

3CENERGY LIMITED

(Company Registration No.: 197300314D)
(Incorporated in the Republic of Singapore)

ANNOUNCEMENT PURSUANT TO RULE 704(4) OF THE CATALIST RULES IN RELATION TO THE AUDITED FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

Material Uncertainty related to Going Concern on the Audited Financial Statements for the Financial Year Ended 31 December 2019

Pursuant to Rule 704(4) of Section B of the Singapore Exchange Securities Trading Limited (“**SGX-ST**”) Listing Manual (“**Catalist Rules**”), the Board of Directors (the “**Board**”) of 3Cenergy Limited (the “**Company**”, and together with its subsidiaries, the “**Group**”) wishes to announce that the Company’s Independent Auditors, Mazars LLP (the “**Auditors**”) has, without modifying its opinion, included a material uncertainty relating to going concern in respect of the Group’s and Company’s ability to continue as a going concern in its report (the “**Independent Auditors’ Report**”) on the audited financial statements of the Group for the financial year ended 31 December 2019 (the “**Audited Financial Statements**”).

The Board is of the opinion that the Company will be able to operate as a going concern on the basis as set out in Note 1 to the Audited Financial Statements.

A copy of the Independent Auditors’ Report and an extract of Note 1 to the Audited Financial Statements are attached to this announcement for information.

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

Shareholders of the Company are advised to read the Audited Financial Statements in its annual report for financial year ended 31 December 2019, which will be dispatched in due course.

By Order of the Board

Tong Kooi Ong
Non-Independent Non-Executive Chairman
6 April 2020

This announcement has been prepared by the Company and its contents have been reviewed by the Company’s sponsor, CIMB Bank Berhad, Singapore Branch (the “Sponsor”) in accordance with Rule 226(2)(b) of the Singapore Exchange Securities Trading Limited (the “SGX-ST”) Listing Manual Section B: Rules of Catalist. This announcement has not been examined or approved by the SGX-ST. 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. The contact person for the Sponsor is Mr Eric Wong (Director, Investment Banking), CIMB Bank Berhad, Singapore Branch, 50 Raffles Place #09-01 Singapore Land Tower, Singapore 048623, telephone (65) 6337 5115.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF 3CENERGY LIMITED

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of 3Cnergy Limited (the "Company") and its subsidiaries (the "Group") which comprise the statements of financial position of the Group and of the Company as at 31 December 2019, and the statements of profit or loss and other comprehensive income, changes in equity and cash flows of the Group and the 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, the accompanying financial statements of the Group and 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 Singapore Financial Reporting Standards (International) ("SFRS(I)s") so as to give a true and fair view of the financial position of the Group and of the of the Company as at 31 December 2019 and of the financial performance, changes in equity and cash flows of the Group, and of the changes in equity of the Company for the financial year ended on that date.

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.

Material uncertainty related to going concern

We draw attention to Note 1 in the financial statements, which indicates that as at 31 December 2019, the Group's current liabilities exceeded its current assets by \$26,177,000. In addition, the Group incurred net loss of \$38,503,000 and net operating cash outflows of \$4,116,000 for the financial year then ended. These conditions indicate that a material uncertainty exists 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 its ability to continue to roll over the bank borrowings and to receive continued financial support from its substantial shareholders to pay their debts as and when they fall due. Our opinion is not modified in respect of this matter.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF 3CENERGY LIMITED

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 financial 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 matter described in the Material Uncertainty Related to Going Concern section, we have determined the matter described below to be a key audit matter to be communicated in our report.

| Key Audit Matter | How the matter was addressed in the audit |
|-------------------------|--|
|-------------------------|--|

| | |
|--|--|
| <i>Recoverable amount of land held for property development</i> | |
|--|--|

As at 31 December 2019, the carrying amount of the Group's land held for property development amounted to \$90.1 million, net of impairment loss of \$67.9 million.

The management relied on the valuation performed by an independent external valuer to estimate the recoverable amount of the land held for property development.

The valuation of the recoverable amount of the land held for property development requires the application of significant judgement by management in determining the appropriate valuation methodology to be used, assumptions and various unobservable inputs. The assumptions applied include price per square metre of market comparable used, adjusted for the timing, location, tenure, category of land use, plot ratio, size and others.

