

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

- (A) **QUALIFIED OPINION AND EMPHASIS OF MATTER BY THE INDEPENDENT AUDITOR ON THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015**
- (B) **RECLASSIFICATION OF ITEMS BETWEEN THE AUDITED FINANCIAL RESULTS AND THE UNAUDITED FINANCIAL RESULTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015**
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The Board of Directors (the “**Board**”) of Annica Holdings Limited (the “**Company**” and together with its subsidiaries, the “**Group**”) wishes to announce the following matters in respect of the financial statements of the Group and of the Company for the financial year ended 31 December 2015 (“**FY2015**”) in compliance with Rules 704(4) and 704(5) of the Singapore Exchange Securities Trading Limited (the “**SGX-ST**”) Listing Manual Section B: Rules of Catalyst (the “**Catalist Rules**”).

(A) QUALIFIED OPINION AND EMPHASIS OF MATTER BY THE INDEPENDENT AUDITOR

The Company’s independent auditor, Baker Tilly TFW LLP (the “**Independent Auditor**”), has issued its Independent Auditor’s report dated 12 April 2016 which includes a qualified opinion and an emphasis of matter on the financial statements of the Group for FY2015 (the “**Independent Auditor’s Report**”).

The Board wishes to highlight that the Independent Auditor has expressed an unqualified opinion on the statement of financial position and the statement of changes in equity of the Company for FY2015.

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 FY2015 and the Independent Auditor’s Report will also be found in the Company’s annual report 2016, which will be released via the SGXNET and despatched to the Company’s shareholders in due course.

(B) RECLASSIFICATION OF ITEMS BETWEEN AUDITED FINANCIAL RESULTS AND UNAUDITED FINANCIAL RESULTS

The Board refers to (i) the Unaudited Full Year Financial Statements And Dividend Announcement (the “**Unaudited Results**”) for FY2015 released by the Company on 29 February 2016.

Upon completion of the audit of the financial statements of the Group and of the Company for FY2015 by the Independent Auditor (the “**Audited Results**”), reclassifications were made within the audited Consolidated Statement of Cash Flows for FY2015, the details of which are as follows:

Reclassified items in the Consolidated Statement of Cash Flows for FY2015	Audited Results S\$'000	Unaudited Results S\$'000	Reclassification S\$'000
<u>Cash flows from operating activities:-</u> Net cash used in operating activities	(8,721)	(9,017)	296 ^a
<u>Cash flows from financing activities:-</u> Net cash generated from financing activities	7,006	7,305	(299) ^b
Effects of foreign currency translation on cash and cash equivalents	(90)	(93)	3 ^c

Notes:

(a) Reclassifications arose from:

- (i) "Fees related to issuance of redeemable convertible bonds settled by way of issuance of ordinary shares of the Company" amounted to S\$300,000 was reclassified from cash flows from financing activities to cash flows from operating activities; and
- (ii) rounding off adjustments of (S\$4,000) were made from cash flows from operating activities to effects of foreign currency translation on cash and cash equivalents.

(b) Reclassifications arose from (a) (i) above and additional rounding off adjustments of S\$1,000 from cash flows from financing activities to effects of foreign currency translation on cash and cash equivalents.

(c) Reclassifications arose from the aggregate of rounding off adjustments in (a) (ii) and (b) above of S\$3,000.

The above reclassifications do not have any effect on the cash and cash equivalents at end of FY2015 in the Consolidated Statement of Cash Flows and any other financial statements of the Group and of the Company for FY2015.

By Order of the Board
ANNICA HOLDINGS LIMITED

Sandra Liz Hon Ai Ling
Executive Director and Chief Executive Officer

12 April 2016

*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 2015

Report on the Financial Statements

We have audited the accompanying financial statements of Annica Holdings Limited (the “**Company**”) and its subsidiaries (the “**Group**”) as set out on pages 36 to 97, which comprise the statements of financial position of the Group and Company as at 31 December 2015, 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 the statement of changes in equity of the Company for the financial 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 (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 financial statements and to maintain accountability of assets.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Singapore Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements that give a true and fair view 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.

