

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF
NEXT-GENERATION SATELLITE COMMUNICATIONS LIMITED
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2017**

Report on the Audit of the Financial Statements

Disclaimer of Opinion

We were engaged to audit the financial statements of Next-Generation Satellite Communications Limited (the "Company") and its subsidiaries (the "Group"), which comprise the statements of financial position of the Group and the Company as at 31 March 2017, 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.

We do not express an opinion on the accompanying financial statements of the Group and the statement of financial position and statement of changes in equity of the Company. Because of the significance of the matters described in the *Basis for Disclaimer of Opinion* section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

Basis for Disclaimer of Opinion

(1) Opening balances

Our independent auditor's report dated 21 April 2017 contains a disclaimer of opinion on the financial statements for the financial year ended 31 March 2016. The basis for disclaimer of opinion on the financial statements for the financial year ended 31 March 2016 is disclosed in Note 30 to the financial statements.

In view of the matters described in the basis for disclaimer of opinion paragraphs on the financial statements for the financial year ended 31 March 2016, we were unable to determine whether the opening balances as at 1 April 2016 are fairly stated.

Since the opening balances as at 1 April 2016 are entered into the determination of the financial position of the Group and of the Company as at 31 March 2017 and of the financial performance, changes in equity and cash flows of the Group and changes in equity of the Company for the financial year ended 31 March 2017, we were unable to determine whether adjustments, if any, might have been found to be necessary in respect of the Group's and the Company's financial statements for the financial year ended 31 March 2017.

Our opinion on the current financial year's financial statements of the Group and the Company is also modified because of the possible effects of these matters on the comparability of the current year's figures and the corresponding figures.

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**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF
NEXT-GENERATION SATELLITE COMMUNICATIONS LIMITED
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2017 (Cont'd)**

Report on the Audit of the Financial Statements (cont'd)

Basis for Disclaimer of Opinion (cont'd)

(2) Independent investigations

Subsequent to the completion of the independent investigation by Ernst & Young Advisory Pte. Ltd. ("EY") on 31 October 2014, EY issued their Report ("EY Report") containing their findings to the Audit Committee of the Company, the details of which are described in [Note 29 (a)] to the financial statements. In view of EY's findings, the Company re-appointed EY on 10 November 2014 to perform further investigation into, inter alia the discrepancies and matters highlighted in the EY Report. Specifically, EY was engaged to investigate on (i) allegations raised by the former owners of Multi Skies Nusantara Limited's ("MSN") subsidiary, PT Multi Skies Nusantara ("PT MSN"); and (ii) the appropriateness of certain transactions and actions involving PT MSN, including review of the acquisition transaction and the process and procedures surrounding the consideration paid with reference to the financial records of MSN, PT Karunia Anugerah Mitra Utama ("PT Kamu") and PT MSN (collectively, the "MSN group") and the corporate records of PT MSN [Note 29(c)].

As at the date of this report, we had obtained confirmation from EY informing us that their investigation into the MSN group, as disclosed in Note 29(c) to the financial statements has just ended and EY is currently finalising their report ("EY2 Report") with the Company. We have also been informed by the Company that the draft EY2 Report is currently under review and being studied by the Board and the Company's legal counsel. Consequently, we are unable to determine whether any further significant findings may be reported by EY and whether there may be any adjustments arising thereon which may have an impact on the accompanying financial statements of the Group and the Company.

(3) Equity method of accounting for investment in joint venture

As disclosed in Note 12 to the financial statements, the Group's investment in joint venture with financial year ended 31 December is not co-terminus with the Group's financial year-end of 31 March. Management has used the financial statements of the joint venture relating to financial year ended 31 December 2016, which took into account the financial period from 1 January 2016 to 31 December 2016 for equity accounting the Group's share of results of the joint venture. The Group ought to have adjusted the reporting period of the joint venture for equity accounting purposes having considered and making adjustments to take into account the effects of significant transactions or events that occurred between 1 January 2017 to 31 March 2017 and between 1 January 2016 to 31 March 2016.

Had the Group equity accounted on an adjusted basis, that is, excluded the first 3 months of the financial period from 1 January 2016 to 31 December 2016 and included the first 3 months of the financial period from 1 January 2017 to 31 December 2017, the resultant net financial impacts would have been an increase in share of loss of joint venture and a corresponding increase in total comprehensive loss of \$275,810, which is material to the Group's financial statements for the financial year ended 31 March 2017.



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FOR THE FINANCIAL YEAR ENDED 31 MARCH 2017 (Cont'd)**

Report on the Audit of the Financial Statements (cont'd)

Basis for Disclaimer of Opinion (cont'd)

(4) Investment in joint venture and subsidiary

As disclosed in Note 12 and 13 to the financial statements, the Group's carrying amount of its joint venture, Hughes UnifiedNet Holding (China) Company Limited and the Company's carrying amount of its subsidiary, China UnifiedNet Holdings Limited as at 31 March 2017 amounted to approximately \$30.2 million and \$33.8 million respectively. Management has not carried out a review of the recoverable amount of its investment in the joint venture and subsidiary as management is of the view that there is no indication of impairment. Accordingly, we are unable to obtain sufficient appropriate audit evidence to determine whether the recoverable amounts of the joint venture and subsidiary have reduced or have exceeded their carrying amounts as at 31 March 2017. Consequently, we are unable to determine whether any further impairment or reversal of impairment as at 31 March 2017 is required.

Emphasis of Matter

We draw your attention to Note 29(e) to the financial statements.

On 4 June 2017, the Company announced that the Singapore Exchange Securities Trading Limited ("Exchange") has notified the Company that it would be placed on the watch-list due to the Minimum Trading Price ("MTP") Entry Criteria with effect from 5 June 2017.

The Company will have to meet the requirements of Rule 1314(2) of the Listing Manual within 36 months from 5 June 2017, failing which the Exchange would delist the Company or suspend trading in the Company's shares with a view to delisting the Company. In this regard, Listing Rule 1314(2) states that the Company will be assessed by the Exchange for removal from the watch-list if it records volume-weighted average price of at least \$0.20 and an average daily market capitalisation of \$40 million or more over the last 6 months.

Following the Company's inclusion in the watch-list, the Company is required to provide a quarterly update on its efforts and the progress made in meeting the exit criteria of the watch-list.

In addition, the Company was also previously placed under the watch-list under the financial criteria. On 31 May 2012, the Company announced that it had applied for an extension of time to meet the requirements to exit from the watch-list which are set out under Listing Rule 1314.

In November 2014, the Company had made an application to SGX-ST for a further extension to meet the requirements to exit the Watch-List. As at the date of this report, the Company is still pending response from SGX-ST.

Our opinion is not modified in respect of this matter.



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FOR THE FINANCIAL YEAR ENDED 31 MARCH 2017 (Cont'd)**

Report on the Audit of the Financial Statements (cont'd)

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 Companies Act, Chapter 50 (the "Act") and Financial Reporting Standards in Singapore, 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.

Auditor's Responsibilities for the Audit of the Financial Statements

Our responsibility is to conduct an audit of the financial statements of the Group and the statement of financial position and statement of changes in equity of the Company in accordance with Singapore Standards on Auditing and to issue an auditor's report. However, because of the matters described in the *Basis for Disclaimer of Opinion* section of our report, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

We are independent of the Company 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.

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 have been properly kept in accordance with the provisions of the Act.

RT LLP
Public Accountants and
Chartered Accountants

Singapore, 1 November 2017