YORKSHINE HOLDINGS LIMITED
煜新控股有限公司*

(incorporated in Singapore with limited liability)
(Company Registration No. 198902648H)
Hong Kong Stock Code: 1048
Singapore Stock Code: MR8

OVERSEAS REGULATORY ANNOUNCEMENT
QUALIFIED OPINION BY AUDITORS
IN RESPECT OF FINANCIAL STATEMENTS FOR
FINANCIAL YEAR ENDED 30 APRIL 2018

This overseas regulatory announcement is a reproduction of the announcement made by Yorkshine Holdings Limited (the "Company"), regarding the qualified opinion by auditors in respect of financial statements for financial year ended 30 April 2018 for compliance with Rule 13.10B of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The announcement on the next page is prepared in accordance with relevant regulations of the Singapore Exchange Securities Trading Limited.

On behalf of the Board
YORKSHINE HOLDINGS LIMITED
Zhu Jun
Executive Chairman and Executive Director

Hong Kong, 16 April 2019

As at the date of this announcement, the Board comprises three executive Directors, being Mr. Zhu Jun, Ms. Wang Jianqiao and Mr. Lei Yonghua; one non-executive Director, being Dr. Ouyang Qian and three independent non-executive Directors, being Mr. Tang Chi Loong, Mr. Foo Teck Leong and Mr. William Robert Majcher

* *For identification purpose only*

The Company's independent auditor, Baker Tilly TFW LLP had issued a qualified opinion on the consolidated financial statements of the Group and statement of financial position and statement of change in equity of the Company for the year ended 30 April 2018 (the "Audited Financial Statements").

A copy of the Independent Auditor's report together with extract of relevant part of Notes 3,15,19,23, 35 and 36 to the Audited Financial Statements are as follows:

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THE COMPANY

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Qualified Opinion

We have audited the accompanying financial statements of Yorkshine Holdings Limited (the "**Company**") and its subsidiaries (the "**Group**") as set out on pages 24 to 106, which comprise the statements of financial position of the Group and the Company as at 30 April 2018, and the consolidated income statement, consolidated statement of 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 financial statements, including a summary of significant accounting policies.

In our opinion, except for the possible effects of the matters described in the *Basis for Qualified Opinion* section of our report, the accompanying consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company are properly drawn up in accordance with the provisions of the Companies Act, Chapter 50 (the "**Act**") and Financial Reporting Standards in Singapore ("**FRSs**") so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at 30 April 2018, and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group and of the changes in equity of the Company for the year ended on that date.

Basis for Qualified Opinion

Corresponding figures and impairment loss

The opening balances as at 1 May 2017 and the comparative figures disclosed in these consolidated financial statements are based on the consolidated financial statements of the Group for the previous financial year ended 30 April 2017, on which we expressed a qualified opinion in our independent auditor's report dated 1 August 2018. Our basis for qualified opinion on the consolidated financial statements of the Group for the previous financial year ended 30 April 2017 are disclosed in Note 36 to the financial statements.

During the current financial year, the following impairment losses have been recognised:

(i) the Group recognised an impairment loss on property, plant and equipment amounting to US$11,720,000 in the Group's profit or loss as disclosed in Note 15 to the financial statements.

(ii) the Company recognised impairment losses on investments in subsidiaries and amount due from subsidiary amounting to US$79,460,000 and US$31,497,000 respectively in the Company's profit or loss as disclosed in Note 19 to the financial statements.

However, we are unable to determine how much of the impairment losses on the property, plant and equipment, investments in subsidiaries and amount due from subsidiary, if any, relates to the profit or loss in prior years. Consequently, we are unable to determine whether any adjustments might be necessary to the profit or loss for the financial year ended 30 April 2018 and opening accumulated losses as at 1 May 2017 of the Group and the Company.

Our opinion on the current financial year's financial statements is also modified because of the possible effect of the above matters as well as the other matters as described in Note 36 to the financial statements on the comparability of the current year's figures and the corresponding figures.

