



VIBRANT GROUP LIMITED

Company Registration Number: 198600061G

RELEASE OF THE REPORT BY THE SPECIAL AUDITOR

1 INTRODUCTION

- 1.1 The Board of Directors (the “**Board**”) of Vibrant Group Limited (the “**Company**” and together with its subsidiaries, the “**Group**”) refers to the announcement on 13 July 2018, the announcement on 16 July 2018, the announcement on 18 July 2018 (the “**18 July Announcement**”), the announcement on 26 July 2018, the announcement on 8 August 2018, the announcement on 15 August 2018, the announcement on 21 August 2018 (the “**21 August Announcement**”), the announcement on 22 October 2018, and the announcement on 12 December 2018 (collectively, the “**2018 Announcements**”).
- 1.2 Unless otherwise defined, capitalised terms used herein shall bear the same meaning ascribed to them in the 2018 Announcements.

2 UPDATE ON SPECIAL AUDIT ON IRREGULARITIES

- 2.1 As announced in the 21 August Announcement, the Company appointed EY Advisory as the special auditor to carry out a review relating to the Irregularities within the Blackgold Subsidiaries.
- 2.2 The Special Auditor has completed the Special Audit and has submitted the full report on its findings to the SGX-ST, the AC and the Board (the “**Special Audit Report**”). The SGX-ST had been provided with a copy of the Special Audit Report.
- 2.3 An executive summary of the Special Audit Report (“**Executive Summary**”) is attached as Annex A to this announcement. The Special Auditor has set out in the Executive Summary a detailed summary of all of the facts, key findings and recommendations, which are discussed in the Special Audit Report.

Summary of the Special Auditor’s key findings

- 2.4 A summary of the main findings of the Special Auditor is set out below:

Key events

- 2.5 As announced in the 18 July Announcement, the Auditors were unable to complete their audit for the Group’s financial statements for the financial year ended 30 April 2018 without performing additional procedures. This was because the Auditors had discovered certain irregularities and discrepancies in respect of the receipts and sales invoices arising from the coal mining and coal trading businesses carried on by the Affected Blackgold Subsidiaries.
- 2.6 The management of the Blackgold Group during the Review Period (as defined below) (“**Blackgold Management**”) later performed a “clean-up” of the financial and accounting data in its accounting system, which included the following acts (the “**Clean-Up Process**”):

- 2.6.1 On 6 July 2018, the Blackgold Management confirmed the Irregularities and provided KPMG Huazhen LLP, a component auditor of the Auditors based in the PRC, with a new set of management accounts which was “significantly different from the management accounts they received at the start of their appointment”. The revised set of management accounts included significant write-off of the Blackgold Group’s revenue.
- 2.6.2 On 26 July 2018, the physical books and records of the Blackgold Group were purportedly transported from Chongqing City to Fengjie County for the purpose of revising the accounting data.
- 2.7 Between 31 July 2018 and 13 August 2018, the email archives of various the Blackgold Group’s employees or departments were deleted by an account administrator.
- 2.8 On 15 August 2018, the Board announced that a motor vehicle transporting certain accounting records of the Blackgold Group caught fire near the coal mine operated by Chongqing Caotang Coal Mine Resources Development Co., Ltd. (“**Caotang**”). As a result, all the physical books and records of the Blackgold Group for the past 10 years up to April 2018 were destroyed.
- 2.9 The Special Audit commenced on 27 August 2018 to carry out a fact-finding investigation into the Irregularities, the assets and accounting records of the Blackgold Group.

Key salient matters

- 2.10 The salient matters set out in the Special Audit Report are summarised below. For more information on the matters disclosed by the Special Auditor in its Special Audit Report, please refer to the attached Executive Summary.
- 2.10.1 Potential inflation of non-current assets as at 13 July 2017 (the “**Acquisition Date**”)

As at 30 June 2017 (the “**Nearest Practicable Date**”)¹, the Blackgold Group had recognised non-current assets² of approximately RMB 1.12 billion. After the Clean-Up Process subsequent to the discovery of the Irregularities, the Blackgold Group’s non-current assets were reduced by approximately RMB 187.36 million to approximately RMB 933.91 million as at 30 June 2017. The difference of approximately RMB 187.36 million was attributed to the removal of certain non-current assets from the management accounts of the Blackgold Group.

In addition, the Special Audit revealed that the Blackgold Management had maintained multiple sets of accounting records for two of the entities of the Blackgold Group, namely Caotang and Chongqing Guoping Heiwan Coal Mine Resources Development Co., Ltd. (“**Heiwan**”).

