ACESIAN PARTNERS LIMITED

(Company Registration No.: 199505699D)
(Incorporated in the Republic of Singapore)

INDEPENDENT AUDITOR'S REPORT

To the Members of Acesian Partners Limited

Report on the Financial Statements

Disclaimer of Opinion

We were engaged to audit the accompanying financial statements of Acesian Partners Limited ("the Company") and its subsidiaries ("the Group"), which comprise the consolidated statement of financial position of the Group and the statement of financial position of the Company as at 31 December 2017, and the 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, as set out on pages 7 to 59.

We do not express an opinion on the accompanying consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company. Because of the significance of the 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

Basis for Disclaimer of Opinion

1) Opening balances and significant uncertainties

The independent auditor's report on the consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company dated 7 April 2017 in respect of the financial statements for the financial year ended 31 December 2016 included a disclaimer of opinion on the following matters, which remain unresolved in the current financial year ended 31 December 2017:

As disclosed in Note 2 to the financial statements, Acesian Star (S) Pte Ltd ("ASPL"), a wholly-owned subsidiary of the Group is in dispute with one of its major customers, Takenaka Corporation ("TC"). TC has terminated all its contracts with ASPL namely, Terminal 1 Extension at Changi Airport ("T1E Sub-contract") and the proposed development of Terminal 4 at Singapore Changi Airport ("T4 Sub-contract").

As a result, certain project and variation claims in relation to the work performed by ASPL up to the date of termination have been disputed by TC and remained unsettled as at the reporting date. In addition, TC has made a counterclaim in respect of backcharges and liquidated damages against ASPL of approximately $10 million.

On 23 January 2017 and 3 February 2017, ASPL announced that it has served a letter informing TC that ASPL intends to refer the disputes arising from the T4 sub-contract to arbitration under the Singapore International Arbitration Centre Rules pursuant to clause 33 of the T4 sub-contract. The case is pending arbitration. Additionally on 23 January 2017, ASPL's application to be placed under Judicial Management was approved by the High Court.

The outcome of the intended arbitration is uncertain. With regards to the judicial management, during the year, the Group reached a settlement with all its creditors other than TC. The judicial management process with TC is still on-going. As a result, the recoverability and classification of the assets and the completeness and classification of liabilities of the Group as at reporting date cannot be reliably determined by the management.

In view of the matters described in the basis for disclaimer of opinion paragraphs on the financial statements for the financial year ended 31 December 2016, we were unable to determine whether the opening balances of the Group as at 1 January 2017 were fairly presented. Since the opening balances as at 1 January 2017 entered into the determination of the financial performance, changes in equity and cash flows of the Group for the financial year ended 31 December 2017, we were unable to determine whether adjustments might have been found necessary in respect of the consolidated financial statements of the Group for the financial year ended 31 December 2017.

INDEPENDENT AUDITOR'S REPORT

To the Members of Acesian Partners Limited

Basis for Disclaimer of Opinion (Cont'd)

1) Opening balances and significant uncertainties (Cont'd)

Our opinion on the current year's consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company is also modified because of the possible effects of the abovementioned matters on the comparability of the current year's figures and the corresponding figures.

2) Limitation of scope in auditing the financial statements of ASPL for the financial year ended 31 December 2017

On 23 January 2017, as mentioned above, the High Court approved the application by ASPL to be placed under Judicial Management. The financial statements of ASPL for the financial year ended 31 December 2017 are not audited as the Judicial Managers are of the view that the audit of the financial statements should be carried out only after they have completed their duties. As at 31 December 2017, ASPL is still under Judicial Management. The unaudited financial statements of ASPL for the financial year ended 31 December 2017 were consolidated with the financial statements of the Company.

As at 31 December 2017, the total assets and liabilities of ASPL included in the Group's statement of financial position are $6,915,899 and $13,461,455 respectively. The revenue and comprehensive loss for the financial year ended 31 December 2017 are $1,817,539 and $8,398,367 respectively.

As ASPL is a material component of the Group, this constitutes a limitation of scope on our work as Group auditors and consequently we are not able to express an opinion on the truth and fairness of the consolidated financial statements.

3) The Company's investment in ASPL and amount due from ASPL

Due to the circumstances as described in paragraph (1) above, the Company has not been able to perform an impairment test on the investment in ASPL of $7,414,358 as recorded in its books. As a result, we were not able to assess whether the investment in ASPL is impaired and if impaired, the amount of impairment to be recognised in the profit or loss.

Additionally, as at 31 December 2017, the Company has recognised an allowance for impairment of $9,292,858 on the amount due from ASPL in the profit or loss of the Company. The allowance for impairment was made based on management's best estimates. We were not provided with adequate documentary evidence and explanations to satisfy ourselves as to the validity of the basis of the allowance for impairment. Furthermore, there were no other audit procedures that we could perform to satisfy ourselves as to the validity of the carrying amount of the receivable balance from ASPL of $4,527,303 at reporting date.

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 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.

INDEPENDENT AUDITOR'S REPORT

To the Members of Acesian Partners Limited

Auditor's Responsibilities for the Audit of the Financial Statements

Our responsibility is to conduct an audit of the Company's financial statements in accordance with Singapore Standards on Auditing and to issue an auditor's report. However, because of the matters described in the Basis for Disclaimer of Opinion section of our report, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

We are independent of the Company 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 those matters described in the Basis for Disclaimer of Opinion section of our report, 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.

In our opinion, the accounting and other records required by the Act to be kept by the subsidiaries incorporated in Singapore of which we are the auditors other than ASPL, have been properly kept in accordance with the provisions of the Act.

As no audit has been carried out on the financial statements of ASPL for the financial year ended 31 December 2017 as described above, we do not express an opinion on whether the accounting and other records of ASPL have been properly kept in accordance with the provisions of the Act.

PKF-CAP LLP
Public Accountants and
Chartered Accountants

Singapore
6 April 2018

This announcement has been prepared by the Company and its contents have been reviewed by the Company's Sponsor, RHT Capital Pte. Ltd. (the "Sponsor") for compliance with the relevant rules of the Singapore Exchange Securities Trading Limited (the "SGX-ST"). The Sponsor has not independently verified the contents of this announcement.

This announcement has not been examined or approved by the SGX-ST and the SGX-ST assume no responsibility for the contents of this announcement, including the correctness of any of the statements or opinions made or reports contained in this announcement.

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