Basis for Qualified Opinion

Trade and other receivables relating to a subsidiary, Industrial Power Technology Pte Ltd (“IPT”)

Included in the trade and other receivables shown in Note 13 to the financial statements is a net carrying amount of \$7,986,000 comprising amounts due from FTJ Bio Power Sdn. Bhd. (“**FTJ**”) of \$1,975,000, Songkhla Biomass Company Limited (“**Songkhla**”) of \$3,403,000, Thai Maidensha Company Limited (“**Thai Maidensha**”) of \$679,000 and advance for equipment of \$1,929,000.

During the financial year ended 31 December 2015, IPT received a notice of termination letter from FTJ in respect of a contract between IPT and FTJ on grounds of alleged breach and default by IPT on certain terms under the contract. As disclosed in Note 34(A) to the financial statements, the matters relating to the notice of termination letter are still on-going as at the date of this report. The Directors are of the opinion that the outcome and exposure to liquidated damages cannot be reliably estimated.

In addition, arising from delay in delivery of certain projects with Songkhla and Thai Maidensha, IPT is also exposed to payment of liquidated damages to the respective debtors. Details of these contracts and the Group's exposure to liquidated damages are disclosed in Note 34(B) and 34(C) to the financial statements.

We are unable to obtain sufficient appropriate audit evidence to satisfy ourselves as to the recoverability of the total receivables of \$7,986,000 included in trade and other receivables, and whether any provision for liquidated damages is required in the consolidated financial statements for the financial year ended 31 December 2015 with respect to the above mentioned matters.

INDEPENDENT AUDITOR'S REPORT

To the members of Annica Holdings Limited
For the financial year ended 31 December 2015
(Cont'd)

Report on the Financial Statements (cont'd)*Basis for Qualified Opinion (cont'd)*Writs of summons relating to IPT

As disclosed in Note 34(D) to the financial statements, IPT received writs of summons and claims totalling \$668,000 from certain trade creditors subsequent to the end of the reporting period, for outstanding debts in respect of goods delivered and services rendered to IPT. Full amounts of the outstanding debts claimed under the writs of summons have been provided in the financial statements. The Directors are of the view that no further liabilities are required to be recognised with respect to the writs of summons. We are unable to obtain sufficient appropriate audit evidence to satisfy ourselves as to whether any provision for other liabilities is required in the consolidated financial statements for the financial year ended 31 December 2015 with respect to the writs of summons.

Opening balances

The auditor's report on the Group's financial statements for the financial year ended 31 December 2014 similarly included a qualification on the recoverability of the carrying amount of net trade receivables of \$2,863,000 arising from a notice of termination of contract received from FTJ, and inability to ascertain whether any provision is required with respect to the notice of termination. The extract of the basis for qualified audit opinion is disclosed in Note 36 to the 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 2014, we are unable to determine whether the opening balances of the Group as at 1 January 2015 are fairly stated. Since the opening balances as at 1 January 2015 entered into the determination of the financial performance, changes in equity and cash flows of the Group for the financial year ended 31 December 2015, we are unable to determine whether adjustments might have been found necessary in respect of the Group's financial statements for the financial year ended 31 December 2015.

Our opinion on the current year'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.

Qualified Opinion on consolidated financial statements of the Group

In our opinion, except for the possible effects of the matters described in the Basis for Qualified Opinion paragraphs, the consolidated financial statements of the Group are properly drawn up in accordance with the provisions of the Act and Singapore Financial Reporting Standards so as to give a true and fair view of the financial position of the Group as at 31 December 2015, and of the financial performance, changes in equity and cash flows of the Group for the financial year ended on that date.

Opinion on the statement of financial position and statement of changes in equity of the Company

In our opinion, 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 Act and Singapore Financial Reporting Standards so as to give a true and fair view of the financial position of the Company as at 31 December 2015 and the changes in equity of the Company for the financial year ended on that date.