It was also discovered that several entities of the Blackgold Group, namely Caotang, Qijiang Changhong Coal Industry Co., Ltd., Chongqing Baolong Mining Co., Ltd. and Heiwan were either not in operation and/or received certain forms of compensation (for

¹ For the purposes of the Special Audit, the Special Auditors had examined the management accounts prepared by the Blackgold Management at the nearest practicable date to the Acquisition Date (i.e. 30 June 2017).

² “Non-current assets” includes property, plant and equipment and intangible assets including land-use rights and mining rights.

voluntary closure) from the PRC government. This could potentially have an impact on the valuation of these entities as the Company would be required to determine the fair value of the Blackgold Group in accordance with the provisions of the Singapore Financial Reporting Standards.

2.10.2 Potential overstatement of sales between 1 July 2017 to 30 April 2018 (the “Review Period”)

During the Review Period, the Blackgold Group had recognised total sales of approximately RMB 2.08 billion. After the Clean-Up Process, the Blackgold Group’s sales (in particular, the sales of Chongqing Heijin Industrial Co., Ltd. and Caotang) were significantly reduced by approximately RMB 2.05 billion to approximately RMB 29.12 million.

In addition, while the recorded revenue of Chongqing Guoping Shipping Transportation Co., Ltd., an entity of the Blackgold Group, was not reduced during the Clean-Up Process, it had appeared to be overstated by approximately RMB 20.74 million.

2.10.3 Potential overstatement of accounts receivable as at the Acquisition Date

Significant accounts receivable amounting to approximately RMB 638.74 million appeared irrecoverable or doubtful. It appeared that the Blackgold Group’s accounts receivable as at the Nearest Practicable Date amounted to only approximately RMB 19.36 million after excluding doubtful debts. The potentially irrecoverable or doubtful accounts receivable related to, amongst others:

- (a) significantly aged debts;
- (b) a debtor’s insolvency;
- (c) amounts not acknowledged by debtors; and
- (d) questionable prepayment of goods.

2.10.4 Potential overstatement of accounts payable as at the Acquisition Date

Based on the Special Auditor’s confirmation requests, the Blackgold Group’s accounts payable as at the Nearest Practicable Date could potentially be overstated.

2.10.5 Questionable bank transactions during the Review Period

Based on the Special Auditor’s analysis of the original bank statements obtained from the banks and the cash ledgers of the Blackgold Group for the Review Period, it was observed that certain fund transfers were undertaken by the Blackgold Group with certain entities during the Review Period which appeared questionable for the following reasons:

- (a) transactions were carried out with related parties of certain personnel of the Blackgold Management;

- (b) the description of transactions recorded in the management accounts of the Blackgold Group differed from the statements obtained from the banks;
- (c) indications of round tripping transactions; and
- (d) fund transfers with no apparent business purposes.

In addition, there appeared to be significant differences between transactions recorded in the cash ledgers before revision, and those recorded in the original bank statements for the bank accounts of certain Affected Blackgold Subsidiaries.

2.10.6 Effect on the Company

By reason of the events at the Blackgold Group, the Company's previously disclosed financial information for the first three quarters of its financial year ended 30 April 2018 that were made during the period 13 September 2017 to 14 March 2018 were and are not accurate. Consequently, the Company had on 31 October 2018, 14 November 2018 and 12 December 2018 clarified and announced that the Blackgold Group's financial information was "*incomplete, not accurate and unreliable*".

2.10.7 Remedial Actions

During the course of the Special Audit, the Special Auditor observed that the Company had undertaken actions in line with the 18 July Announcement regarding its remedial actions to address the Irregularities, save for effecting the change in legal representatives. The Company explained that this was due primarily to a scarcity of candidates, which is largely attributable to the following reasons and factors:

- (a) the limited availability of potential candidates as legal representatives due to the relevant laws in the PRC;
- (b) the possibility of newly appointed legal representatives becoming embroiled in potential insolvency proceedings of certain Blackgold subsidiaries operated as a disincentive;
- (c) the need for candidates to have the requisite expertise or qualifications in respect of mining safety regulations; and
- (d) the difficulty of finding candidates having the necessary knowledge of the laws, rules and regulations required to manage the various business activities of the Blackgold Subsidiaries.

3 Recommendations of the Special Auditor and next steps

- 3.1 The Board takes a serious view of both the potential breaches of laws and/or the provisions of the SGX-ST Listing Manual highlighted by the Special Auditor, and the findings of the Special Auditor. The Board is currently seeking legal advice on the appropriate courses of action in the best interests of the shareholders and the Group. These include, but are not limited to, referring the matters disclosed in the Special Audit Report to the relevant authorities and taking appropriate actions against the relevant parties, if necessary.
- 3.2 The Board will continue to take all necessary actions in the best interests of the shareholders and the Group. In this regard, further announcements to update shareholders will be made as and when appropriate.

