

ANNICA HOLDINGS LIMITED
(Incorporated in the Republic of Singapore)
(Company Registration No. 198304025N)

**QUALIFIED OPINION AND EMPHASIS OF MATTER BY THE INDEPENDENT AUDITOR ON THE
FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017**

Pursuant to Rules 704(4) of the Singapore Exchange Securities Trading Limited (the “**SGX-ST**”) Listing Manual Section B: Rules of Catalist (the “**Catalist Rules**”), the Board of Directors (the “**Board**”) of Annica Holdings Limited (the “**Company**”) and together with its subsidiaries, the “**Group**”) wishes to announce that the Company’s independent auditor, Baker Tilly TFW LLP (the “**Independent Auditor**”), has issued its Independent Auditor’s report dated 12 April 2018 which includes a qualified opinion and an emphasis of matter on the financial statements of the Group and of the Company for the financial year ended 31 December 2017 (“**FY2017**”) (the “**Independent Auditor’s Report**”).

A copy of the Independent Auditor’s Report and the relevant notes to the financial statements are annexed to this announcement.

The financial statements of the Group and of the Company for FY2017 and the Independent Auditor’s Report will also be found in the Company’s annual report for FY2017, which will be released via the SGXNET and despatched to the Company’s shareholders in due course.

By Order of the Board
ANNICA HOLDINGS LIMITED

Sandra Liz Hon Ai Ling
Executive Director and Chief Executive Officer

12 April 2018

*This announcement has been prepared by the Company and its contents have been reviewed by the Company’s Continuing Sponsor, Stamford Corporate Services Pte. Ltd. (“**Sponsor**”), for compliance with the relevant rules of the Catalist Rules.*

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 assumes 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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INDEPENDENT AUDITOR'S REPORT

To the members of Annica Holdings Limited
For the financial year ended 31 December 2017

Report on the Audit of the Financial Statements***Qualified Opinion***

We have audited the accompanying financial statements of Annica Holdings Limited (the “**Company**”) and its subsidiaries (the “**Group**”) as set out on pages 38 to 113, 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 profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group and statement of changes in equity of the Company for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, except for the effects of the matters described in the Basis for Qualified Opinion section of our report, the accompanying consolidated financial statements of the Group, 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 31 December 2017, 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 financial year ended on that date.

Basis for Qualified Opinion

Our audit opinion on the consolidated financial statements for the financial year ended 31 December 2016 was qualified with respect to reported loss of \$4,127,000 from discontinued operations included in the consolidated statement of profit or loss and other comprehensive income for the financial year then ended. The loss from discontinued operations arose from the disposal of Industrial Power Technology Pte. Ltd. and The Think Environmental Co. Sdn. Bhd. (collectively, “**Disposal Group**”) during the financial year ended 31 December 2016.

As the management of the Group did not have access to the financial records of the Disposal Group, we were unable to form an opinion as to whether the management accounts of the Disposal Group were in form and content appropriate and proper for determination of the loss from discontinued operations as reported in the consolidated statement of profit or loss and other comprehensive income and consolidated statement of cash flows of the Group. The extract of the basis for qualified audit opinion is disclosed in Note 37 to the financial statements.

Our opinion on the current year's financial statements of the Group is modified because of the possible effect of these matters 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 3.1 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 31 December 2017, the Group reported a net loss of \$1,324,000 (2016: \$8,218,000) and has net operating cash outflows of \$1,885,000 (2016: \$3,369,000), and the Company reported a net loss of \$1,099,000 (2016: \$4,371,000). As at 31 December 2017, the Company's current liabilities exceeded its current assets by \$2,731,000.

These factors indicate the existence of a material uncertainty that may cast significant doubt on the Group's and the Company's ability to continue as going concerns. Nevertheless, for the reasons disclosed in Note 3.1 to the financial statements, the Directors are of the view that it is appropriate for the financial statements of the Group and of the Company to be prepared on a going concern basis. Our opinion is not qualified in respect of this matter.

