

Factual investigation into certain matters of Next-
Generation Satellite Communications Limited

31 October 2014

Strictly Private & Confidential



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List of Abbreviations

Abbreviation	Name
AC	Audit Committee
ACRA	Accounting & Corporate Regulatory Authority
AGM	Annual General Meeting
Barclays Bank	Barclays Bank Wealth Management
BJC	Ban Joo Company Limited (Now known as Next-Generation Satellite Communications Limited)
BNP Paribas	BNP Paribas Wealth Management
BOD	Board of Directors
CEO	Chief Executive Officer
CIMB	CIMB Bank Berhad
CUH	China UnifiedNet Holdings Limited
EY Advisory	Ernst & Young Advisory Pte. Ltd.
Facility letter	Credit facility letter issued by Niaga Finance
Finance Co.	Hong Kong based Finance Company
Group	Next-Generation Satellite Communications Limited and its subsidiaries
HKMLO	Hong Kong Money Lenders Ordinance
HSBC	The Hong Kong and Shanghai Banking Corporation Limited
LC	Letter of credit supported by an issuing and advising bank
MSN	Multi Skies Nusantra Limited
Multi Bright	Multi Bright (HK) Limited
NGSC	Next-Generation Satellite Communications Limited (formerly known as Ban Joo & Company Limited)
Niaga Finance	Niaga Finance Company Limited
Niaga Holding	Niaga Holding Limited
SGX	Singapore Exchange Limited

Abbreviation	Name
Star Light	Star Light Telemedia DC Limited
TPC	Telemedia Pacific Communications Limited
TPG	Telemedia Pacific Group Limited
TPI	Telemedia Pacific Incorporation
TPIHK	Telemedia Pacific Incorporation Limited
Tx	Transaction
VIP	VIP (HK) Ltd

Individuals named in this report

Name of individuals	Position/ Roles
Mr. Hady Hartanto (“Hady”)	Former Executive Director of NGSC, TPC, VIP, Multi Bright, Star Light and MSN
Ms. Sri Tjintawati Hartanto (“Sri Hartanto”)	Executive Director of NGSC
Mr. Hardi Koesnadi	Former Executive Director of NGSC, TPC, VIP, Multi Bright, Star Light, MSN
Mr. Lam Ah Seng@Lam Pang Chuang (“PC Lam”)	Executive Director of NGSC, former Chief Executive Officer (“CEO”) of NGSC up till 1 September 2014
Mr. Tay Thai Seng (“Tay”)	Former Executive Director of NGSC
Mr. Fong Yew Meng	Member of the Audit Committee of NGSC
Mr. Lie Chau Pin, Paul (“Paul Lie” or “Paul”)	CEO of Niaga Finance Company
Mr. Tao Yeoh Chi (“Mr Tao”)	Former member of the Audit Committee of NGSC
Ms. Chan Fung Ling (“Patty Chan” or “Patty”)	Former personal assistant of Hady Hartanto and Sri Hartanto
Ms. Teoh Pei Yean (“Pei Yean”)	Former Financial Controller of NGSC
Mr James Li Jian Min (“James”)	Former CEO of NGSC from 20 December 2011 to 28 February 2014

1 Executive Summary

1.1 Background and our appointment

- 1.1.1 Next-Generation Satellite Communications Limited (the “Company” or “NGSC”) is formerly known as Ban Joo & Company Ltd (“Ban Joo”). Whilst Ban Joo used to be in the textile business, NGSC is now a satellite communication solutions provider engaged in the business of building, operating and leasing base station controllers for universal service obligation (USO) sites to enable the roll-out of telecommunication services in remote areas in Indonesia.
- 1.1.2 NGSC issued an announcement dated 5 July 2012, stating that certain funds deposited by Next-Generation Satellite Communications Limited and its subsidiaries (herein collectively referred to as “the Group”) with a Hong Kong-based Finance Company (“Finance Co.”) did not reconcile with the records of the Company and there were concerns in relation to the discrepancy and restriction of funds held by them (hereinafter referred to as “the Matter”). This gave rise to the need for an independent assessment into the Matter relating to the funds placed with the Finance Co.
- 1.1.3 Following the above, on 25 July 2012, Ernst & Young Advisory Pte. Ltd (“EY Advisory”) was appointed by the Audit Committee of NGSC (“AC”) to investigate into the Matter, including reviewing the processes and procedures concerning the Group’s deposit and placing of funds with the Finance Co., as well as conducting verification on the movement of cash placed with the Finance Co. and the restriction.

1.2 Overview of the engagement and work performed

- 1.2.1 The scope of EY Advisory’s field work covers the period from 1 January 2008 to 29 October 2012¹.
- 1.2.2 The scope of work as it relates to the Matter is summarized below:

¹Proposed subscription of new ordinary shares in the capital of the Ban Joo & Company Limited by Telemedia Pacific Group Limited was first mentioned on 11 July 2008 in the Board of Directors meeting minutes.

