

**INDEPENDENT AUDITOR'S REPORT  
TO THE MEMBERS OF ANNICA HOLDINGS LIMITED  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014**

***Report on the Financial Statements***

We have audited the accompanying financial statements of Annica Holdings Limited (the "Company") and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position of the Group and the statement of financial position of the Company as at 31 December 2014, and the consolidated statement of comprehensive income, statement of changes in equity and statement of cash flows of the Group for the financial year then ended, and a summary of significant accounting policies and other explanatory information.

***Management's Responsibility 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 Singapore Companies Act, Cap. 50 (the "Act") and Singapore Financial Reporting Standards, 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, that transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair profit and loss accounts and balance sheets and to maintain accountability of assets.

***Auditor's Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Singapore Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements that give a true and fair view 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.

***Basis for Qualified Opinion***

Included in the trade and other receivables shown in Note 6 to the financial statements is a net amount of \$2,863,000 due from a subsidiary's customer. Subsequent to the financial year end, the subsidiary received a notice of termination letter from the same customer. As disclosed in more details in Note 34A to the financial statements, the matters relating to the notice of termination letter are still at its preliminary stage and that if arbitration proceedings are to take place, it is likely that it would be about 12 to 24 months from commencement before an award is given.

As such, we are unable to obtain sufficient appropriate audit evidence to ascertain the recoverability of the carrying amount of net trade receivables of \$2,863,000 based on the current circumstance as mentioned above. We are unable to determine whether any further provision to this amount is necessary.

**INDEPENDENT AUDITOR'S REPORT  
TO THE MEMBERS OF ANNICA HOLDINGS LIMITED  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014**

(Continued)

***Report on the Financial Statements (Continued)***

***Qualified Opinion***

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraphs, the consolidated financial statements of the Group and the statement of financial position of the Company are properly drawn up in accordance with the provisions of the Act and Singapore Financial Reporting Standards so as to give a true and fair view of the state of affairs of the Group and of the Company as at 31 December 2014, and of the results, changes in equity and cash flows of the Group for the financial year ended on that date.

***Emphasis of matter***

**A. Matter with Commercial Affairs Department**

We draw your attention to Note 33 to the financial statements which describes the uncertainty in relation to the outcome of the Commercial Affairs Department's ("**CAD**") investigations.

As announced by the Company on 4 April 2014 and 29 April 2014, the Company and certain of its subsidiaries were served with notices to provide certain documents to the CAD in relation to its investigations into an offence under the Securities and Futures Act (Cap. 289). The Company's Chairman and Executive Director was interviewed by CAD officers in relation to its investigations and an Independent and Non-Executive Director of the Company is assisting the CAD with its investigations.

On 20 January 2015, the CAD confirmed to us that its investigations are on-going. As informed to us by the directors, the CAD has not provided the Company with any further details or updates of its investigations.

In view of the above, there exists an uncertainty, whether the on-going investigations, the outcome of which is unknown, may have an impact on the Group's on-going business operations. However, the on-going investigations have cast a negative outlook on the Company from the perspective of the financial institutions which are highly risk averse and pose limitations to the Group's growth and expansion plans.

Our opinion is not qualified in respect of this matter.

**B. Receipt of a notice of termination of a contract by a subsidiary**

We draw your attention to Note 34A to the financial statements which describes the uncertainty in relation to the outcome of FTJ Claims, the Termination Notice and liquidated damages invoices issued by FTJ against one of the subsidiaries of the Company.

Our opinion is not qualified in respect of this matter.

**INDEPENDENT AUDITOR'S REPORT  
TO THE MEMBERS OF ANNICA HOLDINGS LIMITED  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014**

(Continued)

***Emphasis of matter (Continued)***

**C. Going concern assumption**

We draw your attention to Note 2.1(c) to the financial statements which describes that the financial statements of the Group are prepared on a going concern basis which assumes continuity of normal business activities and the realisation of assets and discharge of liabilities in the normal course of business.

The Group has recorded a net loss of \$15,031,000 and has net operating cash outflows of \$417,000 during the financial year ended 31 December 2014; and as of that date the Group's accumulated losses amounted to \$42,587,000. These factors indicate the existence of a material uncertainty which may cast significant doubt about the Group's and the Company's ability to continue as a going concern.

Our opinion is not qualified in respect of this matter.

***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 subsidiaries incorporated in Singapore of which we are the auditor, have been properly kept in accordance with the provisions of the Act.

**RT LLP**

*Public Accountants and  
Chartered Accountants*

Singapore, 13 April 2015