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 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 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 qualified opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 3 to the financial statements with respect to the Group's and the Company's ability to continue as going concerns. During the financial year ended 30 April 2018, the Group incurred a net loss from continuing operations of US$13,383,000 (2017: US$11,076,000) and the Company incurred a net loss of US$112,459,000 (2017: US$1,742,000). As at 30 April 2018, the Group's current liabilities exceeded the current assets by US$57,595,000 (2017: US$22,692,000) and the Group's total liabilities exceeded the total assets by US$9,563,000 (2017: Net assets of US$759,000) respectively. As disclosed in Note 23 to the financial statements, the Group has not made payments of principal repayments at their respective due dates of other borrowings owing to a strategic partner. Other borrowings due to a strategic partner totalled US$5,438,000 as at 30 April 2018. The Group also received a letter dated 11 July 2018 from New Page Investments Limited demanding a total sum of US$33,248,000 to be repaid on or before 1 August 2018.

These factors indicate the existence of material uncertainties that may cast significant doubt about the Group's and the Company's ability to continue as going concerns and to realise their assets and discharge their liabilities in the ordinary course of business. Nevertheless, for the reasons disclosed in Note 3 to the financial statements, the directors of the Company believe that the use of the going concern assumption in the preparation and presentation of the financial statements for the financial year ended 30 April 2018 is appropriate. Our opinion is not further modified in respect of this matter.

Other Information

Management is responsible for the other information. The other information comprises the information included in the Directors' Statement as set out on pages 1 to 17, which we obtained prior to the date of this auditor's report, and the information included in the Annual Report 2018 (but does not include the financial statements and our auditor's report thereon) which is expected to be made available to us after that date.

Our opinion on the 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 financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. Because of the possible effects of the matters described in the *Basis for Qualified Opinion* section of our report, we are unable to conclude whether or not the other information is materially misstated with respect to these matters.

When we read the Annual Report 2018, if we conclude that there is a misstatement therein, we are required to communicate the matter to those charged with governance and take appropriate actions in accordance with SSAs.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matters described in the *Basis for Qualified Opinion* section and *Material Uncertainty Related to Going Concern* section, we have determined the matter described below to be the key audit matter to be communicated in our report.

Impairment review of the Group's property, plant and equipment

As disclosed in Note 15 to the financial statements, the Group's property, plant and equipment as at 30 April 2018 amounted to US$45,165,000 after deducting accumulated impairment losses of US$11,720,000, and accounted for approximately 77% of the Group's total assets as at 30 April 2018.

As disclosed in Note 3 to the financial statements, an impairment test to determine the recoverable amount of the Group's property, plant and equipment was performed. Based on impairment test performed, an impairment loss amounting to US$11,720,000 was recognised in the Group's profit or loss for the financial year ended 30 April 2018, to write down the carrying amount of the Group's property, plant and equipment to the recoverable amount as at 30 April 2018.

Impairment review of the Group's property, plant and equipment is considered a key audit matter due to the significance of this amount to the Group's consolidated financial position. In addition, there are significant judgement and estimations involved in the calculation of the recoverable amounts, in particular relating to forecasted cash flows and the discount rate applied to the value-in-use calculation.

Our procedures to address the key audit matter

In the course of our Group audit, we have evaluated the independence, objectivity, capabilities and competence of the component auditor of the subsidiary companies. We also engaged in continuous communications with the component auditor throughout the audit and reviewed the reply to audit instructions by the component auditor to satisfy our group audit requirements.

We have evaluated the sufficiency and appropriateness of the audit work performed and evidence obtained by the component auditor in their audit of management's impairment assessment of the property, plant and equipment of the subsidiary companies. We also evaluated independently the value-in-use calculation and assessed reasonableness of the key assumptions and inputs applied in the computation of the recoverable amounts of the Group's property, plant and equipment.

We have also assessed the adequacy and appropriateness of the disclosures made in the financial statements.

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 Act 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 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 objectives are to obtain reasonable assurance about whether the 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 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 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 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 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 financial statements, including the disclosures, and whether the 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 consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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 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, except for the possible effects of the matters described in the *Basis for Qualified Opinion* section of our report, 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.

Extracted from relevant part of Notes 3, 15, 19 23, 35 and 36 to the Audited Financial Statements of the Company for the financial year ended 30 April 2018

3 Critical accounting judgements and key sources of estimation uncertainty

Critical judgements in applying the Group's accounting policies

Going concern assumption

During the financial year ended 30 April 2018, the Group incurred a net loss from continuing operations of US$13,383,000 (2017: US$11,076,000) and the Company incurred a net loss of US$112,459,000 (2017: US$1,742,000). As at 30 April 2018, the Group's current liabilities exceeded the current assets by US$57,595,000 (2017: US$22,692,000) and the Group's total liabilities exceeded the total assets by US$9,563,000 (2017: Net assets of US$759,000) respectively.