- a) Discuss with relevant NGSC personnel to gain an understanding on the basis of selecting the Finance Co., for NGSC to place their funds and the modus operandi for the account held with the Finance Co.;
 - b) Based on available documents and/or information that relates to our scope of work, assess the cash movement for the account held with the Finance Co.;
and
 - c) Based on the above, identify irregularities and/or anomalies as they relate to the account held with the Finance Co and the Matter.
- 1.2.3 During the course of our work, we provided three (3) status updates to the AC and Management on 31 August 2012, 9 October 2012 and 6 December 2012 and on a periodic basis, kept the AC and/or the Exchange apprised of the progress of the factual assessment.
- 1.2.4 Interviews were conducted with six (6) individuals, namely Teoh Pei Yean, Hardi Koesnadi, Hady Hartanto, Sri Hartanto, Tao Yeoh Chi and Paul Lie, CEO Niaga Finance whom we believed will be able to provide clarification in relation to the Matter.
- 1.2.5 Our fieldwork commenced on 30 July 2012 and was substantially concluded on 29 October 2012. For the period thereafter up till 12 December 2013, we had made certain requests for further information and/or clarification. Subsequent to 12 December 2013, upon requests, we had on several occasions spoken to Hady and other relevant personnel for the period up till 6 May 2014. Further request to meet Niaga Finance was also made on 10 June 2014 but was unsuccessful.
- 1.2.6 This Report is finalised based on the scope of work as set out in paragraph 1.2.2 along with the available information and/or documents. Further to this Report, the Audit Committee has separately requested EY Advisory to assess certain matters into one of the Company's subsidiary, namely Multi Skies Nusantara Limited. Accordingly, there may be additional information and/or documents that may come to light on the conclusion of the investigation into Multi Skies Nusantara Limited, which may change the findings and/or observations in this Report.

1.3 General limiting conditions and constraints

- 1.3.1 The findings in this Report are based on facts, information, financial data, and documentation obtained in the course of work into certain matters of NGSC and its subsidiaries ("Group") which, at the time of this Report bear significance and relevance to the scope of our work.

- 1.3.2 The procedures that we have performed in arriving at the findings in this Report do not constitute an audit or a review made in accordance with the Singapore Standards of Auditing or Singapore Standards on Review Engagements; accordingly, no assurance will be expressed in this regard.
- 1.3.3 The scope of work set out in this Report does not amount to an internal audit and shall not be relied upon as the primary basis for assessing the adequacy of the system of internal controls.
- 1.3.4 Unless expressly stated, the information contained in this Report has not been subject to detailed verification procedures and no document expert has been engaged to independently verify the authenticity of the documents. No representation is made by EY Advisory as to the accuracy or completeness of such information and nothing contained in this Report is or shall be construed as a representation of the future.
- 1.3.5 All assumptions made for the purpose of this engagement are based on information and representations provided by NGSC and persons in connection with our work. We do not give any representation, warranty, indemnity or undertaking expressly or impliedly as to the accuracy or completeness of such information provided to and used by us in our assignment.
- 1.3.6 We wish to highlight that the people we interviewed were not under oath. Hence, certain judgments would need to be exercised as to the credibility of the views and recollections of those interviewed and/or discussed.
- 1.3.7 Any report issued by EY Advisory should not be used by NGSC for any other purpose than that stated in our letter of engagement without our prior written consent. In the event that we provide written approval to NGSC to use any of our reports for purposes other than that stated in our letter of engagement, we will need to approve the form and context of such a report to be released. In addition, we shall require an appropriate indemnity from NGSC absolving EY Advisory from any liability or consequence arising from the release of such report for purposes other than that specified above.
- 1.3.8 Our Report will be made available to (a) the Audit Committee of NGSC; and (b) The Exchange, and that certain portions or the entire Report may be published. The decision to publish certain portions or the entire Report shall be made by the Audit Committee of NGSC and/or the Exchange. Save for the foregoing, neither the whole nor part of our Report, nor any reference thereto, may be circulated nor published in

any way whatsoever, nor used for any other purpose than that specified in the Report without our prior written consent pertaining to the form and context in which it appears. Except if requested by The Exchange to furnish the Report to the relevant authority and/ or regulatory board, this Report should not be used by and/or disclosed to third parties, without the expressed consent of EY Advisory. No reliance should be placed by third parties on the Report for any purposes whatsoever and EY Advisory shall not be responsible to third parties who have acted on the information contained therein.

- 1.3.9 No reliance should be placed on preliminary draft and/or draft Reports issued by us for discussion purposes and EY Advisory shall not be responsible to any parties who have placed reliance on such preliminary draft and/or draft Reports.
- 1.3.10 We reserve the right (but we are not under any obligation) to review, alter and amend our Report in the light of any matters not previously brought to our attention as a result of new developments, which may or may not materially affect our opinion both prior to and subsequent to the date of this Report.

1.4 Specific limiting conditions and constraints

- 1.4.1 Given the limitations of our appointment, we were unable to compel production of documents in the possession of third parties or attendance of certain individuals to provide information relevant to our work. As a result, we could not conduct interviews with:
- a) Ms. Patty Chan ("Patty")², who is the former personal assistant of Hady Hartanto and Sri Hartanto. Patty is considered critical to the Matter as she prepared instructions and communicated with Finance Co. for and on behalf of NGSC and its subsidiaries. Patty was also one of the authorised signatories for NGSC. Had we spoken to her, there may be additional information that may or may not be consistent with the findings stated in this Report; and
 - b) Mr. Richard Tay Thai Seng ("Tay") who is a former Executive Director of NGSC. However, we managed to provide written questionnaires to Tay and received his comments on 8 November 2012.
- 1.4.2 The documents available to us for our assessment as it relates to the Matter are incomplete. Hence, conclusions, if any, are formed based on the documents available to us.

² Patty was not at any point of time, an employee of NGSC and its subsidiaries.

- 1.4.3 We did not perform any computer forensic procedures. Should we have done so, certain emails and documents relevant to our work may come to light which may or may not have an impact to this Report.

