

**INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF NGSC LIMITED (FORMERLY KNOWN AS
NEXT-GENERATION SATELLITE COMMUNICATIONS LIMITED)
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2018**

Report on the Audit of the Revised Financial Statements

Opinion

We have audited the revised financial statements of NGSC Limited (formerly known as 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 2018, 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 year then ended, and notes to the revised financial statements, including a summary of significant accounting policies. The revised financial statements replace the original financial statements approved by the former board of directors on 7 August 2018.

In our opinion, the accompanying revised 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 Companies Act, Chapter 50 (the “Act”) as they have effect under the Companies (Revision of Defective Financial Statements, or Consolidated Financial Statements or Balance-sheet) Regulations 2018 (the “Regulations”) and Financial Reporting Standards in Singapore (“FRSs”) so as to give a true and fair view, seen as at the date of the original financial statements, of the consolidated financial position of the Group and the financial position of the Company as at 31 March 2018 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group and changes in equity of the Company for the year ended on that date.

Basis for Opinion

We conducted our audit in accordance with Singapore Standards on Auditing ("SSAs"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Revised Financial Statements* section of our report. 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 revised financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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Financial **Digital** **Legal**

**INDEPENDENT AUDITOR'S REPORT (CONT'D)
TO THE MEMBERS OF NGSC LIMITED
(FORMERLY KNOWN AS NEXT-GENERATION SATELLITE COMMUNICATIONS LIMITED)
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2018**

Report on the Audit of the Revised Financial Statements (Cont'd)

Emphasis of Matter

1. Inclusion on the watch-list due to the minimum trading price entry criteria

We draw your attention to Note 31(d) to the revised financial statements.

On 4 June 2017, the Company announced that the Singapore Exchange Securities Trading Limited ("SGX-ST") had 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 SGX-ST 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 SGX-ST 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.

On 20 April 2018, the Company has submitted an application to the SGX-ST for an extension of time to apply for removal from the Watch-List under the Financial Exit Criteria. As at the date of our original auditor's report, the Company was still pending response from SGX-ST. Our opinion is not modified in respect of this matter.

2. Trading in derivative contracts

We draw your attention to Note 18 to the revised financial statements.

In September 2017, the Company's subsidiary, Ban Joo Global Pte. Ltd. ("BJG") opened a trading account with InterActive Broker and started to trade in derivatives. As at 31 March 2018, the Group had a derivative contract for a notional amount of US\$1.97 million and incurred a loss of \$207k during the financial year (Note 6).

According to management, this is entirely a trading activity for the treasury funds of NGSC Limited. BJG was used as a vehicle to confine the risk capital to the amount of deposits placed with InterActive Broker, and is not an open-ended exposure. The total amount of deposits placed with InterActive Broker was \$679k (equivalent to USD 500k). This deposit has since dropped to \$474k (equivalent to USD 350k) with the \$207k loss incurred.

Management informed that this trading account is part of a normal treasury function to manage the liquidity position of the Group which is mostly denominated in US Dollar and Hong Kong Dollar, the latter being closely pegged to US Dollar.

The trade positions are monitored weekly by the Financial Controller and reported to the former Chief Executive Officer. The results are reported to Audit Committee and the Board of Directors (the "Board") at every quarter of the financial year. A director of the Company's subsidiary, NGSC Capital Pte. Ltd., who is a seasoned professional with over decades of experience has been approved by the Board to exercise authority over this trading account. Our opinion is not modified in respect of this matter.

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Report on the Audit of the Revised Financial Statements (Cont'd)

