AUDITORS' COMMENTS ON ACCOUNTS * FINANCIAL STATEMENT AND RELATED ANNOUNCEMENT



* Asterisks denote mandatory information

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|---|---|
| **Name of Announcer *** | CHASEN HOLDINGS LIMITED |
| **Company Registration No.** | 199906814G |
| **Announcement submitted on behalf of** | CHASEN HOLDINGS LIMITED |
| **Announcement is submitted with respect to *** | CHASEN HOLDINGS LIMITED |
| **Announcement is submitted by *** | Low Weng Fatt |
| **Designation *** | Managing Director |
| **Date & Time of Broadcast** | 19-Jul-2011 18:53:46 |
| **Announcement No.** | 00113 |

>> ANNOUNCEMENT DETAILS

*The details of the announcement start here ...*

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|---|---|
| **For the Financial Period Ended *** | 31-03-2011 |
| **Description** | Please see attached. |

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|---|---|
| **Attachments** | CHL_Annct_Qualified_Opinion.pdf<br>Auditors_Report_and_Extract_of_relevant_notes.pdf<br>Total size =282K<br>(2048K size limit recommended) |

# CHASEN HOLDINGS LIMITED

(Company Registration No. 199906814G)
Incorporated in the Republic of Singapore

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## QUALIFIED OPINION BY THE AUDITORS ON FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MARCH 2011

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Pursuant to Rule 704(4) of the Listing Manual Section B: Rules of Catalist, the Board of Directors of Chasen Holdings Limited (the "Company") wishes to announce that the external auditors, Messrs LTC LLP, has issued a qualified audit opinion in its Independent Auditors' Report for the financial year ended 31 March 2011 ("FY2011"). The nature and contents of the qualified audit opinion are contained in the Independent Auditors' Report, a copy of which is attached for the information of the shareholders of the Company together with the Notes to the account referred to in the qualified opinion as extracted from the audited financial report.

The Directors have reviewed the materiality of the qualified opinion and are of the view that it will not have a material impact on the going concern.

Shareholders are advised to refer to the Annual Report for FY2011 of the Company, which will be dispatched to shareholders shortly, for more details of the qualified audit opinion.

By Order of the Board

Low Weng Fatt
Managing Director

19 July 2011

*This announcement has been prepared by the Company and its contents have been reviewed by the Company's sponsor ("**Sponsor**"), Asian Corporate Advisors Pte. Ltd., for compliance with the relevant rules of the Singapore Exchange Securities Trading Limited ("**Exchange**"). The Company's Sponsor has not independently verified the contents of this announcement including the correctness of any of the figures used, statements or opinions made.*

*This announcement has not been examined or approved by the Exchange and the Exchange 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.*

*The contact person for the Sponsor is Ms Foo Quee Yin*
*Telephone number: 6221 0271*

# INDEPENDENT AUDITOR'S REPORT

To the Members of Chasen Holdings Limited
For the financial year ended 31 March 2011

## Report on the Financial Statements

We have audited the accompanying financial statements of Chasen Holdings Limited (the "Company") and its subsidiaries (the "Group") set out on pages 46 to 104, which comprise the consolidated statement of financial position of the Group and the statement of financial position of the Company as at 31 March 2011, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows of the Group 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, that transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair profit and loss accounts and balance sheets 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 judgement, 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 controls 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 controls. 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.

Bases for Qualified Opinion

1. As disclosed in note 18 to the financial statements, the Group had recognized an intangible asset - software development, which was carried at $1,848,000 in the consolidated statements of financial position as at 31 March 2010 and at $739,000 as at 31 March 2011.

   We were unable to obtain sufficient appropriate audit evidence to satisfy ourselves whether the intangible asset - software development satisfies the recognition criteria of Singapore Financial Reporting Standards. In addition, we were unable to obtain sufficient appropriate audit evidence to assess the assumptions and estimates used in ascertaining the recoverable amount of the intangible asset - software development, which was carried at $739,000 as at 31 March 2011.

