

INDEPENDENT AUDITOR'S REPORT

To The Members Of Europtronic Group Ltd

Report on Audit of the Financial Statements

Disclaimer of Opinion

We do not express an opinion on the consolidated financial statements of Europtronic Group Ltd (the "Company") and its subsidiaries (the "Group") and the balance sheet of the Company because of the significance of 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.

We were engaged to audit the financial statements of the Company and the Group comprising:

- the consolidated statement of comprehensive income for the year ended 31 December 2016;
- the consolidated balance sheet of the Group as at 31 December 2016;
- the balance sheet of the Company as at 31 December 2016;
- the consolidated statement of cash flows of the Group for the year then ended; and
- the notes to the financial statements, including a summary of significant accounting policies.

Basis for Disclaimer of Opinion

Going concern

As stated in Note 2.1 to the financial statements, the Group incurred net loss amounting to US\$13,337,000 for the financial year ended 31 December 2016. In addition, as at 31 December 2016, the Group's total liabilities exceeded the total assets by US\$11,832,000. Furthermore, the Company's current liabilities exceeded its current assets by US\$18,909,000 and its net liabilities amounted to US\$5,602,000 at 31 December 2016. These indicate the existence of material uncertainties that cast significant doubt about the ability of the Group and of the Company to operate as going concerns.

While the Group and the Company have embarked on various initiatives to raise funds to meet the operational needs, we were unable to obtain sufficient appropriate audit evidence regarding the likely outcome of these initiatives. We were therefore unable to conclude whether the use of the going concern assumption, which has been adopted for the preparation of the accompanying financial statements, is appropriate.

If the Group and the Company are unable to obtain the necessary funding to continue in operational existence for the foreseeable future, several adjustments would have to be made to the accompanying financial statements 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 currently recorded. In addition, the Group may have to provide for further liabilities that might arise. The accompanying financial statements do not reflect these adjustments.

Carrying amount of disposal group classified as held-for-sale

As the result of the sale of Europtronic (Suzhou) Co, Ltd ("ER Suzhou"), the entire assets and liabilities of ER Suzhou have been classified as disposal group classified as held-for-sale and carried at US\$12,848,000 on the consolidated balance sheet of the Group. Due to the uncertainty over the receipt of sales consideration as stated in Note 2.1(i) to the financial statements, we have been unable to obtain sufficient appropriate audit evidence regarding the appropriateness of the carrying amount of the disposal group classified as held-for-sale. Consequently, we have been unable to assess whether any adjustment would be required in the financial statements in respect of the carrying amount of disposal group classified as held-for-sale.

INDEPENDENT AUDITOR'S REPORT

To The Members Of Europtronic Group Ltd (continued)

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 Singapore Companies Act, Chapter 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; 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 express an opinion on these financial statements based on conducting the audit in accordance with Singapore Standards on Auditing. Because of the matters described in the Basis for Disclaimer of Opinion paragraph, however, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

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.

Report on other Legal and Regulatory Requirements

In our opinion, except for the possible effects of the matters described in the Basis for Disclaimer of Opinion paragraph, 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 Lam Hock Choon.

PricewaterhouseCoopers LLP
Public Accountants and Chartered Accountants

Singapore, 5 May 2017