TriTech

TRITECH GROUP LIMITED
(Company Registration No: 200809330R)
(Incorporated in the Republic of Singapore on 13 May 2008)

EMPHASIS OF MATTER ON THE AUDITED FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MARCH 2023

Pursuant to Rule 704(4) of the Listing Manual Section B: Rules of Catalist of Singapore Exchange Securities Trading Limited, the Board of Directors (the "**Board**") of Tritech Group Limited (the "**Company**'') and together with its subsidiaries (the "**Group**'') wishes to announce that the independent auditors of the Company, Ernst & Young LLP (the "**Independent Auditors**"), have without qualifying its opinion, included an emphasis of matter on the material uncertainty related to going concern in their report (the "Independent Auditor's Report") in respect of the Group's audited financial statements for the financial year ended 31 March 2023 ("**FY2023**'').

The Group has incurred a net loss of $11,953,260 and cash outflow from operating activities of $3,944,111 for FY2023. As at 31 March 2023, the Group and Company's net current liabilities amounted to $2,343,287 and $6,997,756 respectively. These factors indicate the existence of a material uncertainty which may cast significant doubt about the ability of the Group and Company to continue as a going concern.

Notwithstanding the above, the Board is of the view that it is appropriate to prepare the financial statements on a going concern basis after considering the cashflow forecast for the next 12 months from the date of the financial statements and the Group's ability to exercise the put option for the Second Tranche of Placement Shares when the need arises.

A copy of the Independent Auditor's Report and the extract of the relevant notes to the financial statements is annexed to this announcement for information.

The Board is of the opinion that sufficient information has been disclosed for the trading of the Company's securities to continue in an orderly manner; and confirmed that all material disclosures have been provided for the trading of the Company's shares to continue.

Shareholders of the Company are advised to read this announcement in conjunction with the Independent Auditor's Report and the Audited Financial Statements FY2023 in their entirety, which can be found in the Company's annual report for FY2023 (the **"Annual Report FY2023")** released via the SGXNet on 30 August 2023.

By order of the Board

Dr Wang Xiaoning
Managing Director
30 August 2023

Zhou Xinping
Executive Director

*This announcement has been prepared by Tritech Group Limited (the "**Company**") and its contents have been reviewed by the Company's sponsor, UOB Kay Hian Private Limited (the "**Sponsor**") for compliance with the relevant rules 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 and the SGX-ST assumes no responsibility for the contents of this announcement, including the accuracy, completeness or correctness of any of the information, statements or opinions made or reports contained in this announcement.*

The contact person for the Sponsor is Mr. Lance Tan, Senior Vice President, at 8 Anthony Road, #01-01, Singapore 229957, telephone: (65) 6590 6881.

INDEPENDENT AUDITOR'S REPORT

To the members of Tritech Group Limited

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Tritech Group Limited (the "Company") and its subsidiaries (collectively, the "Group"), which comprise the balance sheets of the Group and the Company as at 31 March 2023, consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flow of the Group for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements of the Group and the balance sheet of the Company are properly drawn up in accordance with the provisions of the Companies Act 1967 ("the Act") and Singapore Financial Reporting Standards (International) in Singapore ("SFRS(I)") 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 March 2023 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group for the 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 2 of the financial statements. The Group incurred a net loss of $11,953,260 and cash outflow from operating activities of $3,944,111 for the financial year ended 31 March 2023. As at that date, the Group and Company's net current liabilities amounted to $2,343,287 and $6,997,756 respectively. These factors indicate the existence of a material uncertainty which may cast significant doubt about the ability of the Group and Company to continue as a going concern.

As disclosed in Note 2 of the financial statements, as part of the going concern assessment the Group has prepared the cashflow forecast for the next 12 month from the date of these financial statements. The ability of the Group and the Company to continue as a going concern depends on its ability to generate sufficient operating cash flows as planned and its ability to raise funds on timely basis via the exercise of the put option for the Second Tranche of Placement Shares ("option") as and when required. Accordingly, any delays in the ability of the Group to generate planned cash flows and/or receipt of funds from the exercise of the option may adversely affect the ability of the Group and Company to meet its obligations as and when they fall due.

If the Group and the Company are unable to continue in operational existence for the foreseeable future, the Group and the Company 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 from the amounts at which they are currently recorded in the balance sheets. In addition, the Group and the Company may have to reclassify non-current assets and liabilities as current assets and liabilities. No such adjustments have been made to these financial statements. Our opinion is not modified in respect of this matter.