Emphasis of Matter

1 Matters with Commercial Affairs Department

We draw your attention to Note 33 to the financial statements which describes the uncertainty in relation to the outcome of the Commercial Affairs Department's ("CAD") investigations.

On 22 January 2016, the CAD confirmed to us that its investigations are on-going. As informed to us by the Directors, 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. However, the on-going 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.

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 2015
(Cont'd)

Report on the Financial Statements (cont'd)

Emphasis of Matter (cont'd)

2. Going concern assumption

We draw your attention to Note 2.1 to the financial statements. During the financial year ended 31 December 2015, the Group reported a net loss of \$8,440,000 (2014: \$14,492,000) and has net operating cash outflows of \$8,721,000 (2014: \$417,000), and the Company reported a net loss of \$7,670,000 (2014: \$13,872,000). At 31 December 2015, the Group's and the Company's accumulated losses amounted to \$47,840,000 (2014: \$42,587,000) and \$54,068,000 (2014: \$46,398,000) respectively. These factors indicate the existence of a material uncertainty which may cast significant doubt about the Group's and the Company's ability to continue as a going concern. Nevertheless, for the reasons disclosed in Note 2.1 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.

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 a going concern. In the event that the Group and the Company is unable to continue as a going concern, 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 liabilities.

Our opinion is not qualified in respect of this matter.

Other matter

The financial statements for the financial year ended 31 December 2014 were audited by another independent auditor whose report dated 13 April 2015 expressed a qualified opinion on the consolidated financial statements of the Group and the statement of financial position of the Company as detailed in Note 36 to the financial statements.

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.

Baker Tilly TFW LLP
Public Accountants and
Chartered Accountants
Singapore

12 April 2016

EXTRACT

2. Summary of significant accounting policies

2.1 Going concern

During the financial year ended 31 December 2015, the Group reported a net loss of \$8,440,000 (2014: \$14,492,000) and has net operating cash outflows of \$8,721,000 (2014: \$417,000), and the Company reported a net loss of \$7,670,000 (2014: \$13,872,000). At 31 December 2015, the Group's and the Company's accumulated losses amounted to \$47,840,000 (2014: \$42,587,000) and \$54,068,000 (2014: \$46,398,000) respectively. 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 a going concern. 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 2016 showed that the Group and the Company have adequate resources and will be able to generate sufficient cash flows in the next twelve months to meet their financial obligations as and when they fall due taking into consideration:-
 - (a) proceeds of a further \$2,000,000 had been raised from the issuance of redeemable convertible bonds ("RCBs") subsequent to the financial year ended 31 December 2015 and the Company is targeting to raise additional net proceeds from the issuance of RCBs of approximately \$11,750,000 from the first tranche of the RCBs in the next 12 months (Note 35(a)); and
 - (b) the proposed allotment and issuance of the Debt Conversion Shares and Option Shares (Note 35(b)) are slated to strengthen the financial position of the Group and the Company.
- (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.

As disclosed in Note 35, in March 2016, the Group completed the acquisition of a 70% equity shareholding interest in GPE Power Systems (M) Sdn. Bhd. and disposed its entire shareholding interests in IPT and The Think Environmental Co. Sdn. Bhd. ("TTEC") for a nominal consideration of \$2. The above acquisition and disposals will allow the Group to dispose of loss-making assets and embark on a restructuring of its business activities and group structure within its business segment of energy and power generation. The Group will also be able to allocate more efficiently its available resources on its other existing businesses and the diversification of its activities with the Group's additional business segment in the energy and power generation space.

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

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 a going concern. In the event that the Group and the Company is unable to continue as a going concern, 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 liabilities.