INDEPENDENT AUDITOR'S REPORT**To the members of Annica Holdings Limited****For the financial year ended 31 December 2017 (cont'd)****Report on the Audit of the 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 financial statements of the current year. 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 matters described below to be the key audit matters to be communicated in our report.

Impairment assessment on goodwill relating to acquisition of GPE Power Systems (M) Sdn. Bhd. ("GPE")

Description of key audit matter

Included in Note 15 to the financial statements is goodwill amounted to \$1,020,000.

Impairment assessment of goodwill is considered a key audit matter due to the judgement and estimations involved in the determination of the value-in-use of GPE. The judgement and estimations involved relate to the future performance of GPE and the discount rate applied to future cash flow forecasts.

Our audit procedures to address the key audit matter

- We evaluated management's value-in-use model and the key assumptions and inputs to the value-in-use model including forecast revenue, forecast gross profit margin, forecast expenditures, discount rate and terminal growth rate.
- We evaluated the management's methodologies and challenged their key assumptions and inputs by comparing the forecasts to recent performance and industry benchmarks.
- We checked the mathematical accuracy of the value-in-use model and agreed cash flows to the most recent approved financial budgets from the Board of Directors.
- We evaluated management's sensitivity analysis to assess the impact on the recoverable amount of GPE by reasonable possible changes to the discount rate and terminal growth rate.
- We have also assessed the adequacy and appropriateness of the disclosures made in the financial statements.

Trade receivables

Description of key audit matter

Included in Note 6 to the financial statements is trade receivable amounting to \$2,564,000 (2016: \$2,608,000) due from a non-related party, which is outstanding for more than one year. The amount receivable is expected to be paid by financial year ending 31 December 2018.

The assessment of the recoverability of long outstanding trade receivables is considered a key audit matter as it requires the application of judgement and use of assumptions by management as disclosed in Note 3 to the financial statements. Management monitors and assesses the Group's exposure to credit risk, and make significant judgement regarding the debtor's creditworthiness and its ability to pay, considering amongst others, subsequent receipts based on payment schedule agreed with the debtor.

There is a risk that the Group's trade receivables may not be recoverable and impairment of doubtful receivables may be necessary.

Our procedures to address the key audit matter

We have evaluated management's assessment of the recoverability of the amount due from the debtor at the end of the reporting period.

We have corroborated the reasons for the delay in payments and noted that no impairment of doubtful receivables is made, by considering amongst others, factors such as past payment practices, the ongoing business relationship with the debtor and subsequent receipts based on payment schedule agreed with the debtor.

INDEPENDENT AUDITOR'S REPORT**To the members of Annica Holdings Limited****For the financial year ended 31 December 2017 (cont'd)****Report on the Audit of the Financial Statements (cont'd)*****Other Information***

Management is responsible for the other information. The other information comprises the information included in the 2017 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. Our comment on other information included in 2016 Annual Report is disclosed in Note 37 to the financial statements.

Emphasis of Matter

Matters with Commercial Affairs Department

We draw your attention to Note 35 to the financial statements which describes the uncertainty in relation to the outcome of the Commercial Affairs Department's ("CAD") investigations.

On 14 February 2018, the CAD confirmed to us that its investigations are on-going. As of the date of this report, the Directors confirmed that the CAD has not provided the Company with any further details or updates of its investigations.

In view of the above, there exists an uncertainty, whether the on-going investigations, the outcome of which is unknown, may have an impact on the Group's on-going business operations. Our opinion is not qualified in respect of this matter.

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.

INDEPENDENT AUDITOR'S REPORT**To the members of Annica Holdings Limited****For the financial year ended 31 December 2017 (cont'd)****Report on the Audit of the Financial Statements (cont'd)*****Auditor's Responsibilities for the Audit of the Financial Statements (cont'd)***

- 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, 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 Tay Guat Peng.

Baker Tilly TFW LLP
Public Accountants and
Chartered Accountants
Singapore

12 April 2018

EXTRACT

3. Critical accounting judgements and key sources of estimation uncertainty

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities at the end of the financial year. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future periods.