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 period. In addition to the matter described in the Material Uncertainty Related to Going Concern section, we have determined the matter described below to be the key audit matters to be communicated in our report. 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. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled our responsibilities described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

INDEPENDENT AUDITOR'S REPORT

To the members of Tritech Group Limited

Measurement of contingent consideration arising from the sale of a subsidiary Presscrete Engineering

As disclosed in Note 19 to the financial statements, management re-assessed the fair value of the contingent consideration relating to the sale of a subsidiary Presscrete Engineering ("PE") as at 31 March 2023 to be $6,263,847 and recorded a fair value loss of $339,837 during the year. A key input in determining the fair value of the contingent consideration is profit and loss from certain projects ("Agreed Projects") which are anticipated to be completed in 2023. The estimation of the fair value of the contingent consideration involves significant management judgements due to the uncertainty and subjectivity involved in determining the profitability of the Agreed Projects. In addition, management has also assessed the counterclaims by Lim Wen Heng Construction (the "Purchaser") as further disclosed in Note 19, have a less than probable chance of success. As the legal proceedings are ongoing and outcome is inherently uncertain, we determined the measurement of contingent consideration to be a key audit matter.

In evaluating the reasonableness of management's estimation of the fair value of the contingent consideration, as part of our audit, we:

- Requested confirmation from PE on the status of the Agreed Projects and the related supporting documents and schedules ("Schedules") provided by PE to management;
- Reviewed management's correspondences with PE, pertaining to their inquiries on the projects' status, and costs and margin analysis of the Agreed Projects;
- Reviewed management's assessment of the estimated profitability/losses of the Agreed Projects and inquired with management on their assessment on the reasonableness of the projects' status, costs incurred and remaining costs to complete, taking into consideration management's knowledge and understanding of the remaining requirements of the projects;
- Performed arithmetic checks of the overall margin of the Agreed Projects in determining the fair value as at 31 March 2023;
- Obtained confirmation from lawyers representing the Group on their assessment of the current facts and circumstances as well as the counterclaims by the Purchaser; and
- Reviewed management's assessment of the success of defending the counterclaims and the relevant terms and conditions of the sales and purchase agreement.

The disclosures relating to the contingent consideration are included in Note 19 to the financial statements.

Accounting for revenue recognition and contract assets for geotechnical projects

The Group recognised revenue over time for its geotechnical projects in Singapore using the input method that reflects the over time transfer of control to its customers. This is measured by reference to the Group's progress towards completing the performance obligation in the contract, which is based on actual costs incurred to-date to the total budgeted costs for each project. If the unavoidable costs of meeting the obligations under a contract exceeds the economic benefits expected to be received for the contract, a provision for onerous contract is recognised.

The uncertainty and subjectivity involved in determining the budgeted cost, progress towards completion and the assessment of any variation orders ("VO") claimable from end customers may have a significant impact on the revenue recognition and contract assets amounts, including the provision for onerous contracts. These uncertainties are partly due to the nature of the operations, which may be impacted by the geotechnical complexity of projects, the precision of cost estimation during the budgeting process and the actual progress of each project during the financial year. As such, we determined this to be a key audit matter.

As part of our audit, we:

- Obtained an understanding of the Group's processes and controls for the initiation of the budget cost and budget revenue and monitoring processes;
- Assessed the reasonableness of the basis used by management in determining the total contract revenue and revenue recognised by reviewing the contract terms and conditions of the geotechnical projects and their contractual sums ("projects"), testing project revenues and the actual costs incurred-to-date against underlying supporting documents to determine the satisfaction of performance obligation of the projects and assessing management's judgement in recognising variation orders from customers;

INDEPENDENT AUDITOR'S REPORT

To the members of Tritech Group Limited

Key Audit Matters (Continued)

Accounting for revenue recognition and contract assets for geotechnical projects (Continued)

- Reviewed the Group's project correspondences with customers and subcontractors, and discussed the progress of the projects with project managers to identify any potential disputes, variation order claims, known technical issues or significant events that could impact the estimated total contract costs. We also analysed changes in the estimation of costs and profits from prior periods and inquired management on the reasons;

- Performed re-computation of the revenue to be recognised based on percentage of completion and checked to the mathematical accuracy; and

- Reviewed the budgeted costs for inadequacy by assessing the reasonableness of the remaining costs to be incurred to complete the projects. We evaluated management's estimates of the remaining budget revenue and budget cost of the projects, taking into consideration the effect of variation orders, contingencies and any known technical issues. We also selected key samples from the ongoing projects and evaluated management's assessment of onerous contracts for these projects.

The Group's disclosures relating to revenue, contract assets and contract liabilities are included in Note 4 to the financial statements.