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the revised financial statements of the current period. These matters were addressed in the context of our audit of the revised financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters	How the matter was addressed in the audit
<p>1. Impairment assessment of investment in joint ventures and subsidiaries</p> <p>During the financial year, the Group made an impairment loss of approximately \$0.463 million (2017: \$30.923 million) on its investment in joint ventures and the Company made an impairment loss of \$18,000 (2017: \$33.823 million) on its investment in subsidiaries.</p> <p>Following these impairment losses, the Group and Company's investment in joint ventures and subsidiaries amounted to \$18,000 and \$24.077 million respectively, which represent approximately Nil and 56% of the Group's and Company's total assets respectively.</p> <p>Impairment assessment of joint ventures and subsidiaries are performed when an indication of impairment exists. Impairment is recognised when the carrying amount of the joint ventures and subsidiaries exceed their respective recoverable amount. The recoverable amount is defined as the higher of an asset's or cash generating unit's fair value ("FV") less costs of disposal and its value in use ("VIU").</p> <p>Management has used the independent valuer's FV less costs of disposal, (which is higher than its VIU) as its recoverable amount.</p> <p>The significant assumptions and estimates, including the basis used for the assessment of the recoverable amount of investment in joint ventures and subsidiaries are disclosed in Note 3.2(a), 12 and 13.</p> <p>We considered this to be a key audit matter because of the significance of the impairment loss and the element of critical estimates and judgement required in determining the assumptions and basis used in arriving at the discounted future cash flows to determine the recoverable amount of the investment in joint ventures and subsidiary.</p>	<p>Our audit focused on evaluating the key assumptions used by both management and management's expert (i.e. the independent valuer) in conducting the impairment review based on VIU and FV less costs of disposal. Our audit procedures included but were not limited to the following:</p> <ol style="list-style-type: none"> 1) Tested management's assumptions used in VIU to calculate the recoverable amount and assessed the accuracy of the historical data used by management as the basis of arriving at the estimated discounted future cash flows ("DCF"); 2) Reviewed the engagement terms entered into with the independent valuer to ascertain if there were any matters that may have affected the valuer's objectivity or placed limitations in the scope of their work; 3) Evaluated the qualifications and competence of the independent valuer; 4) Considered the valuation methodologies adopted; 5) Tested the integrity of inputs of the projected cash flows used in the valuation; 6) Challenged the cash flow forecasts used with comparison to recent information, historical trend analysis; and 7) For key inputs used for the DCF such as discount rate and weighted costs of capital, ensured the valuer has taken into consideration the general market outlook for the relevant industry, including comparing against comparable listed companies. 8) Obtain sufficient appropriate audit evidence about whether the revisions made under the Regulations are appropriately reflected in these revised financial statements.

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Report on the Audit of the Revised Financial Statements (Cont'd)

Key Audit Matters (cont'd)

Key audit matters	How the matter was addressed in the audit
<p>2. Independent investigation by Ernst & Young Advisory Pte. Ltd. ("EY")</p> <p>As stated in Note 31(a) and as announced by the Company on 7 December 2017, following the completion of EY report on their findings relating to the funds place with a finance company ("EY1 Report"), EY has completed its further investigation into the acquisition of MSN group, and has issued a report (the "EY2 Report") on its findings to the Company.</p> <p>The Company's Board of Directors (the "Board") have reviewed the EY2 Report and have noted that EY has in their EY2 Report highlighted, among other things: (a) possible connections between Bright Reach International Limited and a former director of the Company, Hady Hartanto; and (b) possible connections between Hady Hartanto, Bright Reach International Limited and a finance company, Niaga Finance Company.</p> <p>The Board adopted the EY2 Report and noted the findings highlighted in the same. To address these findings, the Board convened a Special Committee to seek legal advice, on the basis of the EY2 Report findings, in relation to (i) the continuing obligations (if any) of the Company under the Listing Rules and Companies Act, (ii) the extent of any damage caused to the Company arising from these matters that took place in the past under previous management; and (iii) the appropriate action (including any legal action if deemed appropriate) that the Company can reasonably take.</p> <p>As announced on 1 February 2018, the Special Committee has appointed WongPartnership LLP ("WP LLP") as legal counsel to advise the Special Committee on the EY2 Report findings.</p> <p>As at the date of our original auditor's report, management informed that WP LLP's advisory work is still on-going and has yet to furnish the Board with any advice or report.</p> <p>However, the Board based on their judgement is of the view that WP LLP advice would not have any significant financial impact on the Group's financial statements.</p> <p>The details of the Board's critical judgement are as detailed in Note 3.1(c).</p>	<p>Our audit procedures included but were not limited to the following:</p> <ol style="list-style-type: none"> 1) Inquired with the Board on the status of the legal advice from WP LLP; 2) Discussed with the Audit Committee and the Board on their views with respect to any material financial impacts on the financial statements; 3) Send circularization letter to WP LLP to inquire on the status of their legal advice, and 4) Obtained email confirmation from WP LLP on 3 August 2018 and was informed the following: <ul style="list-style-type: none"> • WP LLP has been appointed by the Company's Special Committee to provide legal advice in relation to the findings in the EY2 Report; • WP LLP is still in the process of obtaining the necessary documents to enable them to fully advise the Company on the findings in the EY2 Report. No formal opinion has been rendered to the Company's Special Committee yet; and • As at the date of our original auditor's report, WP LLP does not consider their appointment to advise on the findings in the EY2 Report to involve impending litigation or claim by or against, or a contingent liability of the Company.