3.1 Critical judgement made in applying accounting policies

In the process of applying the Group's accounting policies, management has made the following judgements apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements.

Going concern

During the financial year ended 31 December 2017, the Group reported a net loss of \$1,324,000 (2016: \$8,218,000) and has net operating cash outflows of \$1,885,000 (2016: \$3,369,000), and the Company reported a net loss of \$1,099,000 (2016: \$4,371,000). The Company's current liabilities exceeded its current assets by \$2,731,000. These factors indicate the existence of a material uncertainty which may cast significant doubt on the Group's and the Company's ability to continue as going concerns. Nevertheless, the Directors are of the view that it is appropriate for the financial statements of the Group and of the Company to be prepared on a going concern basis as:

- (1) The review of the cash flow forecasts of the Group and of the Company for the financial year ending 31 December 2018 showed that the Group and the Company have adequate resources and will be able to generate sufficient cash flows in the next 12 months to meet their financial obligations as and when they fall due taking into consideration:
 - (a) improvement in the general operating environment for the Group activities which are expected to generate positive cash flows for the Group and the Company in the next 12 months;
 - (b) subsequent to the financial year, the Company completed the Debt Conversion (Note 36) and the holder of the redeemable convertible bonds ("RCBs") (the "**subscriber**") has extended the maturity of the outstanding unconverted RCBs to 31 March 2019 (Note 36);
 - (c) additional funds to be raised from the issuance of the RCBs (Note 17). The Company is working with the subscribers of the RCBs to raise further proceeds from the issuance of the RCBs in the next 12 months; and
 - (d) proceeds from the allotment and issuance of ordinary shares of the Company to a third-party investor pursuant to an option agreement (Note 19) ("**Option Shares**"). The Company targets to raise proceeds from the allotment and issuance of the Option Shares to the investor in the next 12 months.
- (2) the Directors are actively evaluating various strategies, including fund raising, acquisitions of suitable businesses as well as restructuring the Group's existing businesses or assets to improve the existing business and earnings base of the Group.

After considering the measures taken described above, the Directors believe that the Group and the Company have adequate resources to continue its operations as going concerns. The consolidated financial statements of the Group and the financial statements of the Company are prepared on a going concern basis.

EXTRACT

3. Critical accounting judgements and key sources of estimation uncertainty (cont'd)**3.1 Critical judgement made in applying accounting policies (cont'd)**Going concern (cont'd)

The financial statements did not include any adjustments that may result in the event that the Group and the Company is unable to continue as going concerns. In the event that the Group and the Company is unable to continue as going concerns, adjustments may have to be made to reflect the situation that assets may need to be realised other than in 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 current liabilities.

Determination of functional currency

The Group measures foreign currency transactions in the respective functional currencies of the Company and its subsidiaries. In determining the functional currencies of the entities in the Group, judgement is required to determine the currency that mainly influences sales prices for goods and services and of the country whose competitive forces and regulations mainly determines the sales prices of its goods and services. The functional currencies of the entities in the Group are determined based on management's assessment of the economic environment in which the entities operate and the entities' process of determining sales prices.

3.2 Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the financial year, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Investment in subsidiaries

The Group reviews the investment in subsidiaries at the end of the financial year to determine whether there is any indication of impairment. An impairment exists when the carrying value of an asset or cash generating units exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value-in-use.

The carrying amounts of investment in subsidiaries at the end of the financial year are disclosed in Note 11.

Impairment of non-financial assets

An impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value-in-use. The value-in-use calculation is based on a discounted cash flow model. The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the asset's performance of the cash generating unit being tested. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash inflows and the growth rate used for extrapolation purposes. Further details of the key assumptions applied in the impairment assessment of property, plant and equipment and intangible assets are given in Note 14 and Note 15, respectively, to the financial statements.

Further details of the key assumptions applied in the impairment assessment of goodwill are given in Note 15.