1.5 Maxwellisation

- 1.5.1 Extracts of the draft report dated 6 September 2013 pertaining to each individual were sent to them for their comments. This allowed individuals the opportunity to submit their written responses as they relate to our findings and observations. This exercise is known as Maxwellisation.

We have performed the Maxwellisation process on the following individuals:

- a. Hady Hartanto
- b. Sri Hartanto
- c. Hardi Koesnadi
- d. Teoh Pei Yean
- e. Paul Lie (Chief Executive Officer (“CEO”) of Niaga Finance)

On 15 October 2013, except for Paul Lie who replied through his solicitors, namely, M/S Gallant Y. T. Ho & Co. (“Gallant”), we received direct written responses from the above mentioned individuals. Relevant extracts of their respective responses are set out in this Report.

In relation to the reply from Paul Lie., we were informed by Gallant that neither Paul Lie nor Niaga Finance has any legal or contractual obligation to reply in view that a settlement agreement has been executed on 25 June 2013³.

1.6 Summary of our key findings and observations

Key findings and observations identified are summarized in this section. Details of the key findings and observations are provided in Section 4 of this Report.

The Hong Kong based Finance Co.- Niaga Finance Company

- 1.6.1 The Hong Kong based finance company, namely, Niaga Finance Company (“Niaga Finance”) is not a licensed entity like a bank which is regulated by the Hong Kong

³ On 25 June 2013, the Company entered into an agreement with Niaga Finance to set out a framework towards the settlement of funds amounting to approximately S\$24.0 million that were previously placed with them. For more information of the settlement, please refer to SGX company announcement dated 25 June 2013.

Monetary Authority. Instead, Niaga Finance is a money lender, licensed and regulated under the Hong Kong Money Lenders Ordinance.

- 1.6.2 Based on the Board of Directors' Resolution ("BOD resolution") dated 20 January 2009, the intention of the Company was to open an account with a bank. However, it appears from the available BOD resolution, the Company had misconceived Niaga Finance as a bank instead of a money lender. Further, the basis for selecting Niaga Finance was not documented in any of the minutes of Board of Directors' meeting available to us.
- 1.6.3 As Niaga Finance is not a bank, none of the funds placed by NGSC with it was interest bearing.
- 1.6.4 Based on our interview with the Paul Lie, he termed the accounts that NGSC had with Niaga Finance as "*disbursement accounts*" and our assessment of documents showed that the accounts were opened on 17 March 2009. Our understanding from him was the accounts were meant for collateral purposes.
- 1.6.5 In our interview with former Executive Director of NGSC, Mr. Hady Hartanto ("Hady"), he told us that Niaga Finance was selected for placement of NGSC's funds because NGSC was under debt restructuring at that point in time (i.e. in 2009). Hence, it was difficult for NGSC to identify a bank that would not compromise the interest of NGSC in view of the debt restructuring. Additionally, Hady mentioned that he was a Director of Niaga Finance at that point in time and that, he would be more comfortable to place NGSC's funds with Niaga Finance. However, as mentioned in paragraph no. 1.6.2, this basis was not documented in any of the documents available to us for our assessment.

The Authorised Signatories to Niaga Finance account

- 1.6.6 Based on the BOD resolution⁴ dated 20 January 2009 in relation to the opening of accounts with Niaga Finance, which we obtained from the Company's secretarial record, we noted three (3) authorized signatories named in the mentioned resolution. They were: (i) Hady Hartanto; (ii) Sri Tjintawati Hartanto; and (iii) Tay Thai Seng. However, based on NGSC's minutes of Directors' meeting dated 11 March 2009 that was provided to us by Niaga Finance, the authorized signatories were: (i) Hady Hartanto; (ii) Sri Tjintawati Hartanto; and (iii) Chan Fung Ling. [Note: Chan Fung Ling is also known as Patty Chan ("Patty")]

⁴ BOD resolution was signed by all Directors except Lai Chik Fan. The eleven(11) Directors that have signed were namely, Chin Chit@ Ah Choong@ Lam Shah Choong, Lam ah Seng@ Lam Pang Chuang, Chin Pang Joo@ Ivan Lam Pang Joo, Hady Hartanto, Tay thai Seng, Sri Tjintawati Hartanto, Hardi Koesnadi, Neo Wee Suan, Mahtani Bhagwandas, Fong Yew Meng and Lam Lee G.

- 1.6.7 We have examined the Company's secretarial record but could not locate the mentioned minutes of Directors' meeting dated 11 March 2009 that was provided to us by Niaga Finance for the opening of the disbursement account. Based on the minutes of Directors' meeting dated 11 March 2009, we noted that the meeting was convened at the registered office of Niaga Holdings Limited, the holding company of Niaga Finance which was also sharing the same registered office as Telemedia Pacific Incorporation Limited and the meeting was only attended by Hady and his sister, Sri Tjintawati Hartanto. This minute of Directors' meeting indicated that any of the three (3) authorized signatories were allowed to operate the disbursement account on a singly basis. We are unable to confirm if other Directors of NGSC were aware of the meeting held on 11 March 2009, as we could not identify any notice of Directors' meeting for this specific meeting from the Company's secretarial records.
- 1.6.8 Based on the above, it is questionable as to why: (i) the BOD resolution dated 20 January 2009 was not provided to Niaga Finance. for the opening of the disbursement account on 17 March 2009; (ii) Patty was included as the authorized signatory as we understand she was the personal assistant to Hady and was never an employee of NGSC at any point in time; and (iii) the notice and minutes of Directors' meeting dated 11 March 2009 were not found in the secretarial records of the Company.

