

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF

MMP Resources Limited (Incorporated in Singapore)

Report on the Financial Statements

1. We were engaged to audit the accompanying financial statements of MMP Resources Limited (the "**Company**") and its subsidiaries (collectively the "**Group**"), as set out on pages 10 to 74, which comprise the balance sheets of the Group and the Company as at 31 December 2015, the consolidated statement of comprehensive income, the consolidated statement of changes in equity, and consolidated statement of cash flows of the Group for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

2. 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, 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.

Auditors' Responsibility

3. Our responsibility is to express an opinion on these financial statements based on conducting the audit in accordance with Singapore Standards on Auditing. However, because of the matters described in the Basis for Disclaimer of Opinion paragraphs, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

Basis for Disclaimer of Opinion

4. In our auditors' report dated 8 April 2015, we expressed a disclaimer of opinion in respect of the financial statements for the previous financial year ended 31 December 2014 due to the following matters:
 - (a) As disclosed in Note 13(c)(i) to the financial statements, the Group acquired a 60% interest in Elite Bay Sdn Bhd ("**Elite Bay**"), during the financial year ended 31 December 2014.
 - i. We were unable to obtain sufficient information about whether the Company had substantive rights to direct the relevant activities of Elite Bay during the financial year. Accordingly, we were unable to ascertain whether Elite Bay met the requirements to be consolidated under FRS 110 Consolidated Financial Statements.
 - ii. We were unable to obtain all the information and explanations which we considered necessary in order to provide us with reasonable assurance that the financial statements of Elite Bay, included in the consolidated financial statements of the Group, are appropriately and properly consolidated. There were no other practicable audit procedures that we could perform to satisfy ourselves that the financial

statements of Elite Bay have been properly reflected in the consolidated financial statements of the Group.

- (b) As disclosed in Note 12 to the financial statements, the Group and the Company have unquoted equity investments amounting to S\$35,380,000 and S\$23,380,000, respectively, held at cost less impairment loss as at 31 December 2014. We were unable to obtain sufficient appropriate audit evidence concerning the carrying amount of these investments as at 31 December 2014, nor were we able to perform alternative audit procedures to ascertain the appropriateness of the carrying amount of these investments. Consequently, we were unable to determine whether any impairment charges should be recognised against the investments as at 31 December 2014.
 - (c) As disclosed in Note 13(c)(ii) to the financial statements, the carrying amount of the investments in subsidiaries by the Company as at 31 December 2014 included an investment amounting to S\$12,000,000 in Sunny Cove Investments Ltd. We were unable to obtain sufficient appropriate audit evidence concerning the carrying amount of this investment as at 31 December 2014, nor were we able to perform alternative audit procedures to ascertain the appropriateness of the carrying amount of this investment. Consequently, we were unable to determine whether any impairment charge should be recognised against the investments as at 31 December 2014.
- 5. The matters referred to in paragraph 4 above remain unresolved in the current year. In view of this, we were unable to perform the necessary audit procedures to obtain sufficient audit evidence to ascertain the appropriateness of the carrying amount of the opening balances relating to these investments in the financial statements for the financial year ended 31 December 2015. Consequently, we were unable to determine whether any adjustment to the accompanying financial statements was necessary.
 - 6. As disclosed in Note 10(b) to the financial statements, included in loss from discontinued operations of S\$231,000 for the financial year ended 31 December 2015 is a loss of S\$515,000 arising from the results of Elite Bay prior to its disposal, and a gain of S\$284,000 arising from the disposal of Elite Bay. Due to the matters highlighted in paragraph 4(a) above, we were unable to obtain sufficient appropriate audit evidence that the current year results of Elite Bay, prior to its disposal, have been appropriately included in the consolidated financial statements of the Group. We were also unable to assess the appropriateness of the gain on disposal of Elite Bay. Consequently, we were unable to determine whether any adjustment to the accompanying financial statements was necessary.
 - 7. As disclosed in Note 12 to the financial statements, the Group and the Company have recognised impairment charges amounting to \$35,380,000 and \$23,380,000 respectively in respect of the unquoted equity investments during the current financial year. Due to the matter highlighted in paragraph 4(b) above, we were unable to obtain sufficient appropriate audit evidence on the appropriateness of the impairment charges recognised during the year. Consequently, we were unable to determine whether any adjustment to the accompanying financial statements was necessary.
 - 8. As disclosed in Note 13 to the financial statements, the Company has recognised an impairment charge of S\$12,000,000 in respect of its investment in a subsidiary during the current financial year. Due to the matter highlighted in paragraph 4(c) above, we were unable to obtain sufficient appropriate audit evidence on the appropriateness of the impairment charge recognised during

the year. Consequently, we were unable to determine whether any adjustment to the accompanying financial statements was necessary.

