Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Asiatic Group (Holdings) Limited (the "Company") and its subsidiaries (collectively, the "Group"), which comprise the balance sheets of the Group and the Company as at 31 March 2018, the statements of changes in equity of the Group and the Company and the consolidated income statement, consolidated statement of comprehensive income and consolidated cash flow statement of the Group for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements of the Group, the balance sheet and the 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 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.

Material Uncertainty Related to Going Concern

We draw attention to Note 2.2 to the financial statements. As at 31 March 2018, the Group's current liabilities exceeded its current assets by $20.05 million. The Group has scheduled repayment terms with the banks for the next 12 months from the date where these financial statements were approved of which the Group may not have sufficient cash flows to fulfil those debt obligations. For the year ended 31 March 2018, the net cash outflow from operating activities amounted to $1.09 million. These conditions indicate the existence of a material uncertainty that may cast significant doubt on the Group's ability to continue as a going concern. The ability of the Group to continue as a going concern is dependent on the continued financial support received from banks and the Group's ability to generate positive cash flows from operations. If the Group is unable to continue in operational existence for the foreseeable future, the Group may be unable to discharge its 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 consolidated balance sheet. In addition, the Group may have to reclassify long term assets and liabilities as current assets and liabilities. No such adjustments have been made to these financial statements. Our opinion is not qualified in respect of this matter.

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 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 opinion.

Key Audit Matters

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

We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

Key Audit Matters (cont'd)

1. Assessment of allowance for doubtful debts

   As at 31 March 2018, the carrying amount of the Group's trade receivables and related allowance for doubtful debts amounted to $6.49 million and $0.03 million respectively. This represents 6.5% of total assets on the consolidated financial statements. The determination of whether the trade debts are collectible requires significant judgement. In assessing whether there is objective evidence of whether the trade receivables are impaired, management considers historical loss experience, probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments. Accordingly, we have determined this to be a key audit matter.

   As part of the audit, we assessed and evaluated the design and operating effectiveness of the Group's processes and controls relating to the monitoring of trade receivables and allowance for doubtful accounts. We performed audit procedures, amongst others, sending trade receivable confirmations, and reviewing for collectability by way of obtaining evidence of subsequent receipts from the trade receivables. We reviewed management's assumptions used to calculate the allowance for doubtful debt to be established, notably through analysis of ageing of receivables, assessment of significant overdue individual trade receivables, reviewing historical payment patterns and correspondence with customers on expected settlement dates. We also assessed the adequacy of the Group's disclosures on the trade receivables in Note 15 to the financial statements.

2. Maju Intan Biomass Project

   As at 31 March 2018, the Group's interest in the Maju Intan Biomass Project included cost of investment in associate, Maju Intan Biomass Energy Sdn Bhd ("MJE"), convertible bonds and amount due from MJE amounting to $5.05 million, $4.48 million and $17.27 million respectively. As there were indicators of impairment during the financial year, management performed an assessment of the recoverable amount of the cost of investment in MJE, convertible bonds and amount due from MJE, using MJE's value-in-use ("VIU") calculation. Based on their assessment, no impairment charge is recognised as at 31 March 2018. The impairment assessment involved significant management judgement regarding the operational effectiveness of MJE's power plant and economic conditions, which in turn affect the forecasted electricity generation volume and revenue used in the impairment assessment. As such, we have determined this to be a key audit matter.

   As part of the audit, we evaluated and assessed the assumptions and methodology used by management and whether the future cash flows were based on the budget approved by the Board of Directors. We assessed the reasonableness of the forecasted electricity generation volume against current and also historical growth in electricity generation volumes and reviewed management's analysis of the sensitivity of MJE's VIU to changes in the forecasted electricity generation volumes. We also engaged our internal valuation specialist to assist us in assessing the reasonableness of the discount rate used by management. We assessed the adequacy of the disclosures on the impairment assessment and the related disclosures included in Note 11.

Other Information

Management is responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements and our auditor's report thereon. 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, 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 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.

Auditor's Responsibilities for the Audit of the 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 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 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 Tan Po Hsiong Jonathan.

Ernst & Young LLP
Public Accountants and
Chartered Accountants
Singapore

9 July 2018

2. Summary of significant accounting policies (cont'd)

2.2 Fundamental accounting concept

As at 31 March 2018, the Group's current liabilities exceeded its current assets by $20.05 million. The Group also has scheduled repayment terms with the banks for the next 12 months from the date where these financial statements were approved of which the Group may not have sufficient cash flows to fulfil those debt obligations. For the year ended 31 March 2018, the net cash outflow from operating activities amounted to $1.09 million. These conditions indicate the existence of a material uncertainty that may cast significant doubt on the Group's ability to continue as a going concern.

In the opinion of the directors, the Group is able to continue as a going concern despite the conditions stated above as the directors are of the view that the Group will receive continued financial support from banks and will be able to generate positive cash flows from operations for a period of 12 months from the date these financial statements were approved.

If the Group is unable to continue in operational existence for the foreseeable future, the Group may be unable to discharge its 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 consolidated balance sheet. In addition, the Group may have to reclassify long term assets and liabilities as current assets and liabilities. No such adjustments have been made to these financial statements.

2.3 Changes in accounting policies

The accounting policies adopted are consistent with those of the previous financial year except in the current financial year, the Group has adopted all the new and revised standards which are effective for annual financial periods beginning on or after 1 April 2017, including the Amendments to FRS 7 Disclosure Initiative. The adoption of these standards did not have any effect on the financial performance or position of the Group and the Company.

2.4 Standards issued but not yet effective

The Group has not adopted the following standards and interpretations that have been issued but not yet effective:

Description	**Effective for annual periods beginning on or after**
Amendments to FRS 28 *Investments in Associates and Joint Ventures*	1 January 2018
Amendments to FRS 40: *Transfers of Investment Property*	1 January 2018
FRS 109 *Financial Instruments*	1 January 2018
FRS 115 *Revenue from Contracts with Customers*	1 January 2018
Amendments to FRS 115: *Clarifications to FRS 115 Revenue from Contracts with Customers*	1 January 2018
Amendments to FRS 102: *Classification and Measurement of Share-based Payment Transactions*	1 January 2018
Amendments to FRS 104: *Applying FRS 109 Financial Instruments with FRS 104 Insurance Contracts*	1 January 2018
INT FRS 122 *Foreign Currency Transactions and Advance Consideration*	1 January 2018
FRS 116 *Leases*	1 January 2019
Amendments to FRS 109: *Prepayment Features with Negative Compensation*	1 January 2019
Amendments to FRS 28: *Long-term interests in Associates and Joint Ventures*	1 January 2019
INT FRS 23 *Uncertainty over Income Tax Treatments*	1 January 2019
Improvements to FRSs (March 2018)	
– Amendments to FRS 103 and 111: *Previously Held Interest in a Joint Operation*	1 January 2019
– Amendments to FRS 12: *Income Tax Consequences of Payments on Financial Instruments Classified as Equity*	1 January 2019
– Amendments to FRS 23: *Borrowing Costs Eligible for Capitlisation*	1 January 2019
FRS 117 *Insurance Contracts*	1 January 2021
Amendments to FRS 110 and FRS 28 *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*	Date to be determined