By Order of the Board
Vibrant Group Limited

Eric Khua Kian Keong
Executive Director & CEO
24 January 2019

**Report of Factual Assessment into the
(i) Relevant Sales Transactions and
(ii) Specific Accounts of Blackgold
International Holdings Pty. Ltd. and its
subsidiaries**

Privileged and confidential

24 January 2019



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List of abbreviations

The following abbreviations are used in this report:

Abbreviation	Description
ABC	Agricultural Bank of China
AC	Audit Committee of Vibrant
Acquisition	Acquisition of Blackgold Group by Vibrant by way of scheme of arrangement in accordance with Part 5.1 of the Corporation Act of Australia
Acquisition Date	Acquisition of Blackgold Group by Vibrant on 13 July 2017
Affected Blackgold's Subsidiaries	Heijin, Caotang and Heiwan
Anyijia Industrial	Chongqing Anyijia Industrial Co., Ltd.
ASX	Australian Securities Exchange
Auditors	KPMG LLP
Baolong	Chongqing Baolong Mining Co., Ltd.
BDO	BDO Corporate Finance (WA) Pty. Ltd.
BDO Report	Independent expert's report on the scheme of arrangement in connection with the Acquisition issued by BDO on 11 May 2017
Blackgold	Blackgold International Holdings Pty. Ltd.
Blackgold Coal Washing	Chongqing Blackgold Coal Washing Co., Ltd.
Blackgold Group	Blackgold and its subsidiaries
Blackgold Management	The management of the Blackgold Group during the Review Period which comprised of Yuguo, James Tong, Ou Jun, It Phong and Shaokui
Blackgold Mining	Chongqing Blackgold Mining Co., Ltd.
Blackgold Shipping	Chongqing Guoping Shipping Transportation Co., Ltd.
Board	Board of Directors of Vibrant
Caotang	Chongqing Caotang Coal Mine Resources Development Co., Ltd.
CCB	China Construction Bank
Changhong	Qijiang Changhong Coal Industry Co., Ltd.
Changxing Southern	Changxing Southern Mechanical and Electrical Supplies Co., Ltd.
Coal Mining Entities	Caotang, Heiwan, Changhong and Baolong
Deqing Mingjie	Deqing Mingjie Energy Co., Ltd.
Deqing Yijie	Deqing Yijie Coal Co., Ltd.
DMS	Duane Morris & Selvam LLP
ESI	Electronically stored information
EY Advisory or us	Ernst & Young Advisory Pte. Ltd.
Fire Incident	A motor vehicle transporting certain accounting records of Blackgold Group caught fire near the coal mine operated by Caotang on 9 August 2018
Group	Vibrant and its subsidiaries
Guizhou Shengxin	Guizhou Shengxin Minerals Group Investment Co., Ltd.
Guoping Construction	Chongqing Guoping Construction Engineering Co., Ltd. (Fengjie Branch)
Guoping Industrial	Guoping Industrial Group Ltd.
Heijin	Chongqing Heijin Industrial Co., Ltd.
Heiwan	Chongqing Guoping Heiwan Coal Mine Resources Development Co., Ltd.

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Abbreviation	Description
Honghai Freight	Chongqing Honghai Freight Forwarding Co., Ltd.
ICBC	Industrial and Commercial Bank of China
Irregularities	Irregularities and discrepancies discovered by the Auditors in respect of the coal mining and coal trading receipts and sales invoices of the Affected Blackgold's Subsidiaries
Jingxinrun Trading	Chongqing Jingxinrun Trading Co., Ltd.
Leixing Trading	Fengjie Leixing Trading Co., Ltd.
Liupanshui Changlong	Liupanshui Changlong Minerals Co., Ltd.
Non-current Assets	PPE and intangibles assets (including land-use rights and mining rights)
NBV	Net book value
PinNuo	Chongqing PinNuo Trademark Agency Co., Ltd., the third party email service provider of Blackgold Group
PPE	Property, plant and equipment
PRC	People's Republic of China
Puhui Logistics	Shanghai Puhui International Logistics Co., Ltd.
Qiaoxing Coal Industry	Fengjie County Qiaoxing Coal Industry Resources Development Co., Ltd.
Relevant Sales Transactions	Coal mining and coal trading receipts and sales invoices of the Affected Blackgold's Subsidiaries
Review Period	1 July 2017 to 30 April 2018
SGX	Singapore Exchange Limited
Shanghai Yufeng	Shanghai Yufeng International Logistics Co., Ltd
Shangmao	Chongqing Guoping Shangmao Trading Co., Ltd.
Special Audit	A fact-finding investigation into the Irregularities as well as the assets and accounting records of Blackgold Group
Special Committee	A special committee appointed comprising of Eric Khua, Henry Chua and Simon Sim for direct supervision of the Blackgold Group following the discovery of the Irregularities
Specific Accounts	PPE (including mine development and intangible assets), trade receivables and trade payables
VAT	Value Added Tax
Vibrant	Vibrant Group Limited
Xinyu Minerals	Fengjie Xinyu Minerals Co., Ltd.
XZD	XinZhongDa, the accounting system used by Blackgold Group
Yanxin Trading	Fengjie Yanxin Trading Co., Ltd.