Questionable cash movement prior to the opening of the disbursement account with Niaga Finance

- 1.6.9 Arising from the subscription of new ordinary shares with warrants in the capital of the Company, Telemedia Pacific Group Limited ("TPG") subscribed to 2.3 billion number of shares (amounting to S\$23.0 million at an issue price of S\$0.01 for each share) of NGSC which resulted in TPG being the largest shareholder of NGSC. The cash from the subscription of shares by TPG S\$22.5 million⁵ was deposited into NGSC's bank account with Barclays Bank Wealth Management ("Barclays Bank") in Hong Kong on 6 January 2009.
- 1.6.10 Six (6) days after the sum was deposited, a series of three (3) transactions occurred during the period from 12 January to 5 February 2009, where the sum of S\$22.5 million (with the exception of S\$240.25 for bank charges) was withdrawn from NGSC's Barclays Bank account. Based on the respective payment advices from Barclays Bank, the funds were deposited into the HSBC account in favour of Niaga

⁵ S\$22.5million was derived from the subscription was S\$23million less S\$500,000 of escrow fees, where S\$400,000 was subsequently returned to NGSC in March 2009

Finance, which is to be deposited into Omega Creation Worldwide Limited. The transactions are summarized below:

Date of transfer	Recipient	Amount
12 January 2009	Niaga Finance (to be deposited into a/c of Omega Creation Worldwide Limited)	S\$20.0 million
19 January 2009	Niaga Finance. (to be deposited into a/c of Omega Creation Worldwide Limited)	S\$1.0 million
5 February 2009	Niaga Finance. (to be deposited into a/c of Omega Creation Worldwide Limited)	S\$1,499,759.75 ⁶

1.6.11 Based on our company searches, Omega Creation Worldwide Limited (“Omega”) is neither a Singapore nor Hong Kong incorporated entity with no apparent connection with NGSC and its subsidiaries. However, we were advised during our interview with Hady that Omega was a potential business partner of NGSC as it possessed the landing rights of the sub-marine cable in Indonesia and is purportedly owned by the former Chairman of NGSC. Further, Hady mentioned that Barclays Bank in Hong Kong (Private Banking Division) was closing down at that point in time (in early 2009) and hence the amount of S\$22.5 million needed to be transferred out from Barclays Bank immediately as the opening of the disbursement accounts of NGSC with Niaga Finance were only completed sometime on or around 17 March 2009. During the Maxwellisation process, Hady commented that *“Barclays Bank in Hong Kong (the private banking, which NGSC opened the account, where the money was placed) was closing down at that point of time (early 2009) and hence the amount of S\$22.5million needed to be transferred out from Barclays Bank immediately. The disbursement account of Ban Joo (NGSC) with Niaga Finance. were opened immediately, but completed the open account sometime on or around 17 March 2009.”*

1.6.12 Notwithstanding the above, Hady was unable to provide a satisfactory explanation on the need to transfer the funds to Omega, which is unrelated to NGSC and may subject the Company to unnecessary risks arising from such transfers to external (unrelated) parties.

⁶ The amount should be S\$1,500,000; difference of S\$240.25 was due to transfer charges deducted by the Bank.

- 1.6.13 Additionally, we noted from the documents provided to us that an interest income of S\$1,917.80 was recorded for a fixed term deposit of S\$19,999,980 with BNP Paribas Wealth Management (“BNP Paribas”) for a period of ten (10) weeks from 14 January to 24 March 2009. This amount of close to S\$20.0 million appears to be moved from the Omega’s account with Niaga Finance to BNP Paribas. However, based on the confirmation slip from BNP Paribas, we are unable to assess the name of the account holder with BNP Paribas. Be that as it may, we were told by Hady that the BNP Paribas account holder could be Tay although Tay did not disclose this to us in his response to our questionnaires.
- 1.6.14 Although the accounts with Niaga Finance were opened on 17 March 2009, funds were only deposited on 31 March 2009. From the statement of NGSC’s account with Niaga Finance for the month of March 2009, we noted two (2) deposits of S\$20.0 million and S\$2.5 million (aggregating S\$22.5 million) on 31 March 2009. For the S\$20.0 million deposit, the statement of NGSC account with Niaga Finance reads “*fm Omega Creations (TD fm Tay Thai Seng)*”, whereas the S\$2.5 million deposit on the same date reads “*fm Omega creations (Trf Time Deposit)*”.
- 1.6.15 During the course of our work, we did not identify any accounting records to reflect the movement of the funds to Omega Creations prior to the deposits into NGSC account with Niaga Finance. We have spoken to the former Financial Controller of NGSC, namely Ms. Teoh Pei Yean (“Pei Yean”) and she confirmed that she had no knowledge of the abovementioned cash movements.

Questionable transactions from the disbursement account with Niaga Finance

- 1.6.16 On 2 September 2010, BOD resolutions were passed which required at least two (2) signatories (jointly) to authorize payments for four (4) of their banks (including Niaga Finance) vis-à-vis past instruction (BOD resolution dated 20 January 2009) in which a single authorized signatory could authorize payments in Niaga Finance. According to Pei Yean, this arose as part of the Company’s effort to strengthen the internal controls. Notwithstanding the same, for the period from 29 December 2010 to 20 September 2011, we noted sixteen (16) payment instructions from the Company to Niaga Finance that were signed by Hady on a singly basis.
- 1.6.17 According to Pei Yean, Hady informed her that Niaga Finance has only effected the change of authorized signatories on 20 October 2011 as Niaga Finance claimed that they did not receive the change in signatories’ instructions until the same date. However, we did not note any documents in support of the representation from Hady to Pei Yean.