As disclosed in Note 23, the Group has not made payments of principal repayments at their respective due dates of other borrowings owing to a strategic partner. Other borrowings due to the strategic partner totalled US$5,438,000 was recorded as at 30 April 2018. The Group also received a letter dated 11 July 2018 from New Page Investments Limited ("**New Page**") demanding a total sum of US$33,248,000 to be repaid on or before 1 August 2018. However, no further demand has been received from the strategic partner nor from New Page as at the date of these financial statements.

These factors indicate the existence of material uncertainties that may cast significant doubt about the Group's and the Company's ability to continue as going concerns and to realise their assets and discharge their liabilities in the ordinary course of business. Nevertheless, the Directors of the Company believe that the use of the going concern assumption in the preparation and presentation of the financial statements for the financial year ended 30 April 2018 is appropriate after taking into consideration the following factors:

(i) The immediate and ultimate holding company agrees to unconditionally provide continuous financial assistance to the Group in order to meet its obligations and to carry on its business for a period of not less than twelve months from the date of the letter of financial assistance, i.e. 11 April 2019;

(ii) As disclosed in Note 15, a subsidiary within the tinplate manufacturing segment that suspended its operations since financial year ended 30 April 2015 has resumed its operations in May 2018 with revenue generation commencing June 2018;

(iii) On 18 August 2017, the Group successfully entered into a deed of assignment of loan with China CITIC Bank International Limited and Real Shine Capital Limited ("**RSCL**") for the bank loan of US$15,051,000 as disclosed in Note 23 and the Group and RSCL entered into a variation to the Deed of Settlement and revised the payment schedule on 5 December 2018 as disclosed in Note 35(iii);

(iv) The Group and the Company are able to obtain banking facilities for their working capital requirements for the next twelve months as and when required; and

(v) The Group and the Company are able to generate sufficient cash flows from their operations to meet their current and future obligations.

The Directors of the Company are of the view that the continuing financial support from the immediate and ultimate holding company is a key factor for the Group and the Company to continue their operations as going concerns. The Directors have assessed and are satisfied with the willingness and financial ability of the immediate and ultimate holding company to provide such financial support to the Group and the Company to meet their working capital requirements and obligations as and when they fall due.

Management has taken the following measures to improve the Group's operational performance and financial position:

(i) Adopting a disciplined capital allocation – prudent approach to capital allocation is critical. Management shall constantly review capital expenditure and investment plans so as to manage a balanced business portfolio to optimise profitability;

(ii) Intensifying rigorous cost management and improving operational performance – focus on cost reduction and operation efficiency while exploring all the opportunities to the effective use of the capacity of the tinplate manufacturing plant with speed and quality; and

(iii) Opening up financing channels and asset allocation – allocate resources to potentially growth business in order to create a balanced and growth portfolio. Management shall invest in new business with profitable and stable income.

There are several subsidiaries within the Group which have been inactive for more than a year, some of which are also in a net liability position. In order to streamline the group structure and improve the overall financial position of the Group, the Group has transferred two subsidiaries Novo Commodities Limited ("**NCL**") and Novo Overseas Holdings Pte. Ltd. ("**NOHPL**") to a company wholly-owned by Mr. Zhu Jun, the executive Director and controlling shareholder of the Company at a consideration of HK$780 (equivalent to approximately US$100) on 15 April 2019 (the "**Disposal**"). Given the two disposed subsidiaries have been inactive with no business operations for more than a year and are still in net liability position as at the date of disposal, the Directors are of the view that the foregoing disposal (together with the consideration) is fair and reasonable and in the interests of the Company and its shareholders as a whole. The Board will continue to review and assess the group structure and the overall financial position of the Group and carry out further restructurings as and when appropriate. Upon completion of the Disposals, each of NCL and NOHPL will cease to be a subsidiary of the Company, approximately US$36.8 million net liabilities will be taken out from the Group and the Group's financial position will turn back to net assets. Please refer to Note 35 for further details on the foregoing disposal.

After considering the measures taken described above, the Group and the Company believe that they have adequate resources to continue their operations as going concerns.