   The Group's records indicate that had the Group not recognized the intangible asset - software development, intangible assets, total assets, net profit, and shareholders' equity would each have been reduced by $1,848,000 for the financial year ended 31 March 2010. Consequent to that, for the financial year ended 31 March 2011, intangible assets, total assets and shareholders' equity would have been reduced by $739,000, $739,000 and $1,848,000 respectively and net profit would have been increased by $1,109,000.

2. As disclosed in note 16(i) to the financial statements, on 30 September 2010, CLE Engineering Services Pte Ltd acquired 100% of the issued share capital of Global Technology Synergy Pte Ltd and its subsidiary, Towards Green Sdn. Bhd. (collectively called "GTS Group") for a purchase consideration of $4,000,000 which was satisfied by way of issuance of 10,476,689 ordinary shares of the Company and an additional sum of $500,000 which will be paid as contingent consideration when the specific conditions are met. Management had estimated that the aggregate fair values of the identifiable net assets of the GTS Group acquired were $794,000. Goodwill arising from the acquisition was assessed by management to be $3,706,000.

The management had not carried out an appropriate purchase price allocation exercise for the business combination in accordance with the requirements of FRS 103 Business Combinations. As a result, we were unable to determine whether the fair values allocated to the identifiable assets and liabilities of GTS Group acquired as stated in note 16(i) to the financial statements were appropriate, and whether there were any other identifiable assets (including intangible assets), liabilities and contingent liabilities which need to be separately identified and recognized at the date of the acquisition. Therefore, we were unable to obtain sufficient appropriate audit evidence to determine whether any adjustments were necessary in respect of the fair values of the identifiable assets (including intangible assets), liabilities and contingent liabilities acquired and the amount of the goodwill as at the date of acquisition on 30 September 2010.

3. As disclosed in note 14 to the financial statements, the Group had recognized financial assets, available-for-sale which was carried at $3,861,000 in the consolidated statements of financial position as at 31 March 2010 and at $1,920,000 as at 31 March 2011.

   We had reassessed the evidence and the circumstance during the financial year and were unable to obtain sufficient appropriate audit evidence to determine whether the financial assets, available-for-sale should have been classified as investment in an associated company on initial recognition as at 31 March 2010.

   The Group's records indicate that had management stated the investment cost as investment in an associated company, the investment in an associated company would have been increased by $3,861,000, and financial assets, available-for-sale would have been reduced by $3,861,000 as at 31 March 2010. Consequent to that, for the financial year ended 31 March 2011, the investment in an associated company would have been increased by $1,920,000 and financial assets, available-for-sale would have been reduced by $1,920,000; and the net profit and other comprehensive loss would each have been reduced by $1,941,000.

4. As disclosed in note 24 to the financial statements, the Group had a deposit of $905,000 paid to a financial brokerage institution for the purpose of raising funds for the China infrastructure projects as at 31 March 2011. We were unable to obtain sufficient appropriate audit evidence to satisfy ourselves that the carrying amount of the deposit as at 31 March 2011 does not exceed its recoverable amount and thus, whether there are any expenses to be recognized in the statement of comprehensive income to reflect the amount of deposit utilised as expenditure for the projects for the financial year ended 31 March 2011. Consequently, we were unable to determine whether any adjustments to the carrying amount of the deposit and expenses were necessary.

5. As disclosed in note 23 (ii) to the financial statements, the Group had an outstanding amount owed by a customer of $856,000 as at 31 March 2011. This amount arose from variation orders recorded in the Group's technical and engineering services in the financial year ended 31 March 2010. The amount of the variation orders has yet to be finalized with the customer. We were unable to obtain sufficient appropriate audit evidence to determine the recoverability of the same receivable from the customer recorded as at 31 March 2011.

Qualified Opinion

In our opinion, except for the possible effects of the matters described in the Bases 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 March 2011 and the results, changes in equity and cash flows of the Group for the financial year ended on that date.

**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 subsidiaries incorporated in Singapore of which we are the auditor, have been properly kept in accordance with the provisions of the Act.