1.6.18 For the period under review, we noted the following transactions from Niaga Finance account statements which were available to us, in relation to NGSC and its subsidiaries, namely, VIP (HK) Ltd (“VIP”) and Star Light Telemedia DC Limited (“Star Light”), which are questionable:

No	TX Date	Transfer from	Transfer to	Amount	Details on statement
1.	13 April 2010	NGSC	Hady Hartanto	S\$1,700,000	210100583 TRF to: Hady Hartanto
2.	13 April 2010	Hady Hartanto	NGSC	S\$1,700,000	210100584 TRF fm Hady Hartanto
3.	5 July 2010	NGSC	Hady Hartanto	S\$4,500,000	210101052 TRF to Hady Hartanto
4.	6 July 2010	Hady Hartanto	NGSC	S\$4,500,000	210101060 Transfer from Hady Hartanto
5.	8 July 2011	Kingo Grace Limited	NGSC	S\$3,660,000	210111054 TRF fm Kingo Grace Limited (F098-11)
6.	11 July 2011	NGSC	Unknown	S\$3,660,000	210111054R/E dd 08Jul11 as per remitter's request
7.	08 Jul 2011	Kingo Grace Limited	VIP	S\$4,270,000	210111058 TRF fm Kingo Grace Limited (F111-11)
8.	11 Jul 2011	VIP(HK) Ltd	Unknown	S\$4,270,000	210111058 R/E 08 Jul 2011
9.	23 Sept 2011	Star Light Telemedia DC	Sino Ni Resources Ltd	US\$2,100,000	210111469 TRF to Sino Ni Resources Ltd(F171-11)
10.	30 Sept 2011	Sino Ni Resources Ltd	Star Light Telemedia DC	US\$2,100,000	210111509 Trf as requested (Refer to 22 Sep 2011 Tx)
11.	4 July 2012	NGSC	Hady Hartanto	S\$9,408,125	TRF to Hady Hartanto A/C as instructed
12.	4 July 2012	VIP (HK) Ltd	Hady Hartanto	S\$11,831,395	TRF to Hady Hartanto A/C as instructed

13.	11 July 2012	Star Light Telemedia DC	Unknown	US\$2,200,000 (equivalent of S\$2,790,920) ⁷	1211100019
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1.6.19 From the above, we noted transactions connected to Hady which there were no underlying supporting documents maintained by the Company. Also, there were no accounting entries in relation to these transactions. Hence, we are unable to assess the purpose for the respective transfers to Hady's account with Niaga Finance. However, we confirmed with Hady on 5 October 2012 that the three (3) transactions (all occurred in July 2012), i.e., S\$9,408,125, S\$11,831,395 and US\$2,200,000 were in his account with Niaga Finance but he was unable to provide a satisfactory explanation for such transfers from the NGSC account with Niaga Finance to his own account with Niaga Finance as he ceased to be the authorized signatory for NGSC on 2 December 2011 based on a BOD resolution of even date.

1.6.20 In connection with the same, we have spoken to two (2) of the three (3) authorized signatories⁸ and both confirmed that they did not authorise such transfer instructions. Therefore, the question arises on who authorized the transfers to Hady's account with Niaga Finance. In the absence of any additional documents from the Company and Niaga Finance, we are unable to assess who made the transfers from NGSC's account with Niaga Finance to Hady's account with Niaga Finance. Further, Hady mentioned that the aggregate amount of S\$24.0 million (comprising S\$9,408,125, S\$11,831,395 and S\$2,790,920 [US\$2,200,000 translated at 1.2686]) in his account with Niaga Finance is currently "frozen" and "cannot be touched" but no additional explanation was provided for the purpose on why these amounts are frozen.

1.6.21 We have requested for the documents in support of the abovementioned transactions from Niaga Finance but we only received two (2) instructions which were in connection with the S\$1.7 million transfer to Hady's account with Niaga Finance. Based on one (1) of the letters of instruction that was provided to us by Niaga Finance on the S\$1.7 million transfer from the account of NGSC to Hady, we noted the instruction was under the letterhead of Ban Joo & Company Limited and duly signed by Hady. An extract of the same instruction stated "*Please be instructed to transfer SGD1,700,000 from my disbursement account no. 1369-10-0000 to the following account*". Premised on: (i) this instruction in which the word "my" was referenced to NGSC; (ii) Niaga Finance accepted and acted on this instruction; and (iii) the series of transactions between NGSC and its subsidiaries with Hady; it

⁷ Based on exchange rate dated 11 July 2012 @1.2686. Source: Oanda.com

⁸ Authorised signatories during the period were Li Jian Min, Lam Ah Seng@Lam Pang Chuang and Teoh Pei Yean for all three to sign jointly, which the latter two (2) we have spoken to.

appears to suggest that Hady and/or Niaga Finance viewed the disbursement accounts held by NGSC and its subsidiaries with Niaga Finance and that of Hady's account with Niaga Finance on a collective basis. Further explanation in relation to the same is set out in ensuing paragraph 1.6.36.