9. As disclosed in Note 4 to the financial statements, the Group incurred a net loss of S\$43,743,000 and a total comprehensive loss of S\$43,741,000 for the financial year ended 31 December 2015 (2014: net loss of S\$2,694,000 and a total comprehensive loss of S\$1,604,000). As at 31 December 2015, the Group's current liabilities exceeded its current assets by S\$6,748,000 (2014: current liabilities exceeded its current assets by S\$33,005,000), while the Company's current liabilities exceeded its current assets by S\$6,707,000 (2014: current liabilities exceeded its current assets by S\$31,928,000). As disclosed in Note 31(c), the Group has also received a formal letter of demand on 21 August 2015 for full and immediate repayment of a loan amounting to S\$4,700,000. These conditions indicate the existence of an uncertainty that may cast significant doubt as to the ability of the Group and the Company to continue as going concerns.
10. The financial statements are prepared on a going concern basis for the reasons disclosed in Note 4(b).
11. In view of the material uncertainties as discussed above, we were unable to obtain sufficient audit evidence to satisfy ourselves as to the ability of the Group and the Company to continue as going concerns. In the event that the Group and the Company are unable to continue as going concerns, it could have an impact on the Group's and the Company's ability to realise assets at their recognised amounts and to extinguish liabilities in the normal course of business at the amounts stated in the balance sheets of the Group and the Company. The Group and the Company may also have to provide for further liabilities which arise, and to reclassify non-current assets as current assets. No such adjustments have been made to these financial statements.

Disclaimer of Opinion

12. Because of the significance of the matters described in the Basis for Disclaimer of Opinion paragraphs 4 to 11, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly, we do not express an opinion on the financial statements.

Report on Other Legal and Regulatory Requirements

13. In our opinion, except for the effects of the matters described in the Basis for Disclaimer of Opinion paragraphs 4 to 8, 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.

Moore Stephens LLP
Public Accountants and
Chartered Accountants

Singapore
8 April 2016

Extracts of the Notes to the Financial Statements

Note 13 (c)(i)

(a) Acquisition of subsidiaries

- (i) On 30 January 2014, the Group acquired a 60% equity interest in Elite Bay Sdn Bhd (“**Elite Bay**”) for a cash consideration of S\$114,000.

Details of the assets acquired and liabilities assumed, the non-controlling interest recognised and the effects on the cash flows of the Group, at the acquisition date, are as follows:

	S\$'000
Effect on cash flows of the Group	
Cash paid (as above)	114
Less: Cash and cash equivalents in subsidiary acquired, net of bank overdraft acquired	37
Cash outflow on acquisition	<u>151</u>
	<u>At fair values</u>
	S\$'000
Identifiable assets acquired and liabilities assumed	
Cash at bank	3
Property, plant and equipment (Note 14)	804
Deferred tax asset (Note 9b)	3
Trade and other receivables	1,132
Total assets	<u>1,942</u>
Trade and other payables	(745)
Borrowings, excluding bank overdraft	(709)
Bank overdraft	(40)
Amount due to customers for work-in-progress	(281)
Current tax liabilities	(20)
Total liabilities	<u>(1,795)</u>

Total identifiable net assets	147
Less: Non-controlling interest at proportionate share of book value	(59)
Add: Goodwill	26
Consideration transferred for the business	<u>114</u>

Note 12

Investments in Unquoted Equities, held at Cost Less Impairment

	Group		Company	
	2015	2014	2015	2014
	S\$'000	S\$'000	S\$'000	S\$'000
Investments in unquoted equities	35,380	35,380	23,380	23,380
Accumulated impairment losses	(35,380)	-	(23,380)	-
	<u>-</u>	<u>35,380</u>	<u>-</u>	<u>23,380</u>

Movements in allowance for impairment losses were as follows:

Balance at the beginning of the year	-	-	-	-
Impairment made during the year	35,380	-	23,380	-
Balance at the end of the year	<u>35,380</u>	<u>-</u>	<u>23,380</u>	<u>-</u>

- (i) On 29 April 2014, the Group acquired 19.9% of Renaissance Enterprises S.A. ("Renaissance") for S\$23.4m.

