

Independent auditor's report to the members of Xpress Holdings Ltd

We were engaged to audit the accompanying financial statements of Xpress Holdings Limited (the "Company") and its subsidiaries (the "Group"), which comprise the statements of financial position of the Group and the Company as at 31 July 2014, the income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows of the Group for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility 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 Singapore Companies Act, Chapter 50 (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 profit and loss accounts and balance sheets and to maintain accountability of assets.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on conducting our audit in accordance with Singapore Standards on Auditing. Because of the matters described in the Basis for Disclaimer of Opinion paragraphs, however, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

Basis for disclaimer of opinion

(i) Going concern

As disclosed in Note 13 to the financial statements, the Company and certain subsidiaries within the Group have defaulted in payments and breached certain financial covenants and failed to comply with certain indebtedness agreements. As at the date of this report, the Group has received notices of default from various lenders for repayment of outstanding loans as well as termination of credit facilities granted to companies in the Group.

On 8 January 2015, the landlord of the Group's corporate office premises (the "Landlord") filed a winding up application against the Company for a sum of \$913,864 owing by a subsidiary, Xpress Print (Pte) Ltd to the Landlord in respect of the rent on office premises for the months from April 2014 until the date of full payment. A hearing of the winding up application is scheduled for 30 January 2015.

(i) Going concern (Cont'd)

As discussed in Note 2 to the financial statements, the Group incurred a net loss of \$146 million during the financial year ended 31 July 2014 and as at that date, the Group's and the Company's current liabilities exceeded its current assets by \$7.1 million and \$3.4 million, respectively. As at 31 July 2014, the Group's overdrafts exceeded its cash balances and fixed deposit by approximately \$715,000.

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Basis for disclaimer of opinion (Cont'd)

The matters set out above and in Note 2 to the financial statements indicate the existence of a material uncertainty which cast a significant doubt on the Group's and the Company's ability to continue as going concerns. The financial statements of the Group and the Company have been prepared on a going concern basis, which assumes that the Company will continue in operation at least for a period of 12 months from the balance sheet date. The financial statements of the Group and the Company do not include any adjustments relating to the realisation and classification of asset amounts that may be necessary if the Company and the Group are unable to continue as going concerns. Should the going concern assumption be inappropriate, adjustments would 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 balance sheets. In addition, the Company and the Group may have to provide for further liabilities that may arise and to reclassify non-current assets and non-current liabilities as current assets and current liabilities respectively. No adjustments have been made in the financial statements of the Group and the Company in respect of these.

The ability of the Group and the Company to continue in operation in the foreseeable future and to meet their financial obligations as and when they fall due depend on the completion of the share placement as disclosed in Note 30 to the financial statements. Therefore, we are not able to form an opinion as to whether the going concern basis of presentation of the accompanying financial statements of the Group and the Company is appropriate.

(ii) Available-for-sale financial asset

As disclosed in Note 7 to the financial statements, the investee is not listed on any stock exchange, a quoted market price is not available. The Company was unable to gain access to the financial information of the unquoted equity securities to determine the fair value of the investment at 31 July 2014. According to management, the investee was supposed to seek a public listing in the People's Republic of China which did not materialise. The investee, being in the traditional printing industry, has been badly affected by the decline in business prospects in China. Management therefore decided to recognise an impairment loss on the investment with a resultant loss amounting to \$1,940,000 as disclosed in Note 7 to the financial statements.

In the absence of information from management on the fair value of the investment. We were not able to perform our audit procedures, and there were no practicable alternative audit procedures that we could carry out to ascertain the appropriateness of the impairment amount.

Basis for disclaimer of opinion (Cont'd)

(iii) Trade and other receivables and prepayments

- (a) As at 31 July 2014, trade and other receivables amounting to approximately \$4.9 million are outstanding for more than one year. No impairment loss has been recognised in respect of this amount as management is confident in recovering the entire amount owing by the customers. There is no objective evidence from management that the amount is recoverable.

In the absence of evidence to substantiate the collectability of the outstanding amount, we are unable to ascertain the valuation of these trade and other receivables.

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Basis for disclaimer of opinion (Cont'd)

- (b) As at 31 July 2014, prepayments include an amount of \$889,000 purportedly related to consulting, legal and logistics services during the financial year ended 31 July 2014. At the date of this audit report, we have not been able to obtain adequate information and documentation on these transactions.

(iv) Inventories

We did not observe the counting of physical inventories at the end of the year. We are unable to satisfy ourselves by alternative means concerning the inventory quantities held at 31 July 2014 which are stated in the statement of financial position at \$1.5 million.

As at 31 July 2014, inventories include an amount of \$1.2 million related to a subsidiary, Print Planner (Hong Kong) Limited ("PPHK"). The books and records of PPHK's inventories were not available.

As a result of these matters, we are unable to determine whether any adjustments might have been found necessary in respect of recorded or unrecorded inventories. We are unable to carry out additional procedures necessary to satisfy ourselves as to whether the financial information of PPHK are in form and content appropriate and proper for the purposes of the preparation of the consolidated financial statements.

(v) Loans from third parties

As disclosed in Note 13 to the financial statements, a subsidiary obtained a loan from a third party amounting to \$720,000 as at 31 July 2014, which, according to management, is unsecured, interest-free and repayable upon demand.

As at the date of this audit report, we have not been provided with a copy of the loan agreement and have been unable to obtain independent confirmation from the lender. We do not consider information and records made available to us from alternative procedures sufficient for us to form an opinion on as to the completeness, existence and accuracy and fair presentation of the loan.

Disclaimer of opinion

Because of the significance of the matters described in the basis for disclaimer of opinion section above, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly, we do not express an opinion on the financial statements.

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Basis for disclaimer of opinion (Cont'd)

Report on other legal and regulatory requirements

In our opinion, except for those matters referred to in the basis for disclaimer of opinion section, the accounting and other records required by the Act to be kept by the Company and by those subsidiaries incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.

Foo Kon Tan Grant Thornton LLP
Public Accountants and
Chartered Accountants

Singapore,

28 January 2015