



CASA HOLDINGS LIMITED

(Reg No: 199406212Z)

RESPONSE TO SGX QUERIES ON ANNUAL REPORT FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2017

The Board of Directors of Casa Holdings Limited (“the Company”) refers to the queries raised by the Singapore Exchange Securities Trading Limited (“SGX-ST”) on 9 March 2018 in relation to the Company’s Annual Report for the financial year ended 30 September 2017 and would like to respond to the queries as follows:

SGX Query:

1. For FY2017, the Company’s auditors issued a qualified opinion on “Material uncertainty related to going concern” in addition to the Group’s investment in Fiamma Holdings Berhad. However, in the Company’s announcement on 2 January 2018 in relation to Listing Rule 704(5), the Company only announced the qualified opinion on the Group’s investment in Fiamma Holdings.

Please disclose the following information:

- i. The reason why the qualification on the material uncertainty related to going concern was not disclosed in the Company’s announcement of 2 January 2018. Please disclose accordingly;

Company’s Response:

The Company only announced the qualified opinion on the Group’s investment in Fiamma Holdings Limited and has not deliberated that “Material uncertainty related to going concern” was a qualification. Attached are relevant pages of Auditors’ Report with the titles on Qualified Opinion, Basis of Qualified Opinion and Material Uncertainty related to Going Concern.

The Company does not think there is a going concern issue that requires announcement as active steps have been taken in meeting cash flow required for bank loan due within 12 months from the financial year. In addition the Company had made announcements that:

- On 29 November 2017, the Company disposed 13,600,000 ordinary shares in Fiamma to a related party for a total consideration of approximately RM7,480,000 (approximately \$2,407,000) and
- On 5 December 2017, the Company entered into two conditional sale and purchase agreements with a related party and a non-related party to dispose 16,400,000 and 28,000,000 ordinary shares in Fiamma respectively for a total

consideration of approximately RM24,420,000 (approximately \$7,858,000). (“Disposal”)

The Disposal was subsequently approved by Extraordinary General Meeting and recently completed as announced on 2 March 2018.

- ii. The Board’s opinion if the Company will be able to operate as a going concern and the basis for the Board’s view; and

Company’s Response:

The Board is of the opinion that the Company will be able to operate as a going concern as the Company is in a positive working capital position, its core business in trading remains profitable and active actions have been taken in addressing the loan commitment of its business in property development.

- iii. The Board’s confirmation that all material disclosures have been provided for the trading of the Company’s shares to continue.

Company’s Response:

The Board confirmed that all material disclosures have been provided for the trading of the Company’s shares to continue.

SGX Query:

2. On page 32 of the Annual Report 2017, the Company disclosed that “Cash and cash equivalents at end of the financial year” amounted to \$1.65 million. However for the full year financial statement for FY2017, the Company disclosed that “Cash and cash equivalents at end of the financial year” amounted to \$1.85 million. Please explain the variances, as required under Listing Rule 704(6).

Company’s Response:

The Cash and cash equivalents at end of financial year amounted to \$1.65 million as disclosed in the audited Annual Report had taken into account movement in fixed deposits in subsidiaries of \$0.2 million. The Cash and cash equivalents at end of the financial year amounted to \$1.85 million as disclosed in the full year financial statement was an unaudited figure and had not taken into account movements in fixed deposits of \$0.2 million.

By order of the Board

Lim Soo Kong@ Lim Soo Chong
Chief Executive Officer and Executive Director

Date: 13 March 2018

Independent Auditor's Report to the Members of Casa Holdings Limited

Report on the Audit of the Financial Statements

Qualified Opinion

We have audited the accompanying financial statements of Casa Holdings Limited (the "Company") and its subsidiary corporations (the "Group"), which comprise the consolidated statement of financial position of the Group and the statement of financial position of the Company as at 30 September 2017, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 13 to 80.

In our opinion, except for the effects of the matter described in the *Basis for Qualified Opinion* paragraphs, the accompanying 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 Singapore 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 September 2017 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group for the financial year ended on that date.

Basis for Qualified Opinion

The Group's investment in Fiamma Holdings Berhad ("Fiamma"), an associated company, is accounted for using the equity method, and is carried at approximately \$12,533,000 (2016: \$36,416,000) in the consolidated statement of financial position as at 30 September 2017. The Group's share of Fiamma's net profit of approximately \$1,928,000 (2016: \$2,090,000) and other comprehensive loss of approximately \$371,000 (2016: other comprehensive income of \$1,465,000) are included in the consolidated statement of comprehensive income for the financial year then ended.