Renaissance is a limited liability company incorporated in Luxembourg. Topkapi Mineral Sanayi ve Ticaret A.S. ("**Topkapi**") is a wholly-owned subsidiary of Renaissance. Topkapi is a corporation established in The Republic of Turkey and its principal activities are those of exploration, development, extraction, processing, production and trading of metals and minerals in Turkey.

- (ii) On 14 February 2014, the Group acquired 19.9% of Ardilaun Energy Limited ("**Ardilaun**"), a company established in the Republic of Ireland, through the acquisition of Sunny Cove (see Note 13) for S\$12m.

The principal activities of Ardilaun are those of oil and gas exploration and development in Irish territories and internationally.

In the current year, based on detailed cash flow analysis performed by the Group, it was determined that the investments above will not be recoverable. Accordingly, all interests were fully impaired.

Note 13 (c)(ii)

- (ii) On 14th February 2014, the Group acquired a 100% equity interest in Sunny Cove Investments Limited ("**Sunny Cove**"), which owns a 19.9% interest in Ardilaun Energy Limited.

Details of the consideration paid, the assets acquired and liabilities assumed, the non-controlling interest recognised and the effects on the cash flows of the Group, at the acquisition date, are as follows:

	S\$'000
Purchase consideration	
Cash paid	2,000
Liabilities incurred	10,000
	12,000
Effect on cash flows of the Group	
Cash paid (as above)	2,000
Less: Cash and cash equivalents in subsidiary acquired	-
Cash outflow on acquisition	2,000
Assets acquired, at cost	
Investments in unquoted equity securities (Note 12)	12,000

The acquisition of Sunny Cove has been accounted for as an asset acquisition rather than a business combination as the Group did not acquire any processes as part of the transaction.

Note 10 (b)**(b) Analysis of loss for the year from discontinued operations**

The combined results of the discontinued operations included in the consolidated statement of comprehensive income are set out below. The comparative profit and cash flows from discontinued operations have been re-presented to include those operations classified as discontinued in the current period.

	Group	
	2015	2014
	S\$'000	S\$'000
Revenue	810	2,331
Expense	(1,348)	(2,306)
Loss from operations	(538)	(25)
Other income	23	-
Gain/(Loss) on disposal of subsidiaries (Note 13)	284	(1,086)
Loss before tax from discontinued operations	(231)	(1,061)
Loss after tax from discontinued operations	(231)	(1,061)

The impact of the discontinued operations on the cash flows of the Group was as follows:

	Group	
	2015	2014
	S\$'000	S\$'000
Net cash flow from operating activities	637	(1,449)
Net cash flow from investing activities	(6)	(51)
Net cash flow from financing activities	314	3,968
Net cash inflow	945	2,468

Note 13

	Company	
	2015	2014
	S\$'000	S\$'000
Unquoted shares, at cost		
At 1 January	12,100	163
Additions (# - Less than S\$1,000)	#	12,000
Disposal	-	(63)
	12,100	12,100
Less: Allowance for impairment loss	(12,100)	-
At 31 December	-	12,100

Movement in the allowance for impairment loss is as follows:

	Company	
	2015	2014
	S\$'000	S\$'000
At 1 January	-	49,393
Impairment made during the year	12,100	-
Written off upon disposal of subsidiaries	-	(49,393)
At 31 December	12,100	-

(a) Significant subsidiaries of the Group

Name of company	Country of incorporation	Principal activities	Proportion (%) of ownership interest	
			2015	2014
			%	%
<u>Held by the Company</u>				
Sunny Cove Investments Limited ⁽²⁾	BVI	Investment holding	100	100

Sino Building & Construction Pte. Ltd. (“SCBC”) ⁽¹⁾	Singapore	Design, construction and civil engineering activities, project consultancy and management services	100	100
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Magnum Energy Limited ⁽¹⁾	Singapore	Investment holding	100	-
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Held by Magnum Energy

Magnum Modular Power Generation Pte. Ltd. ^{(1),(3)}	Singapore	Provision of power generation services	-	-
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Held by SCBC

Elite Bay Sdn Bhd ^{(2),(4)}	Malaysia	Design and construction services	-	60
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⁽¹⁾ Audited by Moore Stephens LLP Singapore

⁽²⁾ Unaudited

⁽³⁾ Incorporated and disposed during the year

⁽⁴⁾ Disposed during the year

(b) Incorporation of subsidiaries

(i) On 23 January 2015, the Company incorporated a wholly-owned subsidiary, Magnum Energy Pte Ltd, with an initial capital of S\$1.