LTC LLP
Public Accountants and
Certified Public Accountants

Singapore, 18 July 2011

Extract of relevant notes to the financial statements referred to in the Auditor's Report:

## 14. FINANCIAL ASSETS, AVAILABLE-FOR-SALE

| | Group | | Company | |
|---|---|---|---|---|
| | 2011 $'000 | 2010 $'000 | 2011 $'000 | 2010 $'000 |
| At cost: | | | | |
| Unquoted equity shares and convertible notes | | | | |
| As at beginning of year | 4,336 | 3,861 | 4,336 | 3,861 |
| Addition during the year | 545 | 475 | 545 | 475 |
| Fair value loss recognized in other comprehensive income | (2,171) | - | (2,171) | - |
| As at end of year | 2,710 | 4,336 | 2,710 | 4,336 |

On 3 August 2009, the Company had announced that it had invested into Greater Bendigo Gold Mines Limited ("GBM"). Through a private placement, the Company acquired 13,500,000 shares representing approximately 12.18% of the enlarged shareholding in GBM for a cash consideration of A$405,000 (equivalent to $475,000).

On 16 April 2010, the Company had announced it subscribed 16,875,000 new shares in GBM for a cash consideration of A$422,000 (equivalent to $545,000). The subscription was made pursuant to a non-renounceable rights issue ("GBM Rights Issue") on the basis of 5 new share for every 4 existing shares together with 1 free option, which expires on 31 March 2012, for each 3 new shares subscribed.

Following the subscription, the Company's shareholding in GBM was increased from 13,500,000 shares to 30,375,000 shares. After the GBM Rights Issue, the Company's shareholding is 9.06% of the enlarged share capital of GBM.

The Company has classified this investment since financial year 2009 as financial asset-available for sale accordingly to FRS 39. Changes in this financial asset will be recognized and charged to statement of changes in equity accordingly. At the end of the reporting period, this accounting treatment continues to be valid as:-

1. The Company holds only 19.96% equity shares in Far Pacific Capital Ltd ("FPC").
2. The Company has been allocated by 2 of the 4 board seat by the grace of the major shareholder of FPC. According to the constitution of the FPC, the Company directors can be removed by the major shareholder at any time.
3. FPC is an investment holding company. Its only investment since the Company representatives join the Board has been its investment in Greater Bendigo Gold Mines Limited, a company listed on ASX, held through its subsidiary Far Pacific Resources Ltd. There has been no other investment to be considered by the Board.
4. Since the Company representatives joined the Board of FPC, there has not been any board meeting held as there has been no issue to be considered by the Board and no resolution raised except for routine filing purposes.
5. The management accounts available from FPC was as at 30 June 2010.

As such, the Company considers that FRS 28: Investment in Associates is not applicable as there were no changes from date of the last audited financial statements for the year ended 31 March 2010. There is no reason to change the classification from financial asset-available for sale to investment in associates as nothing has changed in this category during the financial year. This is in line with the consistency of applying FRS.

The Company and the Group use the unaudited financial statements of FPS as at 30 June 2010 to determine the fair value of the unquoted shares of FPC.

## 16. INVESTMENTS IN SUBSIDIARIES

16 (i) On 30 September 2010, CLE Engineering Services Pte Ltd acquired 100% equity interest in Global Technology Synergy Pte Ltd and Towards Green Sdn Bhd (collectively known as "GTS Group"), the former company incorporated in Singapore and the latter incorporated in Malaysia, for a purchase consideration of $4,500,000. The provisional fair value of the net identifiable assets of GTS Group was $794,000.

| | September 2010<br>$'000 |
|---|---|
| Net assets acquired: | |
| Property, plant and equipment | 555 |
| Trade and other receivables | 442 |
| Trade and other payables | (988) |
| Cash and bank balances | 785 |
| Group's share of net assets acquired | 794 |
| Total consideration | 4,500 |
| Goodwill on acquisition | 3,706 |

(a) GTS Group is a newly acquired group of subsidiaries during the financial year. According to FRS 103' Business Combinations, all identifiable assets acquired and liabilities and contingent liabilities assumed in business combination are measured initially at fair value on the date of acquisition. A comprehensive financial due diligence was conducted by an independent accounting firm to determine the fair value of assets and liabilities as at 30 June 2010. The due diligence report determined that no other assets or liabilities are not taken up in the financial statements. In addition, the Group has conducted assessment on the fair value of property as at 31 March 2011 by obtaining market value from independent professional property valuers. FRS103 further provides that provisional amount is adjusted for within 12 months from the date of acquisition. The Group therefore will be adjusting the provisional amount of the net assets acquired during the next financial year before the 12 months period expires.

