

## INDEPENDENT AUDITOR'S REPORT

### To the Members of IpcO International Limited

#### REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

#### DISCLAIMER OF OPINION

We were engaged to audit the financial statements of IpcO International Limited (the "Company") and its subsidiaries (the "Group") as set out on pages 13 to 93, which comprise:

- the consolidated statement of financial position of the Group and the statement of financial position of the Company as at 30 April 2017;
- the consolidated statement of comprehensive income, consolidated statement of changes in equity, and consolidated statement of cash flows of the Group for the financial 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 consolidated financial statements of the Group and the statement of financial position of the Company. 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

##### Transaction relating to Employee Share Scheme

On 21 May 2015, the Board of Directors and the Remuneration Committee of the Company approved and adopted the Employee Share Scheme ("ESS") of a subsidiary, China Environmental Energy Protection Investment Limited. Under the ESS, key executives of the Group are granted registered capital of Hubei Zonglianhuan Energy Investment Management Inc. ("HZLH"), a subsidiary in the People's Republic of China ("PRC"). The ESS is restricted to key executives of the Group. To facilitate the implementation of the ESS, RMB16 million registered capital in HZLH representing 20% equity interest was transferred to Xiaogan He Shun Investment Management Centre LLP ("He Shun"), registered in the PRC, for a consideration of RMB28.8 million. The key executives of the Group that were granted with registered capital of He Shun were admitted as partners of He Shun and the consideration is payable within 3 years with the vesting conditions as set out in Note 29(a) to the financial statements.

On 4 May 2017, there were two additional partners admitted based on an independent company profile search on He Shun carried out as part of our audit procedures. The registered capital granted to the new partners represented 5% indirect interest in HZLH. Based on our inquiry, we understand that the transaction took place without discussion with or approval from the Board of Directors and Remuneration Committee of the Company. In addition, the two partners are not employees of the Group and hence, not eligible to the ESS. The Board of Directors of the Company is in the process of seeking legal advice on how to resolve this matter.

As of the date of this report, the Board of Directors of the Company is unable to provide us with further information on the transaction. Consequently, we were unable to obtain sufficient appropriate evidence regarding the nature and veracity of the transaction which may have a pervasive effect on the financial statements. Accordingly, we were also unable to assess the financial impact to the financial statements and to determine whether there are other matters up to the date of this report that may require any adjustment of, or disclosures in the financial statements.

## INDEPENDENT AUDITOR'S REPORT

### To the Members of Ipco International Limited

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#### BASIS FOR DISCLAIMER OF OPINION (CONTINUED)

##### Going concern

As disclosed in Note 4 to the financial statements, as at 30 April 2017, the Group's current liabilities exceeded the current assets by \$3,460,000 and the Group and the Company had trade and other payables owing to third parties (excluding advance payments received from customers) of \$17,895,000 and \$1,104,000 which exceeded their cash and cash equivalents of \$9,036,000 and \$74,000 respectively. As of that date, the Group's cash and cash equivalents of \$4,233,000 were held with subsidiaries in the PRC which are subject to local exchange control regulations.

The Board of Directors of the Company is of the view that the use of going concern basis to prepare the financial statements is appropriate for the Group and the Company based on projected cash flows which included the following key assumptions, amongst others:

- i) The ability to raise funds through placement exercise as announced on 3 July 2017;
- ii) The ability to sell its land lots in the United States of America recorded in the books of Capri Investments, L.L.C;
- iii) The ability to generate positive cash flows from its group cash generating unit, HZLH, and the continuing financial support from its bankers and suppliers;
- iv) The continuing financial support from a subsidiary to the Company.

As we have not been provided with sufficient appropriate evidence supporting the key assumptions used in the projected cash flows, we were unable to assess if the use of going concern basis in the preparation of these financial statements is appropriate.

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 in a manner 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 position. In addition, the Group and the Company may need to reclassify non-current assets and liabilities to current assets and liabilities. No such adjustments have been made to these financial statements.

#### EMPHASIS OF MATTER

We draw attention to Note 35 to the financial statements, which describes the investigations by the Commercial Affairs Department, Singapore Police Force. Our opinion is not modified in respect of this matter.

#### 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 Companies Act, Chapter 50 (the "Act") and Financial Reporting Standards in Singapore, 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.

## INDEPENDENT AUDITOR'S REPORT

### To the Members of Ipco International Limited

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#### AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Our responsibility is to conduct an audit of the financial statements in accordance with Singapore Standards on Auditing and to issue an auditor's report. However, because of the matters 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 matters 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 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 Goh Chern Ni.

**BDO LLP**  
Public Accountants and  
Chartered Accountants

**Singapore**  
7 August 2017