- 1.6.22 Although we understand that S\$1,700,000 was subsequently re-deposited from Hady's account to NGSC's account with Niaga Finance, the movement of funds from the Company's account to Hady's personal account may be in breach of his duties as a Director of NGSC pursuant to the Singapore Company's Act.
- 1.6.23 In relation to the transfer from/to Star Light to/from Sino Ni Resources Ltd amounting to US\$2.1 million on 23 September and 30 September 2011 respectively, there are no accounting entries noted in the financial records of Star Light. Except for Niaga Finance account statement for Star Light, there are no other documents that could explain the purpose of the transfer to Sino Ni Resources Ltd. We have spoken to several Directors of NGSC (Mr. Tao Yeoh Chi, Mr. Fong Yew Meng and Mr. Lam Ah Seng) as well as Pei Yean but none of them have heard of Sino Ni Resources Ltd. The question arises in relation to: (i) who is Sino Ni Resources Ltd and the connection with NGSC and its subsidiaries, if any, although the equivalent amount was re-deposited to Star Light's account after approximately seven (7) days; (ii) why are there no records in relation to this transfer in the financial records of Star Light; and (iii) who authorized the transfer from Star Light to Sino Ni Resources Ltd.

The acquisition of Multi Skies Nusantara ("MSN") by NGSC

- 1.6.24 MSN was acquired by NGSC through its subsidiary Telemedia Pacific Communications Ltd from Bright Reach International Limited ("Bright Reach") on 1 April 2010 for a purchase consideration of US\$21.8 million. The purpose of acquiring MSN was to engage NGSC in the business of building, operating and leasing base station controllers for universal service obligations ("USO") sites to enable the roll-out of telecommunication services in the remote areas in Indonesia.
- 1.6.25 For the above US\$21.8 million acquisition of MSN, we understand that NGSC requested Niaga Finance to issue a Letter of Credit ("LC") for the same amount with Bright Reach as the beneficiary. A further US\$10.0 million of LC was issued for the purpose of capital expenditure ("CAPEX") requirement of MSN through NGSC's subsidiary, namely, VIP's account with Niaga Finance on 1 April 2010. However, based on available documents, we are unable to identify the beneficiary of the US\$10.0 million LC.

- 1.6.26 We understand that the Company had on two (2) occasions; 24 May 2010 and 5 July 2010 made partial payments of US\$3,342,370 and US\$1,482,302 respectively (amounting to US\$4,824,672) to Bright Reach for the reduced acquisition price for MSN at US\$7.8 million. However, the Deed of Variation to reflect the change from the initial acquisition amount of US\$21.8 million to the reduced acquisition price of US\$7.8 million was only executed on 31 May 2011. Hence, the remaining outstanding to Bright Reach was US\$2,975,328 as at 31 March 2012. The outstanding amount was confirmed as owing to Bright Reach via a confirmation letter from Bright Reach dated 21 June 2012. Be that as it may, we noted a sum of S\$4.235 million was deducted from NGSC's subsidiary, namely, VIP account with Niaga Finance on 26 May 2010. From our assessment, we understand that this amount of S\$4.235 million was deducted by Niaga Finance and was held as cash collateral for credit line of US\$2.75 million. There was no documentation in support of this collateral arrangement.
- 1.6.27 Subsequently, for reasons unknown to us, we noted only a sum of S\$1,440,320 was released from the cash collateral into VIP account with Niaga Finance on 25 April 2012. Based on our interview with Paul Lie, the remaining cash collateral of S\$2,794,680 was purportedly utilized. In relation thereto, we had requested for the relevant documents from Niaga Finance but as at the date of this Report, we have not received the same. Additionally, we have also spoken to the Company and no one was able to provide any explanation and/or documentation in relation to the remaining cash collateral of S\$2,794,680 purportedly utilized by Niaga Finance.
- 1.6.28 During the course of our assessment, we also identified two (2) other deductions as cash collateral provided by VIP through which amounted to S\$20.7 million and S\$17.3 million on 7 April 2010 and 16 September 2010 respectively. However, we noted that the same amounts were deposited into VIP account with Niaga Finance on 9 April 2010 (for S\$20.7 million) and 28 September 2010 (for S\$17.3 million). There were no accounting entries in the financial records of VIP and also no documentation in support of the abovementioned collateral arrangement. Accordingly, we are unable to: (i) assess the purpose for the collateral arrangements; (ii) for whom the collateral arrangement was made for; and (iii) whether it has any connection and/or relevance to the acquisition of MSN by NGSC.
- 1.6.29 Save for the facility letter of US\$10.0 million LC (see paragraph 1.6.25), pertaining to the CAPEX of MSN through VIP's account with Niaga Finance, we were not provided with the facility letter for all the other credit facility arrangement with Niaga Finance in relation to VIP. However, we noted an unusual terms and conditions on the US\$10.0 million facility letter which stated "*unconditional and irrevocable personal guarantee to be executed by Mr. Hartanto and company guarantee by Bright Reach*

International Limited in full amount". As Bright Reach is the seller of MSN to NGSC, we are unable to comprehend the underlying reason for Bright Reach to guarantee the CAPEX of MSN after its disposal to NGSC.

- 1.6.30 We have spoken to Pau Lie and Hady in relation to the terms and conditions stated above. Paul Lie denied any comments on grounds of confidentiality as it relates to its customer, Bright Reach and Hady. Hady confirmed that he provided his personal guarantee due to inadequate cash collateral on the part of NGSC and VIP but he was unable to explain the part of the guarantee by Bright Reach.