(b) Revenue and profit contribution

The acquired business contributed revenue of $3,000,000 and net profit of $459,000 to the Group for the period from 1 October 2010 to 31 March 2011.

If GTS Group has been consolidated from 1 April 2010, the consolidated revenue and consolidated profit for the year ended 31 March 2011 would have been $76,093,000 and $7,444,000 respectively.

(c) Purchase consideration

| | $'000 |
|---|---|
| Share issuance | 4,000 |
| Contingent consideration (Note (e) below) | 500 |
| Total purchase consideration | 4,500 |

(d) Effect on cash flows of the Group

| | $'000 |
|---|---|
| Cash paid (as above) | - |
| Less: cash and cash equivalents in subsidiaries acquired | (785) |
| Cash inflow on acquisition | 785 |

(e) Contingent consideration

The Group is required to pay the former owners of GTS Group $500,000 in cash if GTS Group achieves a net profit after tax of $1,000,000 for the period from 1 January 2010 to 31 December 2010.

The contingent consideration of $500,000 approximates its fair value.

The goodwill of $3,706,000 arising from the acquisition is attributable to the expertise in water treatment, business networks in Singapore and Malaysia and the synergies expected to arise from the economies of scale in combining the other operations of the Group.

## 18. INTANGIBLE ASSETS

| | Know-how* $'000 | Software development** $'000 | Total $'000 |
|---|---|---|---|
| **Cost** | | | |
| As at 1 April 2010 | 445 | 1,848 | 2,293 |
| Currency translation differences | (28) | - | (28) |
| As at 31 March 2011 | 417 | 1,848 | 2,265 |
| **Accumulated amortization** | | | |
| Addition during the year | 53 | 370 | 423 |
| As at 31 March 2011 | 53 | 370 | 423 |
| **Accumulated impairment** | | | |
| Impairment charge during the year | – | 739 | 739 |
| As at 31 March 2011 | – | 739 | 739 |
| **Carrying amount** | | | |
| As at 31 March 2011 | 364 | 739 | 1,103 |
| **Cost** | | | |
| As at 1 April 2009 | - | - | - |
| Additions during the year | 445 | 1,848 | 2,293 |
| As at 31 March 2010 | 445 | 1,848 | 2,293 |
| **Accumulated amortization** | | | |
| As at 1 April 2009 and As at 31 March 2010 | – | – | – |
| **Carrying amount** | | | |
| As at 31 March 2010 | 445 | 1,848 | 2,293 |

* Cost on Know-how is attributable to the skills and technical talent in relation to the artefact packaging and transportation business

** Cost on Software development is attributable to the platform providing sport and social welfare lottery service in PRC through the paperless media

### Investment in paperless gaming software

The Group recognized an intangible asset – software which was carried at $1,848,000 in the consolidated statements of financial position as at 31 March 2010 and at $739,000 as at 31 March 2011 by way of discharging a loan given to a third party. The current (also the first) year result of the intangible asset - software had been well below expectation and the significant variance between the actual result and management's expectation was caused by changes in circumstances which occurred during the financial year ended 31 March 2011. On the other hand, the Company is of the view that its investment of $1,848,000 to develop a software platform for the conduct of paperless gaming for a client in the Peoples' Republic of China ("PRC") would be worth much more than its investment cost should it decides to divest itself of this product. It based its view on the fact that two other Singapore listed companies that also signed agreements to enter this industry in the PRC had to invest more than $50 million in each case according to their separate public announcements made at the time the agreements were signed. One was signed at about the same time the Company began developing the software, the other a year or two after the Company's investment.