Impairment of investment in subsidiaries and amounts due from subsidiaries

The carrying amount of the Company's investment in subsidiaries and amounts due from subsidiaries amounted to $17,535,288 and $1,845,579 respectively as at 31 March 2023 which represented a total of 66% of the Company's total assets. During the financial year ended 31 March 2023, management performed impairment assessment on the Company's investment in subsidiaries and amounts due from subsidiaries, and the Company recognised an impairment loss of $1,647,000 (2022: $Nil) for investment in subsidiaries and $1,942,006 (2022: $192,600) for amount due from subsidiaries.

The impairment assessment of investment in subsidiaries and amount due from subsidiaries involved significant management estimates and was based on assumptions that incorporate future market and economic conditions. Consequently, we determined the impairment assessment of investment in subsidiaries and amounts due from subsidiaries to be a key audit matter.

On the investment in subsidiaries, we discussed with management on the identification of impairment indicators. Where indicators exist, we evaluated management's impairment assessment, including its estimates of the recoverable amounts. We reviewed the process by which they were drawn up and tested the reasonableness of the underlying value-in-use calculations by:

- Compared management's previous forecasts with actual results;

- Compared the key assumptions used, such as growth rates to historical results, economic and industry forecasts, and discount rate to that of peer companies used; and

- Performed sensitivity analysis around the key drivers of the growth rates used in the cash flow forecasts, including revenue growth and management's assessment of the likelihood of the extent of change in those assumptions that either individually or collectively would be required for the assets to be impaired.

On the amounts due from subsidiaries, management has assessed if these amounts are recoverable and estimated the amount of loss allowance required when recovery of the full amount is doubtful. The assessment of the expected loss allowance requires significant management estimates as these are determined by making entity-specific assessments of expected impairment loss for long overdue receivables and by applying the general approach as detailed in Note 2.15 to provide for loss allowance.

In relation to management's assessment on the loss allowance on amounts due from subsidiaries, as part of our audit, we:

- Obtained an understanding of the Company's processes and controls for identifying and monitoring of the amount due from subsidiaries;

- Assessed the facts and circumstances surrounding the outstanding receivables, and reviewing for evidence of collection by way of receipts from subsidiaries after the year end;

INDEPENDENT AUDITOR'S REPORT

To the members of Tritech Group Limited

Key Audit Matters (Continued)

Impairment of investment in subsidiaries and amounts due from subsidiaries (Continued)

- Evaluated the reasonableness of management's estimate of the future repayment by the subsidiaries, by taking into consideration the subsidiaries' financial position, nature of business and current economic environment as well as management's assessment of the subsidiaries' business plan; and

- Assessed the reasonableness of the loss rates applied by management, taking into consideration the latest available financial results of the subsidiaries and current economic information in markets where the subsidiaries operate.

The Group's disclosures relating to investments in subsidiaries, receivables and the related risks such as credit risk and liquidity risk are reflected in Note 12, 15 and 30 to the financial statements.

Impairment of investments in associate and loan and amounts due from associate

The Group has significant interests in an associate and loan and amount due from associate. The associate of the Group is involved in the business of production and sale of membranes for use in waste treatment systems and operations of water treatment plants. As at 31 March 2023, the net carrying value of the interests in associate amounted to $nil and the net carrying value of the loan and amounts due from associate amounted to $8,439,134, in which $4,139,043 is classified as non-current asset and $4,300,091 is classified as current asset, representing 26% and 18% of non-current assets and 24% and 27% of total assets of the Group and the Company respectively.

The recoverability of loan and amount due from the associate is dependent on the adequate cash flows generated upon the commencement of the operational phase of the wastewater treatment plant. The impairment assessment of investment in associate and loan and amount due from associate involved significant management estimates and was based on assumptions that incorporate future market and economic conditions as well as adequate cash flows generated upon the completion of construction of the wastewater treatment plant and operational phase of the wastewater treatment plant. Consequently, we determined the impairment assessment of investment in associate and loan and amounts due from associate to be a key audit matter.

In assessing the recoverability of the Group's investment in associate, we discussed with management on the identification of impairment indicators. Where indicators exist, we evaluated management's impairment assessment, including its estimates of the recoverable amounts. We reviewed the process by which they were drawn up and tested the reasonableness of the underlying value-in-use calculations. We:

- Assessed and understood the business and environment that the associate is operating in, including the management assessment of potential default of the contractual consideration on service concession arrangement entered;

- Assessed the reasonableness of key assumptions used such as the yearly contractual consideration from service concession arrangement, weighted average cost of capital and growth rate; and

- Performed sensitivity analysis around the key drivers of the basis of contractual amount to be received, including the expected changes in weighted average cost of capital, and the likelihood of the extent of change in those assumptions that either individually or collectively would be required for the assets to be impaired.