Discrepancy in the cash balance and cash restriction with Niaga Finance

- 1.6.31 As mentioned in preceding paragraph 1.6.27, the purported utilization of S\$2,794,680 due to the cash collateral arrangement resulted in a discrepancy in the VIP account with Niaga Finance. This in turn contributed to the cash balance discrepancy in the Group's funds as announced on 5 July 2012.
- 1.6.32 We were provided with three (3) documents that raise questions whether the discrepancy in cash balance and cash restrictions arose due to Hady's personal exposure (loan or credit facilities, if any) with Niaga Finance.
- 1.6.33 The first document is an internal memorandum of Niaga Finance dated 25 April 2012, provided to us by Niaga Finance. We are uncertain why such internal document was provided to us but it may be the result of our request to Niaga Finance for documents pertaining to the cash collateral of S\$1,440,320 that was released to VIP on 25 April 2012. An extract of the relevant paragraphs reads *"..part of the back to back funds for the loan outstanding due from Mr Hartanto, Hady &/or Bright Reach International Limited"*. We are uncertain why the internal document of Niaga Finance made reference to back-to-back loans of Hady and Bright Reach (who is the seller of MSN and unrelated to NGSC) unless the release of cash collateral to VIP is somehow connected to the loans or credit facilities undertaken by Hady and Bright Reach.
- 1.6.34 The second document is a letter from Niaga Finance to NGSC dated 9 July 2012 in response to NGSC's queries on restricted funds and cash balance discrepancy. An extract of the letter reads: *"..according to our record, Hady Hartanto has placed certain of his own funds with companies under his control (including Next-Generation Satellite Communications Limited and VIP(HK) Limited) and he has instructed us to reverse the entries."* In relation to this document we have sought clarification from the Paul Lie but he has declined to comment citing confidentiality reasons as it relates to its customer, Hady Hartanto.

1.6.35 The third document is a letter from Hady to Niaga Finance (addressed to the CEO) on the repayment of funds for the purported unauthorized transfers to Hady's account with Niaga Finance in July 2012 aggregating S\$24.0 million. An extract of the letter reads:

"I would like to stress out again that I had not given you any written instructions to do the alleged transfer and you knew very well that I had no authority to do so. Please refer again to my letter of 6th July 2012 to you (by email and by hand to your office). I had mentioned to you that if you need additional security proposed to cover my loan. We can find way out together. Furthermore discussion of additional security is still under discussion, please don't take it as our commitment until all terms agreed by both parties".

1.6.36 Based on the above three (3) documents, it appears that Hady had several other accounts/credit facilities with Niaga Finance. As such, Niaga Finance views Hady and NGSC (including its subsidiaries) on a collective basis and also may appear to suggest that the discrepancy in the NGSC's (including its subsidiaries) cash balances and the cash restriction with Niaga Finance could also be connected to the personal exposure of Hady (possibly including companies connected to him) with Niaga Finance. We have spoken to Paul Lie on 5 October 2012 and he mentioned that Niaga Finance regarded Hady as the only contact point for all the companies under his control. This is further supported by Niaga Finance's solicitor's letter to NGSC dated 16 July 2012 and an extract of the letter reads *"...although our client has in the past made loans to the Group's shareholder, Mr. Hady Hartanto (who continues to be a debtor of our client) and some of those loans were borrowed by him with instructions for the borrowed funds to be disbursed to one or more of the Group companies, our client's entire contractual dealings have always been with Mr. Hady Hartanto (as a borrower from our client) and not with any of the Group companies."*

1.6.37 In relation to the same, we have spoken to Hady on several occasions and we set out below his responses:

- i. He did not instruct and/or authorize Niaga Finance to perform the abovementioned transactions aggregating S\$24.0 million in July 2012 into his account held with Niaga Finance;
- ii. He had no prior knowledge of the abovementioned transactions that were transferred by Niaga Finance;
- iii. He has ceased to be an authorized signatory to NGSC w.e.f on 2 December 2011 and could not possibly be in the position to instruct and/or authorize the abovementioned transfer;

- iv. The restriction and cash transfers made by Niaga Finance may be connected to the following requests by the Company:
 - a) Request to change the authorized signatory in Niaga Finance on 2 Dec 2011, in which Hady was removed as the authorized signatory;
 - b) Request to transfer S\$5.0 million from Niaga Finance to a CIMB account of NGSC on 28 May 2012.

[Note: It is imperative that above a) and b) be read in conjunction with paragraph 1.6.36]

Weaknesses and lapses in internal control and corporate governance

1.6.38 In NGSC's 2011 Annual Report, a paragraph in Corporate Governance Principle 12 stated the following *"The board is responsible for maintaining a sound system of internal controls to safe guard the shareholders' interest. In the absence of any evidence to the contrary, the system of internal controls maintained by the management provides reasonable assurance against material financial misstatements or loss, and includes the safeguarding of assets, maintenance of proper accounting records, the reliability of financial information, compliance with appropriate legislation..." "... the management had since taken action to enhance on the documentation and the maintenance of accounting records, as well as implement more proactive, precautionary and preventive monitoring procedures to avoid error or abuse."*

1.6.39 Notwithstanding the same, during the course of our work, we noted various weaknesses and lapses in internal control and corporate governance of the Company. We summarize below some of our critical observations:

- a) Poor maintenance of documents in support of transactions by the Company with Niaga Finance. Supporting documents for certain transactions were not available which resulted in various challenges in the course of our work. We understand from Management that this was partly due to the fact that most of the documents in relation to the instruction to Niaga Finance were made out of the office in Hong Kong and since the departure of Patty (although not an employee of NGSC and its subsidiaries), some of the documents could no longer be located. Be that as it may, the Company would need to consider the proper maintenance of its financial records in compliance with Section 199 of the Singapore Companies Act which provides that *"every company and the directors and managers thereof shall cause to be kept such accounting and other records as will sufficiently explain the transactions and financial position of the company and enable true and fair profit and loss accounts and balance-sheets and any documents required to be attached thereto to be prepared from time to time, and*

shall cause those records to be kept in such a manner as to enable them to be conveniently and properly audited' ;