Fiamma is a company listed on the Main Market of Bursa Malaysia. The component auditor cited Listing Rules of Bursa Malaysia as a factor in not being able to allow us access to themselves or their audit working papers. The component auditor was not agreeable to discuss the financial affairs and the audit of Fiamma. Due to the above restriction, we were also not able to perform any other satisfactory alternative procedures for us to fulfill the requirements of *Singapore Standard on Auditing 600, Special Considerations – Audit of Group Financial Statements (including the Work of Component Auditors)*. Therefore, we were unable to obtain sufficient appropriate evidence to ascertain the carrying amount of the Group's investment in Fiamma as at 30 September 2017, the Group's share of Fiamma's results and other comprehensive income for the financial year then ended and the related financial information of Fiamma as disclosed in Note 17 to the financial statements, and were unable to determine whether adjustments, if any, to these amounts were necessary.

**Independent Auditor's Report to the Members of
Casa Holdings Limited
(continued)**

Basis for Qualified Opinion (continued)

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.

Material Uncertainty Related to Going Concern

As disclosed in Note 4 to the financial statements, the following circumstances give rise to material uncertainties as to the appropriateness of the use of the going concern assumption in the preparation of the accompanying financial statements of the Group for the financial year ended 30 September 2017:

- (a) The Group incurred a net loss of approximately \$14,028,000 (2016: \$1,792,000) and net cash used in operating activities of approximately \$12,000 (2016: \$395,000) for the financial year ended 30 September 2017.
- (b) As at 30 September 2017, the Group has current liabilities including bank borrowings of approximately \$13,254,000 (2016: \$9,840,000) which are contractually due for repayment within twelve months from the end of financial year. As at 30 September 2017, the Group's unrestricted cash and cash equivalent amount of approximately \$2,285,000 (2016: \$6,722,000) may be insufficient to fulfil these obligations at the relevant repayments dates.

These conditions indicate the existence of material uncertainties which may cast significant doubts as to the ability of the Group to continue as a going concern and to realise their assets and discharge their liabilities in the ordinary course of business. In the event that the Group is unable to continue in operational existence in the next twelve months from the financial year ended 30 September 2017, the Group may be unable to 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 consolidated statement of financial position. In addition, the Group may have to reclassify non-current assets and liabilities to current assets and liabilities respectively. The financial statements do not include any adjustment which may arise from these uncertainties. Our opinion is not modified in respect of this matter.

Nevertheless, the Board of Directors of the Company believes that the use of the going concern assumption in the preparation of the consolidated financial statements of the Group for the financial year ended 30 September 2017 is appropriate after taking into consideration the following assumptions and measures:

Independent Auditor's Report to the Members of Casa Holdings Limited (continued)

Material uncertainty related to going concern (continued)

- (i) During the financial year ended 30 September 2017, the Company committed a plan to dispose 58,000,000 ordinary shares of the issued and paid-up share capital of Fiamma within the next twelve months from the end of financial year to raise funds mainly for the repayment of the Group's current bank borrowings.

Subsequently, the Company announced that:

- On 29 November 2017, the Company disposed 13,600,000 ordinary shares in Fiamma to a related party for a total consideration of approximately RM7,480,000 (approximately \$2,407,000);
 - On 5 December 2017, the Company entered into two conditional sale and purchase agreements with a related party and a non-related party to dispose 16,400,000 and 28,000,000 ordinary shares in Fiamma respectively for a total consideration of approximately RM24,420,000 (approximately \$7,858,000).
- (ii) As at 30 September 2017, the Group is in a net current asset position of \$49,815,000 which is considered sufficient to meet the Group's current liabilities for the next twelve months. In addition, one of the Company's directors has provided an undertaking not to recall for payment of current liabilities due to him of approximately \$4,988,000 unless the Group has the financial ability to do so.
- (iii) The Group's main operating segment, i.e. trading of home appliances has been generating positive results for the past few financial years and there is no history of default in payment to suppliers and financial institutions by the Group with regards to the Group's liabilities for its main operating segment. In addition, the Group has entered into a new distributorship during the financial year ended 30 September 2017 and has been able to generate higher revenue and results for the financial year then ended. Therefore, the Group expects this business segment to be able to generate sufficient cash flows to meet its own liabilities as and when required.