On the loan and amounts due from associate, management has assessed if these amounts are recoverable and estimated the amount of loss allowance required when recovery of the full amount is doubtful. The assessment of the expected loss allowance requires significant management judgment as these are determined by making entity-specific assessments of expected impairment loss for long overdue receivables and by applying the general approach as detailed in Note 2.15 to provide for loss allowance.

In relation to management's assessment on the loss allowance on loan and amounts due from associate, as part of our audit, we:

- Obtained an understanding of the Group's processes and controls for identifying and monitoring of the loan and amount due from associate;

- Assessed facts and circumstances surrounding the outstanding amounts presented, including assessment of potential impairment indicators such as deterioration of credit risk and the ability to repay;

INDEPENDENT AUDITOR'S REPORT

To the members of Tritech Group Limited

Key Audit Matters (Continued)

Impairment of investments in associate and loan and amounts due from associate (Continued)

- Assessed the facts and circumstances surrounding the outstanding receivables, and reviewing for evidence of collection by way of receipts from associate after the year end;

- Evaluated the reasonableness of management's estimate of the future repayment by the associate, by taking into consideration the associate's financial position, nature of business, current economic environment and growth strategies as well as management's assessment of the associate's business plan; and

- Assessed the reasonableness of the loss rates applied by management, taking into consideration the latest available financial results of the associate and current economic information in markets where the associate operates.

The Group's disclosures relating to investments in associate, receivables and the related risks such as credit risk and liquidity risk are reflected in Note 13, 15 and 30 to the financial statements.

Other Information

Management is responsible for the other information. The other information comprises the information included in the 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.

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), 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.

- 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.

INDEPENDENT AUDITOR'S REPORT

To the members of Tritech Group Limited

Key Audit Matters (Continued)

Auditor's Responsibilities for the Audit of the Financial Statements (Continued)

- 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 Ong Beng Lee, Ken.

Ernst & Young LLP
Public Accountants and
Chartered Accountants
Singapore

29 August 2023

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2023

1. CORPORATE INFORMATION

Tritech Group Limited (the "Company") is a limited liability company, which is incorporated and domiciled in Singapore and is listed on the Catalist board of the SGX-ST.

The registered office and principal place of business of the Company is located at 31 Changi South Avenue 2, Singapore 486478.

The principal activity of the Company is that of investment holding and provision of management services. The principal activities of the subsidiaries are disclosed in Note 12 to the financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

The consolidated financial statements of the Group and the balance sheet and statement of changes in equity of the Company have been prepared in accordance with Singapore Financial Reporting Standards (International) ("SFRS(I)").

The financial statements have been prepared on a historical cost basis except as disclosed in the accounting policies below.

The financial statements are presented in Singapore Dollar ("SGD" or "$") except when otherwise indicated.

Fundamental accounting concept — Going Concern assessment

The Group has incurred a net loss of $11,953,260 (2022: $1,029,389 and cash outflow from operating activities of $3,944,111 (2022: cash inflow from operating activities of $7,690,767) for the financial year ended 31 March 2023. As at that date, the Group and the Company's net current liabilities amounted to $2,343,287 (2022: $115,896) and $6,997,756 (2022: net current assets of $1,606,942) respectively.

Notwithstanding the above, the directors are of the view that it is appropriate to prepare these financial statements on a going concern basis after considering the following in the cashflow forecast for the next 12 months from the date of these financial statements:

(a) The Group will be able to complete its projects as scheduled and achieve the projected positive margin and net cash inflows;

(b) The Group having sufficient bank facilities and cash balances to fund their daily operations;

(c) The Group will receive the repayment of at least CNY20 million (approximately $3.8 million) from associates, on or before 31 March 2024;

(d) The Group will go through the course of ongoing legal proceedings be able to reach settlement for the contingent consideration (Note 19) at a sum not exceeding the $6,263,847 recorded as at 31 March 2023; and

(e) The Group's ability to exercise the put option, as describe in the "Share Options" section under the Directors' Statement and Note 34, for the Second Tranche of Placement Shares when the need arises and receive funds on a timely basis, to meet its obligations as and when they fall due.

If the Group and the Company are unable to continue in operational existence for the foreseeable future, the Group and the Company 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 from the amounts at which they are currently recorded in the balance sheets. In addition, the Group and the Company may have to reclassify non-current assets and liabilities as current assets and liabilities. No such adjustments have been made to these financial statements.

2.2 Adoption of new and amended standards and interpretations

The accounting policies adopted are consistent with those of the previous financial year except that in the current financial year, the Group has adopted all the new and amended standards which are relevant to the Group and are effective for annual financial periods beginning on or after 1 April 2022. The adoption of these standards did not have any material effect on the financial performance or position of the Group.