EXTRACT

13. Trade and other receivables

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 the trade receivables are:

- (i) an amount owing from a customer, FTJ Bio Power Sdn. Bhd. ("**FTJ**"), incorporated in Malaysia, to one of the Company's subsidiaries, Industrial Power Technology Pte Ltd ("**IPT**"), of \$1,975,000 (2014: \$2,863,000). The amount comprises trade receivables of \$410,000 (2014: \$471,000) and billable retention work-in-progress of \$2,967,000 (2014: \$3,554,000) less allowance for impairment of \$1,402,000 (2014: \$1,162,000).
- (ii) an amount owing from a customer, Songkhla Biomass Company Limited ("**Songkhla**"), incorporated in Thailand, to IPT of \$3,403,000 (2014: Nil). The amount represents billable retention work-in-progress of \$3,403,000 (2014: Nil).
- (iii) an amount owing from a customer, Thai Maidensha Company Limited ("**Thai Maidensha**"), incorporated in Thailand, to IPT of \$679,000 (2014: Nil).

Please refer to Note 34 (A), (B), (C) on claims from FTJ and delays in the delivery of projects with Songkhla and Thai Maidensha.

EXTRACT

33. Other Matters

Matters with Commercial Affairs Department

As announced by the Company via the SGXNET on 4 April 2014 and 29 April 2014, the Company and certain of its subsidiaries, IPT, P.J. Services Pte Ltd and Nu-Haven Incorporated, were served with notices to provide certain information and documents for the period from 1 January 2011 to 3 April 2014 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 22 January 2016, the CAD confirmed to the Company's external auditor that its investigations are still on-going. The CAD has not provided the Company with any further details or updates of its investigations.

The Company's current 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.

EXTRACT

34. Claims and contingent liabilities

The following claims and contingent liabilities of the Group are related to IPT as at 31 December 2015. Subsequent to the financial year ended 31 December 2015, the Company has disposed its entire shareholding interest in IPT (please refer to Note 35(d)).

(A) Receipt of a notice of termination of a contract- FTJ Claims

On 27 March 2015, IPT received a Notice of Termination dated 26 March 2015 ("**Termination Notice**") in respect of the Engineering, Procurement, Construction & Commissioning Turnkey Contract ("**EPCC Contract**") between the IPT and FTJ Bio Power Sdn. Bhd. on grounds of alleged breach and default by the IPT of certain terms under the EPCC Contract ("**FTJ Claims**").

The EPCC Contract is for the engineering, procurement, construction and commissioning of a Biomass Power Plant ("**Power Plant**") in Malaysia. IPT had completed the engineering, procurement and construction of the Power Plant which IPT has received approximately \$29,300,000 (equivalent of RM78,300,000), being approximately 90% of the EPCC Contract's original contract sum. As at 31 December 2015, according to the terms of the EPCC Contract, the exposure of the maximum liquidated damages is approximately \$5,900,000 (equivalent of RM18,000,000 at the current prevailing exchange rate).

IPT has been advised by its solicitors who opined that the IPT's position has merits on the FTJ Claims, the Termination Notice and liquidated damages invoices issued by FTJ. IPT has been directed to take all appropriate steps to resolve the matter via amicable negotiation and if necessary, initiate arbitration proceedings at the Kuala Lumpur Regional Centre for Arbitration as provided for in the EPCC Contract. The arbitration proceeding is likely to take about 12 to 24 months from commencement before an award may be given and as at the date of this report, no arbitration proceedings have commenced. Based on the foregoing factors and as the outcome of the Termination Notice and FTJ Claims cannot be reliably estimated and the obligation of the liquidated damages are subject to those outcomes, the Directors are of the opinion that no further allowance for doubtful receivables on the net amount owing from FTJ of \$1,975,000 (Note 13 (i)) and no provision for liquidated damages was necessary as at 31 December 2015.