EXTRACT

3. Critical accounting judgements and key sources of estimation uncertainty (cont'd)**3.2 Key sources of estimation uncertainty (cont'd)**Impairment of trade and other receivables

Management reviews its trade and other receivables for objective evidence of impairment at least quarterly. Significant financial difficulties of the debtor, the probability that the debtor will enter bankruptcy, and default or significant delay in payments are considered objective evidence that a receivable is impaired.

In determining this, management makes judgement regarding the debtor's creditworthiness and as to whether there is observable data indicating that there has been a significant change in the payment ability of the debtor, considering amongst others, subsequent receipts, or whether there have been significant changes with adverse effect in the technological, market, economic or legal environment in which the debtor operates in.

Where there is objective evidence of impairment, management uses estimates based on historical loss experience for assets with similar credit risk characteristics. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between the estimated loss and actual loss experience.

Trade and other receivables that are impaired amounted to \$12,833,000 (2016: \$12,557,000) had been provided for. The carrying amount of trade and other receivables as at 31 December 2017 is disclosed in Note 6.

Impairment of inventories

The allowance for inventory obsolescence is based on estimates from historical trends and expected utilisation of inventories. The actual amount of inventories write-offs could be higher or lower than the allowance made. The write down of inventories during the financial year and the carrying amount of inventories as at 31 December 2017 are disclosed in Note 8.

Income taxes and deferred tax liabilities

Uncertainties exist with respect to the interpretation of complex tax regulations, the amount and timing of future taxable income and deductibility of certain expenditure. Accordingly, there are certain transactions and computations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated tax issues based on estimates whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such difference will impact the income tax and deferred tax provisions in the period in which such determination is made.

The carrying amount of the Group's tax payable, deferred income tax liabilities and deferred income tax assets at 31 December 2017 was \$236,000 (2016: \$163,000), \$115,000 (2016: \$80,000) and \$2,000 (2016: \$4,000) respectively.

Information on unabsorbed tax losses and other temporary differences for which deferred tax assets/liabilities had not been recognised are stated in Note 26 and Note 18 respectively.

EXTRACT

6. Trade and other receivables

	Group		Company	
	2017	2016	2017	2016
	\$'000	\$'000	\$'000	\$'000
<i>Current</i>				
Trade receivables:				
Non-related parties	6,204	7,809	–	–
Less: Allowance for impairment	(1,197)	(1,108)	–	–
	5,007	6,701	–	–
Other receivables:				
Subsidiaries				
- Management fee receivables	–	–	257	129
Non-related parties	5	68	2	9
	5	68	259	138
Loan to a third party	274	274	–	–
Less: Allowance for impairment	(274)	(274)	–	–
	–	–	–	–
Loan to a former corporate shareholder of a subsidiary	24	24	–	–
GST receivable	49	10	11	–
Other recoverable	150	150	150	150
Less: Allowance for impairment	(150)	–	(150)	–
	–	150	–	150
Other current assets (Note 7)	1,670	1,092	1,338	2,121
	6,755	8,045	1,608	2,409
<i>Non-current</i>				
Trade receivables from a non-related party	56	66	–	–
Less: Allowance for impairment	(41)	–	–	–
	15	66	–	–
Other non-current assets (Note 7)	45	–	1,965	1,134
	60	66	1,965	1,134
	6,815	8,111	3,573	3,543

Trade receivables

Trade receivables are non-interest bearing and are generally on 30 to 90 days' terms. They are recognised at their original invoice amounts which represent their fair values on initial recognition.

Included in trade receivables is an amount of \$2,564,000 (2016: \$2,608,000) due from a non-related party, the outstanding amount is expected to be settled by financial year ending 31 December 2018 in accordance with payment schedule agreed with the debtor.

Other receivables from subsidiaries

Other receivables from subsidiaries are non-trade in nature, unsecured, interest-free and repayable on demand.

EXTRACT

6. Trade and other receivables (cont'd)

Loan to a third party

Loan to a third party by a subsidiary is unsecured, interest-free and repayable on demand.

Loan to a former corporate shareholder of a subsidiary

Loan to a former corporate shareholder of a subsidiary is unsecured, interest-free and repayable on demand.

Non-current trade receivables from a non-related party

The amount is unsecured and payable in accordance with a repayment schedule.

