

**Independent Auditor's Report  
For the financial year ended 31 March 2019**

**Independent Auditor's Report to the Members of Asiatic Group (Holdings) Limited**

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

**Disclaimer of Opinion**

We have audited the financial statements of Asiatic Group (Holdings) Limited (the "Company") and its subsidiaries (collectively, the "Group"), which comprise the balance sheets of the Group and the Company as at 31 March 2019, the statements of changes in equity of the Group and the Company and the consolidated income statement, consolidated statement of comprehensive income and consolidated cash flow statement of the Group for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

We do not express an opinion on the accompanying financial statements. Because of the significance of the matters described in the Basis for Disclaimer of Opinion section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

**Basis for Disclaimer of Opinion**

As disclosed in Note 2.2, the Group incurred a net loss after tax of \$19,980,000 and had incurred cash outflow from operating activities of \$902,000 for the year ended 31 March 2019. As at that date, the Group's current liabilities (which includes loan and borrowings of \$22,533,000) exceeded the Group's current assets by \$19,647,000 and the Company's current liabilities exceeded the Company's current assets by \$7,778,000. As further disclosed in Note 24, a subsidiary of the Group did not meet its financial covenants on certain banking facilities. These conditions and events indicate the existence of a material uncertainty which may cast significant doubt on the ability of the Group and Company to continue as a going concern.

The directors have prepared the financial statements on a going concern basis based on the assumptions as disclosed in Note 2.2 to the financial statements. However, based on the information available to us, we have not been able to obtain sufficient appropriate audit evidence to satisfy ourselves as to the use of the going concern assumption adopted in the preparation of the financial statements.

**Responsibilities of Management and Directors for the Financial Statements**

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Act and FRSS, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair financial statements and to maintain accountability of assets.

In preparing the financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The directors' responsibilities include overseeing the Group's financial reporting process.

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**Auditor's Responsibilities for the Audit of the Financial Statements**

Our responsibility is to conduct an audit of the Group's financial statements in accordance with Singapore Standards on Auditing and to issue an auditor's report. However, because of the matter described in the Basis for Disclaimer of Opinion section of our report, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

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.

**Report on Other Legal and Regulatory Requirements**

In our opinion, in view of the significance of the matter referred to in the Basis for Disclaimer of Opinion section of our report, we do not express an opinion on whether the accounting and other records required by the Act to be kept by the Company and by the 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 Tan Po Hsiang Jonathan.

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Ernst & Young LLP  
Public Accountants and  
Chartered Accountants  
Singapore

29 August 2019

### **Note 2.3**

For the year ended 31 March 2019, the Group incurred a net loss after tax of \$19,980,000 (2018: profit after tax of \$1,415,000) and cash outflow from operating activities of \$969,000 (2018: \$1,093,000). As at 31 December 2018, the Group's current liabilities (which includes loan and borrowings and overdraft of \$22,533,000) exceeded the Group's current assets by \$19,647,000 (2018: \$20,053,000) and the Company's current liabilities exceeded the Company's current assets by \$7,778,000 (2018: net current asset of \$16,267,000). As disclosed in Note 24, a subsidiary of the Group did not meet its financial covenants on certain banking facilities. These conditions and events indicate the existence of a material uncertainty which may cast significant doubt on the ability of the Group and Company to continue as a going concern.

In the opinion of the directors, the Group and Company is able to continue as a going concern despite the conditions stated above as the directors are confident that the Group will continue to receive financial support from the banks. As further disclosed in Note 24, the Group has commenced discussion with the bank to waive the financial covenants that was not met. In addition, the Group will be able to generate positive cash flows from operations. Further the Group expects the operations at Maju Intan Biomass Energy Sdn Bhd ("MJE") to stabilise following the overhaul of the turbine in FY 2019 and MJE is currently in negotiations with the bank to restructure existing loans which will also improve the liquidity of MJE.

If the Group and Company is unable to continue in operational existence for the foreseeable future, the Group and Company 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 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 consolidated balance sheet. In addition, the Group and Company may have to reclassify long term assets and liabilities as current assets and liabilities. No such adjustments have been made to these financial statements.