For these reasons, the financial statements have been prepared on the assumptions that the Group and the Company will continue as going concerns. If the Group and the Company are unable to continue in operational existence for the foreseeable future, the Group and the Company may be unable to realise their assets and discharge their liabilities in the normal course of business and adjustments may have to be made 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 the statements of financial position. In addition, the Group and the Company may have to provide for further liabilities that might arise, and to reclassify non-current assets and liabilities as current assets and liabilities respectively.

15 Property, plant and equipment

During the current financial year, a review of the recoverable amounts of the property, plant and equipment ("**PPE**") of the Group as at 30 April 2018 was carried out. An impairment loss totaling US$11,720,000 was recognised in the Group's profit or loss under "administrative expenses" line items for the financial year ended 30 April 2018.

YNMT

The recoverable amount of the PPE relating to YNMT, the major operating subsidiary, was determined based on its value-in-use calculations. The value-in-use calculations used cash flow forecasts derived from the most recent financial budgets approved by management covering a five-year period. Cash flows beyond the five-year period were extrapolated using estimated terminal year growth rate of 3%, which does not exceed the average long-term growth rate for the relevant industry. The pre-tax rate used to discount the cash flow forecasts is 14%. When comparing with the net carrying value of YNMT's PPE of US$52,644,000, an impairment loss of US$9,920,000 was required.

The key assumptions used in the value-in-use calculations are those regarding the sales volume, terminal year growth rate and discount rate. The sensitivity analysis on the changes in these key assumptions on the recoverable amount of the YNMT's PPE are as follows:

	Estimated recoverable amount	**(Decrease)/ increase in impairment charge**
	US$'000	*US$'000*
Sales volume		
– 10% higher	55,228	(9,920)
– 10% lower	30,223	12,501
Terminal year growth rate		
– 1% point higher	46,462	(3,738)
– 1% point lower	39,611	3,113
Discount rate		
– 1% point higher	36,341	6,383
– 1% point lower	50,446	(7,722)

XHDD

In addition, an impairment loss of US$1,800,000 was recognised on XHDD's PPE. The equity interest of XHDD was disposed of in September 2018, event after the reporting period with details under Note 35(ii).

19 Investments in subsidiaries

During the current financial year, an impairment test for the investments in subsidiaries was performed. As most of the Company's subsidiaries are inactive and in capital deficiency position as at 30 April 2018, an impairment loss of US$79,460,000 (2017: US$Nil) is recognised in the Company's profit or loss during the financial year ended 30 April 2018 to adjust these subsidiaries to their recoverable amounts. The recoverable amounts of these investments have been determined based on net assets value of the subsidiaries as at 30 April 2018, which approximate the recoverable amounts of the investments in the subsidiaries as there will not be any future plan for the operations of these subsidiaries.

The amount due from subsidiary is not expected to be recovered as the subsidiary has been inactive and is in capital deficiency position as at 30 April 2018. Accordingly, the Company recognised full impairment loss on amount due from subsidiary amounting to US$31,497,000 (2017: US$Nil) in the Company's profit or loss during the current financial year.

23 Borrowings

(e) Default and breaches

(i) Other borrowings

The Group has not made payment of the principal repayments of the other borrowings due to a strategic partner totalling US$3,600,000 on their respective due dates which is due on or before 31 December 2018. No assets nor collateral from the Group have been used to secure the loan.

The management is intended to negotiate revised repayment terms of the outstanding other borrowings at 30 April 2018. As at the date when these financial statements were approved for issue by the Board of Directors, no demand for settlement has ever been received from the strategic partner.

(ii) Loans from former immediate and ultimate holding company

Pursuant to a letter dated 11 July 2018 (the "Letter") addressed to the Company and five of its subsidiaries (the "Relevant Subsidiaries"), New Page, a former immediate and ultimate holding company, demanded that the Company and the Relevant Subsidiaries repay on or before 1 August 2018 (being the maturity date of the Loan Agreements) a total sum of US$33,248,000 (the "Alleged Loans"), being the aggregate outstanding amount due from the Relevant Subsidiaries to New Page pursuant to various loan agreements entered into between each of the Relevant Subsidiaries and New Page between 2015 and 2016 (and as extended by various extension letters in 2017) (the "Loan Agreements").