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Report on the Audit of the Revised Financial Statements (Cont'd)

Key Audit Matters (cont'd)

Key audit matters	How the matter was addressed in the audit
<p>2. Independent investigation by Ernst & Young Advisory Pte. Ltd. ("EY") (Cont'd)</p> <p>We considered this to be a key audit matter because of the critical judgement made by management in concluding that the on-going WP LLP's advisory work on EY2 Report findings have no significant financial impact on the Group's financial statements.</p>	
<p>3. Reversal of deferred expenditure</p> <p>During the current financial year, the Group reversed its entire deferred expenditure of approximately \$4.036 million (equivalent to US\$3.0 million) and recognised the amount as "other income" (Note 5) in profit or loss account.</p> <p>As stated in Note 21(3), deferred expenditure as at 31 March 2017 relates to the outstanding purchase consideration amounting to approximately \$4.2 million (equivalent to US\$3.0 million) to be paid to Bright Reach International Limited upon the satisfaction of certain conditions stipulated in the sale and purchase agreement of the acquisition of the MSN group in 2011.</p> <p>This finding is also being documented in EY2 Report as detailed in Point 2 above.</p> <p>The Company subsequently sought legal advice from its legal counsel, WP LLP to substantiate management's basis of "time-barred" under the Limitation Act as reason for the reversal of this deferred expenditure.</p> <p>The details of the Board's critical judgement are as detailed in Note 3.1(d).</p> <p>We considered this to be a key audit matter because of the critical judgement made by management in concluding that the basis for reversal of the deferred expenditure is appropriate.</p>	<p>Our audit procedures included but not limited to the following:</p> <ol style="list-style-type: none"> 1) Send circularization letter to WP LLP to inquire on their conclusion with respect to the legality of the reversal of this deferred expenditure; 2) Obtained a copy of the letter from WP LLP containing their conclusion with respect to the legality of the reversal of this deferred expenditure; and 3) Discussed with the Audit Committee and the Board on their final views with respect to the conclusion reached for the reversal of deferred expenditure after obtaining the legal counsel's conclusion.

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Report on the Audit of the Revised Financial Statements (Cont'd)

Key Audit Matters (cont'd)

Key audit matters	How the matter was addressed in the audit
<p>4. Recoverability of convertible loan to an external entity with interest of 7% per annum</p> <p>As stated in Note 15⁽²⁾, the Company entered into an agreement (the "Subscription Agreement") with a Hong Kong incorporated company, JeeOne International Holding Limited ("JeeOne") on 18 September 2017 to subscribe for \$938k (equivalent of RMB 4.5 million) convertible notes with 7% interest per annum (payable every 6 months in advance).</p> <p>On 19 September 2017, the Company remitted approximately \$891k [equivalent to USD 662,451.18 (being RMB 4.5 million net of 3.5% interest payable in advance). The objective of this convertible note is to enable JeeOne's 47.94% owned investee company in the People's Republic of China ("PRC") to go for Initial Public listing in Hong Kong.</p> <p>On 18 March 2018, JeeOne defaulted its interest payment of \$33k (equivalent to RMB 158,794.52). After some internal deliberation, the Board on 12 July 2018 through a legal counsel in Hong Kong served a statutory demand letter to JeeOne for both the principal and interest of \$924k (equivalent to RMB 4,658,794.52). As stated in Note 31(g), the Company announced that after 3 weeks from 12 July 2018, the date of serving the statutory demand letter, the Company will present a winding up petition against JeeOne.</p> <p>In view of this latest development, management made an allowance for impairment loss of \$938k (equivalent of RMB 4.5 million) as at 31 March 2018.</p> <p>We considered this to be a key audit matter because of the critical estimates made and judgement made by management in arriving at the basis and quantum of the impairment loss of the convertible loan and the rationale for entering the Subscription Agreement with JeeOne.</p>	<p>Our audit procedures included but were not limited to the following:</p> <ol style="list-style-type: none"> 1) Inquired with the Audit Committee and the Board on the following: <ul style="list-style-type: none"> ▪ Reason for not having an announcement for the convertible loan on 18 September 2017 to JeeOne; ▪ Any financial due diligence being performed by the Board prior to entering into the Subscription Agreement; ▪ Any Board's approval obtained prior to signing the Subscription Agreement and the disbursement of fund to JeeOne's investee Company in PRC; 2) Obtained written explanation from the Board on the above queries; 3) Obtained management representation letter on the above assertion from management; and 4) Follow up with management on any payment from JeeOne up to the date the Board authorized the original financial statements for issuance.