(ii) On 11 February 2015, the Company incorporated Magnum Modular Power Generation Pte Ltd (“**MMPGPL**”) as a joint company with Primeforth Renewable Energy Limited (“**Primeforth**”). The Company held a 70% equity interest in MMPGPL from the date of incorporation to the date of disposal.

(c) Acquisition of subsidiaries

(i) On 30 January 2014, the Group acquired a 60% equity interest in Elite Bay Sdn Bhd (“**Elite Bay**”) for a cash consideration of S\$114,000.

Details of the assets acquired and liabilities assumed, the non-controlling interest recognised and the effects on the cash flows of the Group, at the acquisition date, are as follows:

	S\$'000
Effect on cash flows of the Group	
Cash paid (as above)	114
Less: Cash and cash equivalents in subsidiary acquired, net of bank overdraft acquired	37
Cash outflow on acquisition	151

At fair values

	S\$'000
Identifiable assets acquired and liabilities assumed	
Cash at bank	3
Property, plant and equipment (Note 14)	804
Deferred tax asset (Note 9b)	3
Trade and other receivables	1,132
Total assets	1,942
Trade and other payables	(745)
Borrowings, excluding bank overdraft	(709)
Bank overdraft	(40)
Amount due to customers for work-in-progress	(281)
Current tax liabilities	(20)
Total liabilities	(1,795)
Total identifiable net assets	147
Less: Non-controlling interest at proportionate share of book value	(59)
Add: Goodwill	26
Consideration transferred for the business	114

- (ii) On 14th February 2014, the Group acquired a 100% equity interest in Sunny Cove Investments Limited ("**Sunny Cove**"), which owns a 19.9% interest in Ardilaun Energy Limited.

Details of the consideration paid, the assets acquired and liabilities assumed, the non-controlling interest recognised and the effects on the cash flows of the Group, at the acquisition date, are as follows:

	S\$'000
Purchase consideration	
Cash paid	2,000
Liabilities incurred	10,000
	12,000
Effect on cash flows of the Group	
Cash paid (as above)	2,000
Less: Cash and cash equivalents in subsidiary acquired	-
Cash outflow on acquisition	2,000
Assets acquired, at cost	
Investments in unquoted equity securities (Note 12)	12,000

The acquisition of Sunny Cove has been accounted for as an asset acquisition rather than a business combination as the Group did not acquire any processes as part of the transaction.

- (d) Disposal of subsidiaries

Financial year 2015

- (i) On 30 June 2015, the Group disposed of Elite Bay Pte Ltd, which operated the design and construction services of the Group in the prior financial year.

The effects of the disposal on the cash flows of the Group were:

	S\$'000
Carry amounts of assets and liabilities disposed:	
Property, plant and equipment	718
Deferred tax assets	3
Income tax recoverable	13
Prepaid operating expenses	18
Trade and other receivables	1,190
Cash and bank balances	2
 Total assets	 <u>1,944</u>
 Trade and other payables	 1,160
Gross amount due to customers for contract work-in-progress	263
Loan and borrowings	871
 Total liabilities	 <u>2,294</u>
 Net liabilities disposed	 (350)
Share of net liabilities disposed	<u>(210)</u>

The aggregate cash inflow arising from the disposal of subsidiaries is as follow:

	S\$'000
Net liabilities disposed of (as above)	(210)
Gain on disposal (Note 10)	284
Foreign currency translation differences reclassified to profit and loss	2

on disposal of foreign operation

Cash consideration from disposal	76
Add: Goodwill associated with subsidiary	26
Less: cash and cash equivalent in subsidiaries disposed	(2)
Net cash inflow on disposal	100

- (ii) On the 13th November 2015, the Group and Company disposed of its 70% interest in Magnum Modular Power Generation Pte. Ltd.

The effects of the disposal on the cash flows of the Group were:

	S\$'000
Carry amounts of assets and liabilities disposed:	
Property, plant and equipment	873
Inventories	56
Prepaid operating expenses	7
Gross amount due to customers for contract work-in-progress	183
Trade and other receivables	462
Cash and bank balances	2
Total assets	1,583
Trade and other payables	98
Other liabilities	59
Total liabilities	157
Net asset disposed	1,426
Share of net assets disposed	999

The aggregate cash inflow arising from the disposal of subsidiaries is as follow:

	S\$'000
Net asset disposed of (as above)	999
Loss on disposal (Note 10)	(499)
Cash consideration from disposal	500
Less: cash and cash equivalent in subsidiaries disposed	(2)
Net cash inflow on disposal	498

Financial year 2014

- (i) In the prior year, on 27 April 2014, the Group disposed of Xinyuan and its subsidiary Sunshine, which operated the heating business of the Group in the prior financial year.