(B) Delay in the delivery of project with Songkhla

As disclosed in Note 23, there is a project delay on the contract with Songkhla. Based on the terms of the contract, the exposure of the maximum liquidated damages is approximately \$4,700,000, representing 20% of the total contract sum of \$23,306,000. Based on the representation from the management of IPT on the status of the negotiations between Songkhla and IPT, the Directors are of the opinion that no allowance for doubtful receivables on the amount owing from Songkhla of \$3,403,000 (Note 13 (ii)) and no provision for liquidated damages was necessary as at 31 December 2015.

(C) Delay in the delivery of project with Thai Maidensha

There is a project delay on the construction of a plant in Thailand entered into between Thai Maidensha and IPT. Based on the terms of the contract, the exposure of the maximum liquidated damages is approximately \$1,000,000, representing 9% of the total contract sum of \$11,140,000. Based on the representation from the management of IPT on the status of the negotiations between Thai Maidensha and IPT, the Directors are of the opinion that no allowance for doubtful receivables on the amount owing from Thai Maidensha Company Limited of \$679,000 (Note 13 (iii)) and no provision for liquidated damages was necessary as at 31 December 2015.

(D) Receipt of writs of summons from certain trade suppliers

Subsequent to the financial year ended 31 December 2015, IPT received writs of summons and claims totalled \$668,000 made against it from certain trade creditors for outstanding debts in respect of goods delivered and services rendered to IPT. The full amounts of the outstanding debts claimed under the writs of summons have been provided for in these financial statements. As the management of IPT was unable to determine the probable outcome and current status of the writs of summons, consequently, the Directors are of the opinion that no additional liabilities might arose and no additional liabilities were recognised as at 31 December 2015.

EXTRACT

35. Events after the reporting period

Other than as disclosed elsewhere in these financial statements, subsequent to the financial year ended 31 December 2015:

- (a) In respect of the RCBs.
 - (i) The Company issued the fifth to eighth sub-tranche of the Tranche 1 RCBs, with an aggregate principal amount of \$2,000,000;
 - (ii) The Company allotted and issued a total of 188,235,294 consideration shares, for a total consideration of \$300,000, being the initial fee payment tranche relating to the issuance of the RCBs; and
 - (iii) the subscribers of the RCBs have exercised its rights to convert RCBs with an aggregate principal value of \$2,450,000, which are converted into a total of 3,062,500,000 conversion shares. As at the date of these financial statements, the principal value of RCBs that has been issued which are yet to be converted into the Company's shares amounted to \$1,550,000.

Following the allotment and issuance of the consideration shares and conversion shares, the issued and paid-up ordinary shares of the Company has increased to \$57,274,805, comprising 4,739,485,206 ordinary shares, as at the date of these financial statements.

- (b) The Company announced on 11 February 2016 that it had entered into a debt conversion agreement and an option agreement with an investor, respectively, whereby the Company agreed to grant an option to the investor to convert an amount of \$3,505,000 into 3,504,878,770 shares of the Company and further, the Company proposes, for the aggregate consideration of \$50,000, to issue to the investor an aggregate of 5,555,555 transferable share options with each option carrying the right to subscribe for one (1) new ordinary share of the Company to raise an amount of up to \$5,000,000 in aggregate. The proposed allotment and issuance of the shares to the investor is subject to approval by the SGX-ST and shareholders at an extraordinary general meeting to be convened.

The amount of \$3,505,000 to be convertible by the investor arose from the assignment of a loan to the Company by LionGold (Note 23) to the investor.