**INDEPENDENT AUDITOR'S REPORT (CONT'D)
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Report on the Audit of the Revised Financial Statements (Cont'd)

Key Audit Matters (cont'd)

Key audit matters	How the matter was addressed in the audit
5. Utilization of bank balances	
As at 31 March 2018, the Group's bank balances stood at \$15.3 million down from \$23.1 million as at 31 March 2017.	Our audit procedures included but were not limited to the following:
As at 31 March 2018, total net assets stood at \$15.9 million with total cash and bank balances constituted to approximately 96.2% of total net assets.	
During the financial year, apart from the recurring operating expenses incurred for the Group's day to day operation, the Company has entered into the following agreements with external parties to better utilize its bank balances:	
<ol style="list-style-type: none"> 1) Subscription Agreements entered with JeeOne as detailed in Point 4 above and Note 15⁽²⁾, which amounted to \$938k (equivalent to RMB 4.5 million); 2) Loan agreement with Zhong Ping Trading Development Company Limited (incorporated in Hong Kong) and Mark Tam, with principal amount of \$3 million as announced on 27 April 2017 (Note 15⁽²⁾). 	<ol style="list-style-type: none"> 1) In view of the statutory demand letter served on JeeOne as detailed in Point 4 above, we have highlighted to the Board and Audit Committee on the possible risks involved with respect to loans to external parties; 2) We have requested the Board and the Audit Committee to revisit their risk assessment with respect to loans to external parties; 3) We have enquired and the Board have reassured that all loans to external parties are only entered after careful due consideration with respect to credit risks and all required approval and financial due diligence have been appropriately performed before entering into contracts with all counter parties; 4) We have enquired and the Board has also assured that management is confident that Zhong Ping Trading Development Company Limited will be able to honor their debts when due on 16 August 2018; and 5) We have advised the Board and the Audit Committee on the possibilities of the Group becoming a cash company and the Board has assured that management has taken this into consideration.
Subsequent to the financial year ended 31 March 2018, a principal amount of \$1 million has been repaid to the Group, leaving a remaining balance of \$2 million plus interest which will be due on 16 August 2018, as detailed in Note 31(c).	

We considered this to be a key audit matter because of the critical judgement made by management in utilizing its bank balances when assessing returns vis-a-vis the credit risks of the counterparties involved.

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Report on the Audit of the Revised Financial Statements (Cont'd)

Other Matter – Revisions Made Under the Regulations

We draw attention to Note 2.1 and Note 30 to these revised financial statements which describes the reasons and the impacts arising from the revision to the original financial statements.

The original financial statements for the financial year ended 31 March 2018 were approved by the former board of directors on 7 August 2018 where we expressed a qualified opinion with emphasis of matter paragraphs and dated that report on those original financial statements on that date.

The revised financial statements have been prepared in accordance with the Regulations and accordingly do not deal with events which have taken place after the date on which the original financial statements were approved. Consequently, our procedures on subsequent events are restricted solely to the revisions described in Note 30 to these revised financial statements and we have not performed procedures in relation to events occurring between the date of our original auditor's report and the date of this report.

Information Other than the Revised Financial Statements and Auditor's Report Thereon

Management is responsible for the other information. The other information comprises the Directors' Statement on pages 3 to 7.

Our opinion on the revised financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the revised financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the revised financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Directors for the Revised Financial Statements

Management is responsible for the preparation of revised financial statements that give a true and fair view in accordance with the provisions of the Act as they have effect under the Regulations and FRSs, 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 revised financial statements and to maintain accountability of assets.

In preparing the revised financial statements, management is responsible for assessing the Group's ability to continue as a going concern, as made up to the date of the original financial statements, 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.

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Report on the Audit of the Revised Financial Statements (Cont'd)

Auditor's Responsibilities for the Audit of the Revised Financial Statements

Our objectives are to obtain reasonable assurance about whether the revised financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these revised financial statements.

As part of an audit in accordance with SSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the revised financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the revised financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our original auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the revised financial statements, including the disclosures, and whether the revised financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the revised consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.
- Obtain sufficient appropriate audit evidence about whether the revisions made under the Regulations are appropriately reflected in these revised financial statements.

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Report on the Audit of the Revised Financial Statements (Cont'd)

Auditor's Responsibilities for the Audit of the Revised Financial Statements (Cont'd)

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the revised financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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.

The engagement partner on the audit resulting in this independent auditor's report is Mr Ong Kian Meng.

RT LLP
Public Accountants and
Chartered Accountants

Singapore, 3 July 2019