- b) There are no clear defined roles and responsibilities, in particular, the instructions given to Niaga Finance. The Company's management in Singapore informed us that most instructions were made directly to Niaga Finance by the Hong Kong office management who comprised of Hady and Sri Hartanto. The Company's management in Singapore relied on the documents maintained and/or provided by the Company's Hong Kong management on a periodic basis in order to make the relevant entries for purposes of preparing the financial statements. However, when we spoke to Sri Hartanto, who is a Director of NGSC, we were told that she was predominantly responsible for general oversight of the management. This is contrary to our understanding of NGSC's Annual Report for FY 2011, in which it was stated that Sri Hartanto was responsible for the overall administrative and financial functions of the Group. Accordingly, it is questionable whether Sri Hartanto had fully and adequately discharged her roles and responsibilities as described in the Annual Report of NGSC. Further we were told that accounts preparation and most transactions were prepared by Patty (with Hady as both requestor and approver) whom we understand was not an employee of NGSC and its subsidiaries and Patty was a personal assistant to Hady. When we spoke to Hady, we were told that all documents in relation to the instructions to Niaga Finance should have been kept by the Company's management in Singapore and not kept in Hong Kong. Accordingly, it appears that the roles and responsibilities of Singapore vis-à-vis Hong Kong management, in particular as it relates to the instructions to Niaga Finance, were not properly defined resulting in no clear segregation of duties and ambiguity for proper maintenance of Company's documents and/or records.
- c) During our interviews with certain Directors of the Company, we noted that certain Directors placed reliance on other Directors instead of making an assessment of the matters in question independently. For example, one Director informed us that due to other commitments, he/she could not always be present during Directors' meeting and when presented with circular resolution, he/she may not make much consideration and will sign the circular resolution if the other Directors had signed the same. Accordingly, the question arises whether the relevant Directors had fully and adequately discharged their fiduciary duties in compliance with the Singapore Companies Act and for the best interest of the Company.
- d) For the period prior to 2 September 2010, instruction to Niaga Finance could be made singly by one (1) of the three (3) authorized signatories. This is a

significant control weakness on the part of the Company although we noted that the same had been rectified with dual signatories thereafter. Be that as it may, there was poor follow-up and monitoring on the part of the Company with Niaga Finance which resulted in certain transactions being executed by a single signatory until approximately 14 months later i.e., on 20 October 2011.

- e) Based on the NGSC's minutes of Directors' meeting dated 11 March 2009 provided by Niaga Finance, Hady and Sri Hartanto had resolved for the disbursement account with Niaga Finance to be operated singly by one (1) of the three (3) signatories, namely, Hady, Sri Hartanto and Patty. As Patty was not an employee of NGSC or its subsidiaries, the inclusion of Patty as an authorized signatory with the authority to operate the account with Niaga Finance on a singly basis posed a significant control risks to the Company.
- f) The completeness of secretarial records of the Company is questionable. The minutes of Board of Directors' meeting which was held on 11 March 2009 at Niaga Finance's office could not be located as we perused the secretarial records of the Company that were provided to us.
- g) Lack of proper due diligence on the part of the Company when considering and/or selecting the primary bank for the Company. This resulted in the selection of Niaga Finance which is not a bank regulated by the Hong Kong Monetary Authority. Instead, Niaga Finance is a money lender licensed and regulated under the Hong Kong Money Lenders Ordinance. Except for Hady and Sri Hartanto who signed the BOD resolution dated 20 January 2009 for the opening of the account with Niaga Finance and had knowledge that Niaga Finance is not a bank, it does not appear that the other Directors had knowledge of the same as the mentioned BOD resolution made reference to Niaga Finance as a "*bank*".
- h) We understand that Hady disclosed his directorship in Niaga Finance to the Company. However, we did not note the disclosure of his 19.7% shareholding in Niaga Finance through its holding company. In our view, it would have been best practice for Hady to have disclosed his 19.7% shareholding in Niaga Finance's holding company. The Company may wish to seek legal advice in respect of the above. During our discussion with Hady, we were told that he had sought legal advice prior the disclosure, in relation to the same and Hady was advised that it is not necessary to declare his shareholding with the holding company of Niaga Finance as it was below the threshold of 20% shareholding. We did not manage to sight the legal opinion sought by Hady prior to the disclosure;
- i) Funds with Niaga Finance belonging to the Company were transferred to the personal account of Hady with Niaga Finance on several instances, none of

which were recorded in the Company's books. Such instances in itself appears inappropriate but due to the absence of documents, we are unable to conclude if the transactions were made in the best interest of the Company with proper business purpose. In light of the same, the Company should make the necessary assessment and also seek legal advice on the implications, if any.

- j) During the course of our work, we identified payment vouchers under the name of "*Super Industrial Group*" but payments were from the Company. From these payment vouchers, we noted that the same were prepared by Patty who is neither an employee of the Company nor it's subsidiaries. We are uncertain the reasons for using such payment vouchers but we wish to highlight that Super Industrial Group is an entity unrelated to NGSC and its subsidiaries. Hady is a director of Super Industrial Group and Sri Hartanto has confirmed that she works for Super Industrial Group in connection with the accounts and report preparation. Additionally, we noted from the website of NGSC Board of Director's profile, Sri Hartanto is also a Director of Super Electric Motor Ltd, which the logo of Super Industrial Group was noted in the website of Super Electric Motor Ltd.