- (c) On 1 March 2016, the Company completed the acquisition of 350,000 ordinary shares, representing 70% shareholding interest, in GPE Power Systems (M) Sdn. Bhd. ("**GPE**"), for a consideration of \$1,837,500. The fair value of the Group's share of the identifiable net assets of GPE at the date of acquisition has been provisionally determined at \$500,000. GPE will be consolidated with effect from 1 March 2016. Details of the assets acquired, liabilities assumed, non-controlling interest that will be recognised, acquisition costs and effects on the Group's profit or loss and cash flows for the financial year ending 31 December 2016 are not disclosed as the accounting for this business combination is still incomplete at the time these financial statements are authorised for issue.
- (d) On 17 March 2016, the Company completed the disposal of its entire shareholding interest in the IPT and TTEC (the "**Disposal**") for a sales consideration of \$2. The Group's share of net liabilities of the subsidiaries as at 31 December 2015 was \$7,020,000. The financial effect of the disposal is not disclosed as the accounting for this disposal is still incomplete at the time these financial statements are authorised for issue.
- (e) On 7 April 2016, the Company entered into conditional sale and purchase agreements to acquire the remaining 22% shareholding interests in IES for an aggregate consideration of \$660,000. The consideration will be satisfied by the issuance of promissory notes and the Company's shares. Subject to conditions precedent and upon completion of the transaction, IES will become a wholly-owned subsidiary of the Company.

EXTRACT

36. Basis for qualified audit opinion on the financial statements for the financial year ended 31 December 2014

The independent auditor's report dated 13 April 2015 expressed a qualified audit opinion on the financial statements for the financial year ended 31 December 2014. The extract of the basis for qualified audit opinion is as follows:

Basis for Qualified Opinion

Included in the trade and other receivables shown in Note 13 is a net amount of \$2,863,000 due from a subsidiary's customer. Subsequent to the financial year end, the subsidiary received a notice of termination letter from the same customer. As disclosed in more details in Note 34A, the matters relating to the notice of termination letter are still at its preliminary stage and that if arbitration proceedings are to take place, it is likely that it would be about 12 to 24 months from commencement before an award is given.

As such, we are unable to obtain sufficient appropriate audit evidence to ascertain the recoverability of the carrying amount of net trade receivables of \$2,863,000 based on the current circumstance as mentioned above. We are unable to determine whether any further provision to this amount is necessary.

Qualified Opinion

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraphs, the consolidated financial statements of the Group and the statement of financial position of the Company are properly drawn up in accordance with the provisions of the Act and Singapore Financial Reporting Standards so as to give a true and fair view of the state of affairs of the Group and of the Company as at 31 December 2014, and of the results, changes in equity and cash flows of the Group for the financial year ended on that date.

Emphasis of Matter

a) Matter with Commercial Affairs Department

We draw your attention to Note 33 which describes the uncertainty in relation to the outcome of the Commercial Affairs Department's ("CAD") investigations.

As announced by the Company on 4 April 2014 and 29 April 2014, the Company and certain of its subsidiaries were served with notices to provide certain documents to the CAD in relation to its investigations into an offence under the Securities and Futures Act (Cap. 289). The Company's Chairman and Executive Director was interviewed by CAD officers in relation to its investigations and an Independent and Non-Executive Director of the Company is assisting the CAD with its investigations.

On 20 January 2015, the CAD confirmed to us that its investigations are on-going. As informed to us by the Directors, 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. However, the on-going 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.

Our opinion is not qualified in respect of this matter.

EXTRACT

36. Basis for qualified audit opinion on the financial statements for the financial year ended 31 December 2014 (cont'd)

Emphasis of Matter (Cont'd)

- b) Receipt of a notice of termination of a contract by a subsidiary

We draw your attention to Note 34A which describes the uncertainty in relation to the outcome of FTJ Claims, the Termination Notice and liquidated damages invoices issued by FTJ against one of the subsidiaries of the Company.

Our opinion is not qualified in respect of this matter.

- c) Going concern assumption

We draw your attention to Note 2.1 which describes that the financial statements of the Group are prepared on a going concern basis which assumes continuity of normal business activities and the realisation of assets and discharge of liabilities in the normal course of business.

The Group has recorded a net loss of \$15,031,000 and has net operating cash outflows of \$417,000 during the financial year ended 31 December 2014; and as of that date the Group's accumulated losses amounted to \$42,587,000. These factors indicate the existence of a material uncertainty which may cast significant doubt about the Group's and the Company's ability to continue as a going concern.

Our opinion is not qualified in respect of this matter.