The effects of the disposal on the cash flows of the Group were:

	S\$'000
Carrying amounts of assets and liabilities disposed:	
Assets classified as held for sale	52,333
Liabilities directly associated with assets classified as held for sale	(42,332)
Net assets disposed	10,001

The aggregate cash inflow arising from the disposal of subsidiaries is as follow:

	S\$'000
Net assets disposed of (as above)	10,001
Loss on disposal (Note 10)	(1,086)
Foreign currency translation differences reclassified to profit and loss on disposal of foreign operation	1,086
Cash consideration from disposal	10,001
Less: cash and cash equivalent in subsidiaries disposed	(5,373)
Net cash inflow on disposal	4,628

- (ii) On the 29th December 2014, the Group and Company disposed of Daqing Nafei Le Consulting Co.

The effects of the disposal on the cash flows of the Group were:

	2014
	S\$'000
Carry amounts of assets and liabilities disposed:	
Other assets	6
Cash and bank balances	15
Net assets disposed	<u>21</u>

The aggregate cash inflow arising from the disposal of subsidiaries is as follow:

	2014
	S\$'000
Net assets disposed of (as above)	21
Cash consideration from disposal	21
Less: cash and cash equivalent in subsidiaries disposed	(15)
Net cash inflow on disposal	<u>6</u>

Note 4

Going Concern Assumption

- (a) The Group incurred a net loss of S\$43,743,000 and a total comprehensive loss of S\$43,741,000 for the financial year ended 31 December 2015 (2014: net loss of S\$2,694,000 and a total comprehensive loss of S\$1,604,000). As at 31 December 2015, the Group's current liabilities exceeded its current assets by S\$6,748,000 (2014: current liabilities exceeded its current assets by S\$33,005,000), while the Company's current liabilities exceeded its current assets by S\$6,707,000 (2014: current liabilities exceeded its current assets by S\$31,928,000). As disclosed in Note 31(c), the Group has also received a formal letter of demand on 21 August 2015 for full and immediate repayment of a loan amounting to S\$4,700,000. These conditions indicate the existence of an uncertainty that may cast significant doubt as to the ability of the Group and the Company to continue as going concerns.

- (b) The financial statements are prepared on a going concern basis for the following reasons:
- the Group and Company renegotiated repayment terms for borrowings amounting to S\$0.5 million to be repaid no later than mid-2017 with the option to be repaid in cash or shares or a combination of the two at the discretion of the Group;
 - the Group and Company has also renegotiated repayment terms for borrowings amounting to S\$4.7 million to be repaid no later than mid-2017 with the option to be repaid in cash or shares or a combination of the two at the discretion of the Group. However this amount is the subject of a legal dispute as disclosed in Note 31(c);
 - on 15 January 2016, the Group and Company issued new ordinary shares of the Company to ISR Capital, settling payables of approximately S\$200,000;
 - the Group and Company has renegotiated to repay S\$440,000 in loans owing to Broadwell Limited in new ordinary shares of the Company;
 - on 2 March 2016, the Group and the Company issued convertible notes amounting to S\$600,000 to Maiora Asian Structured Finance Fund which are convertible at the option of the Group and Company on maturity; and
 - through its subsidiary, the Group entered into a management fee agreement with Primeforth Renewable Energy Limited in November 2015. As at 31 December 2015, the Group has contracted to receive S\$2,400,000 in management fees over a period of 24 months from the balance sheet date;

In the opinion of management, there is a reasonable expectation that the above measures will enable the Group and the Company to continue in operation and pay its debts as and when they fall due for at least the next 12 months from the date of these financial statements. In the event that the Group and the Company are unable to continue as going concerns, it could have an impact on the Group's and the Company's ability to realise assets at their recognised amounts and to extinguish liabilities in the normal course of business at the amounts stated in the balance sheets of the Group and the Company. The Group and the Company may also have to provide for further liabilities which arise, and to reclassify non-current assets as current assets. No such adjustments have been made to these financial statements.