to allow it to cast its net wider for suitable potential candidates?

Company's Response:

The Company had sourced for and shortlisted two candidates to be appointed as Independent Directors of the Company. Thereafter, the Company sought the assistance of a reputable professional firm so as to tap on its expertise in reviewing the suitability of the two candidates to be appointed as Independent Directors of the Company. The professional firm then interviewed both candidates and evaluated them using its proprietary executive assessment methodology, having regard to the circumstances of the Company. Ultimately, the professional firm endorsed the suitability of the two candidates. Accordingly, the Company submitted the proposed appointments of these two candidates to SGX RegCo for review and approval as described above.

BY ORDER OF THE BOARD

Liu Hui
Executive Director
1 March 2022