The fair value of non-current trade receivables amounting to \$15,000 (2016: \$66,000) is computed based on cash flows discounted at market borrowing rate of 3.14% (2016: 5.5%) per annum. The fair value measurement is categorised within Level 3 of the fair value hierarchy.

15. Intangible assets

	Customers' contracts \$'000	Website development costs \$'000	Goodwill arising on consolidation \$'000	Total \$'000
Group				
2017				
Cost				
At 1 January 2017 and 31 December 2017	–	–	1,020	1,020
Accumulated amortisation and impairment				
At 1 January 2017 and 31 December 2017	–	–	–	–
Net carrying amount				
At 31 December 2017	–	–	1,020	1,020
2016				
Cost				
At 1 January 2016	8,532	25	4,968	13,525
Additions	–	–	1,020	1,020
Disposal of subsidiaries (Note 29)	(8,532)	(25)	(4,968)	(13,525)
At 31 December 2016	–	–	1,020	1,020
Accumulated amortisation and impairment				
At 1 January 2016	8,532	9	4,968	13,509
Amortisation	–	2	–	2
Disposal of subsidiaries (Note 29)	(8,532)	(11)	(4,968)	(13,511)
At 31 December 2016	–	–	–	–
Net carrying amount				
At 31 December 2016	–	–	1,020	1,020

The amortisation of website development costs of Nil (2016: \$2,000) is recognised in profit or loss under "loss from discontinued operations, net of tax".

EXTRACT

15. Intangible assets (cont'd)*Goodwill arising on consolidation*Key assumptions used in value-in-use calculation

The recoverable amount of GPE, which is presented in the energy services segment is determined from value-in-use calculations. The key assumptions for the value-in-use calculations are those regarding the forecast revenue, forecast gross profit margin, forecast expenditures, discount rates, and terminal growth rates. Management estimates discount rates using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the CGUs. The growth rates are based on industry growth forecasts. Changes in selling prices and direct costs are based on past performances and expectations developments in the market.

The Group's 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 terminal growth rate of 4.8% (2016: 2.6%) for the energy services segment. This rate does not exceed the average long-term growth rate for the relevant markets. The pre-tax rate used to discount the forecast cash flows from the energy services segment is 16.2% (2016: 17.8%).

Sensitivity to change in assumptions

With regards to the assessment of value-in-use for the energy services segment, management believes that the change in the estimated recoverable amount from any reasonably possible changes in any of the above key assumptions would not cause the recoverable amount to be materially lower than the carrying value of the CGU.

35. Other MattersMatters with Commercial Affairs Department

As announced by the Company on 4 April 2015 and 29 April 2015, the Company and certain of its subsidiaries, P.J. Services Pte Ltd, Nu-Haven Incorporated and IPT (which was disposed during the financial year ended 31 December 2016), were served with notices to provide certain information and documents for the period from 1 January 2011 to 3 April 2015 to the Commercial Affairs Department (the "CAD") in relation to its investigations into an offence under the Securities and Futures Act (Cap. 289). Since then, the Company has been co-operating fully with CAD in its investigations. On 14 February 2018, the CAD confirmed to the Company's external auditor that its investigations are on-going. The CAD has not provided the Company with any further details or updates of its investigations.

One of the Group's employees, who was the Company's former Chief Operating Officer, is assisting the CAD with its investigations.

The business and day-to-day operations of the Group are not affected by the investigations and have continued as normal. However, the ongoing investigations have cast a negative outlook on the Company from the perspective of the financial institutions which are highly risk averse and pose limitations to the Group's growth and expansion plans.

37. Basis for qualified audit opinion on the financial statements for the financial year ended 31 December 2016

The independent auditor's report dated 11 April 2017 expressed a qualified audit opinion on the financial statements for the financial year ended 31 December 2016. The extract of the auditor's report is as follows:

Qualified Opinion on Consolidated Financial Statements of the Group

In our opinion, except for the effects of the matters described in the Basis for Qualified Opinion on the Consolidated Financial Statements of the Group section of our report, the accompanying consolidated financial statements of the Group 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 as at 31 December 2016, 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.