The Company has demanded supporting documents in particular the remittance and transactions to substantiate the validity of the Alleged Loans. The Company will make payments when concrete evidence of the existence of the Alleged Loans can be satisfied. As at the date when these financial statements were approved for issue by the Board of Directors, neither demand for settlement nor reply for information has ever been received from New Page.

35 Significant events after the reporting period

(ii) As announced on 26 October 2018, Wah Shun Storage Limited ("**WSSL**") an indirect wholly-owned subsidiary of the Company and Xinghua City Xingjin Waste and Waste Recycling Station (the "**Purchaser**") entered into the agreement of disposing of 60% equity interest in XHDD (the "**Disposal**") at a total consideration of RMB4.2 million (approximately US$605,000) on 21 September 2018. A portion of the consideration of approximately RMB1.06 million shall be offset against the outstanding debts owed by YNMT to the Purchaser. Upon completion of the Disposal, the Vendor shall cease to be a subsidiary of the Company and the results of XHDD shall no longer be consolidated into the consolidated financial statements of the Group. Effects of the disposal of XHDD to the Group's profit or loss and cash flows for the financial year ended 30 April 2019 are not disclosed as accounting for the disposal is still incomplete at the time these financial statements are authorised for issue.

(iii) On 5 December 2018, YNMT and RSCL entered into a variation to the Deed of Settlement (the "**2018 Variation Deed**") to vary the payment due dates for the borrowing disclosed in Note 23. Pursuant to the Variation Deed:

– YNMT shall pay the interest accrued of the first instalment totalling HK$750,000 or US$96,154 by 12 December 2018; and

– The revised payment schedule shall be as follows:

	Original sum due under the Deed of Settlement (including interest accrued)	**Additional interest**	**Sums to be paid**	**Payment due date**
	US$'000	*US$'000*	*US$'000*	*US$'000*
First instalment	480	–	480	By 5 August 2019
Second instalment	498	–	498	By 5 August 2019
Third instalment	492	60	552	By 5 August 2019
Fourth instalment	486	6	492	By 3 December 2019

36 Basis for qualified opinion on the financial statements for the previous financial year ended 30 April 2017

The independent auditor's report dated 1 August 2018 expressed a qualified opinion on the financial statements for the financial year ended 30 April 2017. The extract of the basis for qualified opinion is as follows:

"(1) Sales and Purchases transactions relating to sales of commodities

Included in the consolidated financial statements of the Group are sales and purchases transactions relating to the conduct of the Group's trading and distribution of iron ore, coal and steel products ("**sales and purchases of commodities**") totalling US$101,167,143 and US$100,009,615 respectively. The sales amounting to US$100,748,521 were transacted through an agent ("**Agent**") appointed by the Group.

During the course of our audit for the financial year ended 30 April 2017 ("**FY2017**"), we raised concerns to management on certain documents relating to the Group's sales and purchases of commodities and in particular, our discovery of two sets of sale and purchase agreements pertaining to the same underlying transactions. Arising from our findings, the Board of Directors of the Company had appointed an Independent Reviewer to conduct an independent review into the facts and circumstances surrounding the two sets of agreements, their veracity and impact to the consolidated financial statements of the Group.

The Company announced the key findings of the Independent Review and published the executive summary of the Review Report on 19 January 2018. We noted from the key findings of the Independent Review that there were contracts presented for our audit purposes which were not contemporaneously prepared during the transactions but instead were only prepared for the purposes of the audit. There were also observations of inconsistencies in the authorised signatories of the contracts, and there were contracts which did not reflect the substance of the underlying transactions. These contracts were subsequently voided. Due to limitations on the scope of work of the Independent Reviewer, the Independent Review was not able to establish the completeness of the Group's sales and purchases of commodities as recorded in the consolidated financial statements of the Group.

The Board of Directors' considerations and conclusion with respect to the Group's sales and purchases of commodities are disclosed in Note 5 to the financial statements for the financial year ended 30 April 2017.

This matter is qualified because of the above-mentioned events and circumstances surrounding these sales and purchases transactions. In addition, we are unable to obtain sufficient appropriate audit evidence to satisfy ourselves on the completeness of the Group's sales and purchases of commodities as recorded in the consolidated financial statements of the Group. Consequently, we are unable to determine whether any adjustment was required in respect of the Group's revenue, cost of sales and net loss for the year as recorded in the consolidated income statement of the Group for the financial year ended 30 April 2017, and the amount due to the Agent of US$895,106 as recorded under trade and other payables as at 30 April 2017.