Due to high level of judgement involved in estimating the value and the significance of the carrying amount of the land held for property development, we determined this as a key audit matter.

We have discussed with the component auditor to understand the nature, extent and timing of procedures performed on recoverable amount of land held for property development. We have reviewed the work performed which includes the following procedures:

- Obtained an understanding of the key controls and processes that management has in place in respect of determining the recoverable amount of its land held for property development;
- Obtained the external valuation report and evaluated the work scope, qualifications, competency, objectivity and independence of the external valuer;
- Discussed with the external valuer to obtain understanding of their work performed on the properties covering amongst others, the valuation methodology and the significant judgement and appropriateness of assumptions applied; and
- Discussed and challenged the external valuer on the results of the valuation, and compared the key assumptions used in their valuation with reference to externally available information, where applicable, and considered whether these assumptions are consistent with the current market environment.

The key judgement and estimation on the recoverable amount of land held for property development is disclosed in Note 3 to the financial statements, and further information related to land held for property development are provided in Note 12 to the financial statements.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF 3CENERGY LIMITED

Other information

Management is responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and the independent auditors' report thereon, which we obtained prior to the date of this report.

Our opinion on the financial statements does not cover the other information and we do not and will 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 identified above 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 on the other information that we obtained prior to the date of this report, 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 SFRS(I)s, and for devising and maintaining a system of internal accounting controls sufficient to provide 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.

Auditors' Responsibility 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 auditors' 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.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF 3CENERGY LIMITED

Auditors' Responsibility for the Audit of the Financial Statements (Continued)

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 auditors' 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 auditors' 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 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.

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF
3CENERGY LIMITED**

Auditors' Responsibility for the Audit of the Financial Statements (Continued)

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 year and are therefore the key audit matters. We describe these matters in our auditors' 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 subsidiaries incorporated in Singapore have been properly kept in accordance with the provisions of the Act.

The engagement partner on the audit resulting in this independent auditors' report is Mr Lai Keng Wei.

Other Matter

The financial statements of the Group and the Company for the financial year ended 31 December 2018 were audited by another firm of auditors who expressed an unmodified opinion on those statements on 28 March 2019.

MAZARS LLP
Public Accountants and
Chartered Accountants

Singapore
6 April 2020

Extracted from Note 1 to the Audited Financial Statements of 3Cnergy Limited and its subsidiaries for the financial year ended 31 December 2019

1. GENERAL

The Company (Registration No. 197300314D) is a limited liability company which is incorporated and domiciled in Singapore and is listed on Catalist under Singapore Exchange Securities Trading Limited (SGX-ST). The registered office and principal place of business of the Company is located at 150 Cecil Street #13-00, Singapore 069543.

The principal activity of the Company is that of investment holding. The principal activities of the subsidiaries are disclosed in Note 11.

The consolidated financial statements of the Group and statement of financial position and statement of changes in equity of the Company for the year ended 31 December 2019 were authorised for issue by the Board of Directors on 6 April 2020.

Material Uncertainty Related to Going Concern

The Group's current liabilities exceeded its current assets by \$26,177,000 as at 31 December 2019. In addition, the Group incurred net loss of \$38,503,000 and net operating cash outflows of \$4,117,000 for the financial year then ended. These factors indicate the existence of a material uncertainty which may cast significant doubt over the Group's ability to continue as a going concern. Notwithstanding the existence of these factors, the financial statements of the Group have been prepared on a going concern basis. On 19 March 2020, the wholly owned subsidiary, 3C Marina Park Sdn Bhd has entered into a loan agreement with Puteri Harbour Pte Ltd ("Lender") pursuant to which the Lender has agreed to grant a non-interest bearing loan of a principal sum of up to \$16,800,000 raised with the substantial shareholders of the Company. The ability of the Group to continue as a going concern is dependent on its ability to continue to roll over the bank borrowings and to receive continued financial support from its substantial shareholders of the Company to pay their debts as and when they fall due.

As at the date of the approval of these financial statements, the Directors are not aware of any circumstances or reasons which would likely affect its ability to repay and roll over the bank borrowings. In light of the foregoing, the Directors opined that it is appropriate to prepare the financial statements on a going concern basis.

If the Group were 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 the 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 statements of financial positions. In addition, the Group may have to reclassify non-current assets and liabilities as current assets and liabilities respectively. No such adjustments have been made to these financial statements.