EXTRACT

37. Basis for qualified audit opinion on the financial statements for the financial year ended 31 December 2016 (cont'd)*Basis for Qualified Opinion on the Consolidated Financial Statements of the Group*Loss from discontinued operations of Industrial Power Technology Pte. Ltd. ("IPT") and The Think Environmental Co. Sdn. Bhd. ("TTEC")

As disclosed in 2016 financial statements, the Company disposed IPT and TTEC ("**Disposal Group**") during the financial year, and reported loss from discontinued operations of \$4,127,000 included in the consolidated statement of profit or loss and other comprehensive income for the financial year ended 31 December 2016. This loss of \$4,127,000 has been determined based on the management accounts of the Disposed Group at the date of disposal.

As the management of the Group does not have access to the financial records of the Disposal Group, we are unable to form an opinion as to whether the management accounts of the Disposal Group are in form and content appropriate and proper for determination of the loss from discontinued operations as reported in the consolidated statement of profit or loss and other comprehensive income and consolidated statement of cash flows of the Group.

Our audit report dated 12 April 2016 on the consolidated financial statements of the Group for the financial year ended 31 December 2015 contained a qualified opinion on the 2015 consolidated financial statements arising from certain matters related to IPT. The extract of the basis for qualified audit opinion is disclosed in 2016 financial statements.

In view of the matters described in the basis for qualified opinion paragraphs on the financial statements for the financial year ended 31 December 2015, we are unable to determine whether the opening balances of the Group as at 1 January 2016 are fairly stated. The opening balances as at 1 January 2016 entered into the determination of the loss from discontinued operations as reported in the consolidated financial performance and consolidated cash flows of the Group for the financial year ended 31 December 2016.

We are unable to determine whether any adjustments might be necessary in respect of the loss from discontinued operations. Any adjustments to the loss from discontinued operations would affect the loss for the financial year and total comprehensive loss as reported in the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the financial year ended 31 December 2016.

Our opinion on the 2016's financial statements of the Group is also modified because of the possible effect of these matters on the comparability of the current year's figures and the corresponding figures.

Other Information

Management is responsible for the other information. The other information comprises the information included in the Annual Report 2016 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. As described in the Basis for Qualified Opinion on the Consolidated Financial Statements of the Group, we are unable to obtain sufficient appropriate evidence with respect to the loss from discontinued operations of Disposal Group for the financial year ended 31 December 2016. Accordingly, we are unable to conclude whether or not the other information is materially misstated with respect to this matter.

EXTRACT

37. Basis for qualified audit opinion on the financial statements for the financial year ended 31 December 2016 (cont'd)*Material Uncertainty Related to Going Concern*

We draw attention to 2016 financial statements with respect to the Group's and the Company's ability to continue as going concerns. During the financial year ended 31 December 2016, the Group reported a net loss of \$8,218,000 (2015: \$8,440,000) and has net operating cash outflows of \$3,369,000 (2015: \$8,721,000), and the Company reported a net loss of \$4,371,000 (2015: \$7,670,000).

These factors indicate the existence of a material uncertainty that may cast significant doubt on the Group's and the Company's ability to continue as going concerns. Nevertheless, for the reasons disclosed in 2016 financial statements, the Directors are of the view that it is appropriate for the financial statements of the Group and of the Company to be prepared on a going concern basis. Our opinion is not qualified in respect of this matter.

*Emphasis of Matter***Matters with Commercial Affairs Department**

We draw your attention to 2016 financial statements which describes the uncertainty in relation to the outcome of the Commercial Affairs Department's ("**CAD**") investigations.

On 7 February 2017, the CAD confirmed to us that its investigations are on-going. As of the date of this report, the Directors confirmed that the CAD has not provided the Company with any further details or updates of its investigations.

In view of the above, there exists an uncertainty, whether the on-going investigations, the outcome of which is unknown, may have an impact on the Group's on-going business operations. Our opinion is not qualified in respect of this matter.