That one of the two companies subsequently decided not to proceed with the investment does not detract from the fact that an amount of around $50 million is needed to be a player in this industry in the PRC. As such, the Company is of the view that its strategy to develop the software platform to enable its PRC client to conduct the paperless gaming business is a less costly entry to a $29 billion (RMB149 billion) industry annually as estimated by the PRC Ministry of Finance.

### Investment in paperless gaming software (cont'd)

Following the completion of the software development, the Company estimated that its client would need two years to market its paperless gaming portal to achieve commercial success for the Company to derive the returns to its investment in accordance with their service agreement. However, the first year result has been well below expectation. As such, despite the Company's estimated disposal value of the software to be well above its initial cost of $1,848,000, management has decided to adopt a conservative approach by writing off half of the unamortized value of $739,000 of the investment in the software in the financial year being reported on.

### Impairment test for know-how

The recoverable amount of the know-how was determined based on value in use calculation. This calculation uses cash flow projections based on financial budgets approved by management covering a five-year period. Cash flows beyond the five-year period are extrapolated using the estimated growth rate of 15% (2010, nil) per annum. The growth rate used is based on management expectation of growth in the marine, construction and logistics industry in which the subsidiary companies operate. The discount rate is 9% (2010: nil) and has been applied to the cash flow projections

## 23. TRADE RECEIVABLES

23 (ii) Included in revenue of technical & engineering services for the financial year ended 31 March 2010 was an amount of $1 million being an estimation of variation works and claims recognized to the extent that it is probable to be recovered from a customer. A corresponding receivable from the customer was recorded as at 31 March 2010. A remaining outstanding sum of $856,000 was bought forward as at 31 March 2011. The amount of the variation orders has yet to be finalised with the customer.

The management evaluated whether it would be appropriate to recognize variation orders considering that FRS 11 Construction Contracts, requires that variation orders are to be recognized to the extent that it is probable that they will result in revenue and that they are capable of being reliably measured

In making these judgements, the management considered that it has met the requirements of FRS 11 Construction Contracts and considers that it would be more appropriate to record the variation orders so as to match the revenue earned on the contract with its recorded cost. In addition, the amount of variation orders recognized were measured based on the estimated quantity of work from the construction drawings of the customer and unit rate assumed to the extent it is probable to be recovered from the customer. The management had adopted a conservative approach in recognizing the revenue by providing for commercial discounts in the variation claims.

In determining whether there is objective evidence of impairment loss, the Group takes into consideration the likelihood of collection. In this regard, the management is satisfied that no allowance for doubtful debts is required.

## 24. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

| | Group | | Company | |
|---|---|---|---|---|
| | 2011<br>$'000 | 2010<br>$'000 | 2011<br>$'000 | 2010<br>$'000 |
| Deposits paid | 1,243 | 781 | – | – |
| Dividend received | – | – | 1,000 | 1,000 |
| Loan to an associated company | 496 | – | 214 | – |
| Other receivables & prepayment | 7,680 | 5,143 | 1,860 | 1,953 |
| | 9,419 | 5,924 | 3,074 | 2,953 |
| Less: Non-current portion | (926) | (1,829) | (398) | (1,819) |
| | 8,493 | 4,095 | 2,676 | 1,134 |

Included in other receivables & prepayment is an amount of $905,000 being prepayment paid by the Company to a financial brokerage institution for the purpose of raising funds for our China infrastructure projects (2010: $1,546,000 being prepayment paid by the Group and Company in anticipation of potential business opportunities) and an amount of $408,000 being advance to the associated company (2010 : nil).

There were no expense claims submitted as at the end of reporting date. All future claims are subject to the Company's agreement to reimbursement of such expenses and these cannot be measured reliably at the reporting date.

The loan to an associated company is non-trade related, unsecured, interest-free, and has no fixed-terms of repayment. The loan is considered to be part of the Group's and Company's net investment in the associated company.