

**Extracted Independent Auditor's Report of the Audited Financial Statements of Blumont Group Ltd.
for the financial year ended 31 December 2016**

**INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF BLUMONT GROUP LTD.
(Incorporated in Singapore)**

Report on the Audit of the Financial Statements

We were engaged to audit the financial statements of Blumont Group Ltd. (the "Company") and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position of the Group and the statement of financial position of the Company as at 31 December 2016, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

Disclaimer of Opinion

We do not express an opinion on the 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

Appropriateness of Going Concern Assumption

As stated in Note 3(b) to the financial statements, as at 31 December 2016, the Company's current liabilities exceeded its current assets by approximately S\$2.9 million. In addition, the Company has received two demand notes from the Inland Revenue Authority of Singapore ("IRAS") on 8 February 2017 to pay the outstanding withholding taxes of S\$1.1 million and late payment penalty of S\$0.1 million as disclosed in Note 23 to the financial statements. These conditions indicate the existence of a material uncertainty which may cast significant doubt about the ability of the Company and the Group to continue as going concerns and to realise their assets and discharge their liabilities in the ordinary course of business.

The financial statements have been prepared on the assumption that the Company and the Group will continue as going concerns. Management has prepared a cash flow forecast which shows that the Company and the Group will have sufficient cash resources to satisfy their day-to-day operations for the next twelve months from 31 December 2016 and to pay their debts as and when they fall due. The forecast includes the assumptions disclosed in Note 3(b)(i) to the financial statements. Those assumptions are premised on future events, the outcome of which is inherently uncertain.

In view of the material uncertainties as discussed above, we are unable to obtain sufficient appropriate audit assurance regarding the use of the going concern assumption in the preparation of the financial statements. Accordingly, we are unable to form a view as to the use of the going concern assumption in the preparation of these financial statements.

In the event the Company and the Group are unable to continue in operational existence for the foreseeable future, the Company and the Group may be unable to discharge their liabilities in the ordinary 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 ordinary course of business and at amounts which could differ from the amounts at which they are currently recorded in the statement of financial position. In addition, the Company and the Group may have to provide for further liabilities which may arise, and to reclassify non-current assets and non-current liabilities as current assets and current liabilities, respectively. No such adjustments have been made to these financial statements.

INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF BLUMONT GTOUP LTD.
(Incorporated in Singapore)

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our responsibility is to conduct an audit of the consolidated financial statements of the Group and the statement of financial position of the Company in accordance with Singapore Standards on Auditing ("SSAs") 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, 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 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 Mr Ng Chiou Gee Willy.

Moore Stephens LLP
Public Accountants and Chartered Accountants

Singapore
3 April 2017

Extracted Note 3(b) Going Concern Assumption of the Audited Financial Statements of Blumont Group Ltd. for the financial year ended 31 December 2016

Going Concern Assumption

For the financial year ended 31 December 2016, the Company's current liabilities exceeded its current assets by approximately S\$2.9 million (2015: approximately S\$44.2 million). In addition, the Company has received two demand notes from the Inland Revenue Authority of Singapore ("IRAS") on 8 February 2017 to pay the outstanding withholding taxes of S\$1.1 million and late payment penalty of S\$0.1 million, as disclosed in Note 23.

The above conditions indicate the existence of a material uncertainty which may cast significant doubt on the ability of the Company and the Group to continue as going concerns and to realise their assets and discharge their liabilities in the ordinary course of business. Nevertheless, the directors of the Company believe that the use of the going concern assumption in the preparation and presentation of the financial statements for the financial year ended 31 December 2016 remains appropriate after taking into consideration the following factors:

- (i) Management has prepared a cash flow forecast which shows that the Company and the Group will have sufficient cash resources to satisfy their day-to-day operations for the next twelve months from 31 December 2016 and to pay their debts as and when they fall due, which include the following assumptions:
 - IRAS will agree to the Group's request to defer payment of the outstanding withholding taxes for a period of one year and to waive the late payment penalty and interest arising from the non-payment of the outstanding withholding taxes (Note 23);
 - The Group will successfully sell its condominium unit at Clear Water Residences located in Malaysia valued at approximately S\$0.3 million (equivalent to RM0.9 million) as at 31 December 2016 (Note 17); and
 - The Group will successfully settle the legal suit relating to the sale of the condominium unit at Suasana Sentral Condominium located in Malaysia and collect the balance payment of the sale proceeds of approximately S\$1.0 million (equivalent to RM3.0 million) (Notes 17 and 36(c)).
- (ii) Management continues to evaluate various strategies to improve profitability and generate positive cash flows from the Group's current business activities. These strategies include, *inter alia*, obtaining alternative sources of funds and the sale of the Group's other assets.

In the event the Company and the Group are unable to continue in operational existence for the foreseeable future, the Company and the Group 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 other than the normal course of business and at amounts which could differ from the amounts at which they are currently recorded in the statements of financial position. In addition, the Company and the Group may have to provide for further liabilities which may arise, and to reclassify non-current assets and non-current liabilities as current assets and current liabilities, respectively. No such adjustments have been made to these financial statements.