(2) Property, plant and equipment

The Group's property, plant and equipment as at 30 April 2017 amounted to US$54,163,550 (2016: US$58,946,713). Management determined that no impairment is required on the Group's property, plant and equipment as their recoverable amounts exceeded the net carrying values as at 30 April 2017.

Based on the information available to us, we are unable to obtain sufficient appropriate audit evidence to satisfy ourselves on the reasonableness of the key assumptions and inputs used in the determination of the recoverable amounts of the Group's property, plant and equipment. Consequently, we are unable to determine whether any adjustments in respect of the net carrying values of the Group's property, plant and equipment as at 30 April 2017 are necessary.

This matter was similarly included in the *Basis for Qualified Opinion* section of our independent auditor's report on the financial statements for the financial year ended 30 April 2016. Our opinion on the current year's financial statements of the Group is also modified because of the possible effect of this matter on the comparability of the current year's figures and the corresponding figures.

*(3) Profit from discontinued operations of TIANJIN SHIFA NOVO TECHNOLOGY DEVELOPMENT LIMITED ("**TIANJIN SHIFA**")*

The Group completed the disposal of its 50% equity interest in TIANJIN SHIFA on 27 March 2017, the date on which it ceased to be a subsidiary of the Group. Subsequent to the disposal, management represented that the Group was unable to obtain the audited financial statements of TIANJIN SHIFA for the financial period from 1 May 2016 to 27 March 2017. Accordingly, the unaudited management accounts of TIANJIN SHIFA as at 31 March 2017 were used to prepare the consolidated financial statements of the Group for the financial year ended 30 April 2017.

The 11 months' financial performance and gain on disposal of TIANJIN SHIFA included in the consolidated income statement of the Group for the financial year ended 30 April 2017 amounted to US$415,543 and US$1,152,523 respectively.

We are unable to obtain sufficient information and explanations to enable us to form an opinion as to whether the unaudited management accounts of TIANJIN SHIFA used in the preparation of the consolidated financial statements of the Group, were prepared in accordance with Financial Reporting Standards in Singapore and in form and content appropriate and proper for the purpose of preparation of the consolidated financial statements of the Group, in particular, the determination of the respective line items in the analysis of the profit from discontinued operations of the Group. Consequently, we are unable to determine whether any adjustments might be necessary in respect of the following:

(i) the profit after tax of TIANJIN SHIFA from 1 May 2016 to 31 March 2017 and gain on disposal of TIANJIN SHIFA amounting to US$415,543 and US$1,152,523 respectively included in the profit from discontinued operations, and related information;

(ii) the basic and diluted earnings per share attributable to equity holders of the Company for profit from discontinued operations;

(iii) the effects of assets and liabilities disposed of and related classification of the line items of TIANJIN SHIFA on the consolidated statement of cash flows of the Group;

(iv) the disclosure of related party information relating to TIANJIN SHIFA; and

(v) the disclosure of segment information relating to TIANJIN SHIFA.

(4) Investments in subsidiaries and amounts due from subsidiaries

The Company's investments in subsidiaries and amounts due from subsidiaries are carried at cost amounting to US$79,481,229 (2016: US$79,463,169) and US$31,496,647 (2016: US$31,496,647) respectively. Management determined that no impairment is required on the Company's investments in subsidiaries and amounts due from subsidiaries as their recoverable amounts exceeded the net carrying values as at 30 April 2017.

In view of the fact that most of the Company's subsidiaries incurred a net loss during the current year and also are in capital deficiency position as at 30 April 2017, there are significant uncertainty over the recoverability of amounts due from subsidiaries and investments in subsidiaries recorded by the Company. Based on the information available to us, we are unable to obtain sufficient appropriate audit evidence about the recoverable amounts of the Company's investments in subsidiaries and amounts due from subsidiaries as at 30 April 2017. Consequently, we are unable to determine whether any adjustments in respect of the net carrying values of the Company's investments in subsidiaries and amounts due from subsidiaries as at 30 April 2017 are necessary.

This matter was similarly included in the *Basis for Qualified Opinion* section of our independent auditor's report on the financial statements for the financial year ended 30 April 2016. Our opinion on the current year's financial statements of the Company is also modified because of the possible effect of this matter on the comparability of the current year's figures and the corresponding figures."