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Glossary of persons

Abbreviation	Description
Au Yong	Mr. Au Yong Kong Seng, Senior Vice President (Greater China) of Vibrant
Banggang	Mr. Yan Banggang, a shareholder of Anyijia Industrial
Caiyou	Mr. Cai Caiyou, Blackgold Shipping's customer
Daquan	Mr. Zhu Daquan, Blackgold Shipping's customer
Eric Khua	Mr. Khua Kian Keong (also known as Eric Khua), Chief Executive Officer of Vibrant
Fagang	Mr. Liu Fagang, former Executive Director, General Manager and Legal Representative of Shangmao
Guopeng	Mr. Xiao Guopeng, husband of Yuguo's niece as well as the Director and General Manager of Anyijia Industrial
Guoxing	Mr. Wang Guoxing, a third party contractor of Blackgold Shipping
Haiming	Mr. Liu Haiming, an employee of Guoping Industrial and a former Finance Manager of Blackgold Group
Henry Chua	Mr. Chua Tiong Hock (also known as Henry Chua), Chief Corporate Development Officer of Vibrant
Honglin	Mr. Liu Honglin, Director of Anyijia Industrial
Hongyan	Ms. Pan Hongyan, former Trader of Heijin
It Phong	Mr. Tin It Phong, Chief Financial Officer of Blackgold Group
James Tong	Mr. Chi Ho (James) Tong, former Non-Executive Chairman of Blackgold Group (prior to the Acquisition) and current Director of Blackgold
Jianfei	Mr. Peng Jianfei, Supervisor Chairman of Anyijia Industrial
Kar Ming	Mr. Yong Kar Ming, Internal Audit Manager of Vibrant
Liangquan	Mr. Liao Liangquan, former Head of Planning of Blackgold Group
Lilin	Mr. Zhang Lilin, Supervisor of Changhong and key management of Leixing Trading
Linjun	Ms. Xie Linjun, former Accountant of Blackgold Shipping
Liu Qiong	Ms. Liu Qiong, former Cashier of Blackgold Shipping
Minghui	Mr. Yang Minghui, former Ship Captain of Blackgold Shipping
Mingzhang	Mr. Yang Mingzhang, Manager of Blackgold Coal Washing
Mingzhi	Mr. Zheng Mingzhi, Ship Captain of Blackgold Shipping
Niyan	Ms. Ou Niyan, former Officer of Heijin and Supervisor of Anyijia Industrial
Peng Yang	Ms. Peng Yang, daughter of Yuguo, Director and shareholder of Anyijia Industrial
Pihong	Mr. Mao Pihong, former Executive Director, General Manager and Legal Representative of Caotang
Qilin	Mr. Jia Qilin, former Trader of Heijin
Qingping	Mr. Yao Qingping, an employee of Blackgold Shipping
Qishou	Mr. Peng Qishou, Manager of Baolong
Ou Jun	Mr. Ou Jun, former General Manager of Heijin
Ou Lin	Ms. Ou Lin, sister-in-law of Yuguo, former Director of Blackgold Holdings HongKong Ltd., and Executive Director of Puhui Logistics

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Abbreviation	Description
Shaokui	Mr. Chen Shaokui, former Head of Finance and Accounts of Blackgold Group
Simon Sim	Mr. Sim Geok Beng (also known as Simon Sim), Chief Financial Officer of Vibrant
Sufen	Ms. Ou Sufen who held several key management position in Baolong, Heijin, Shangmao and Blackgold Shipping
Tian Jun	Mr. Tian Jun, Chief Financial Officer of Vibrant Investment & Management (Shanghai) Co., Ltd. (a subsidiary of Vibrant)
Wenping	Mr. Peng Wenping, a shareholder of Jingxinrun Trading
Xiang Yang	Mr. Xiang Yang, former Accountant of Blackgold Group and Supervisor of Hubei Songyi Cement Co., Ltd.
Xiaogang	Mr. Xia Xiaogang, the legal representative of Shanghai Yufeng
Xiaohong	Ms. Deng Xiaohong, an employee of Heijin
Xiaoping	Ms. Ou Xiaoping, wife of Yuguo and shareholder of Guoping Industrial
Xu Cong	Ms. Xu Cong, former Accountant of Heijin
Xuefeng	Mr. Zhang Xuefeng, Logistics Manager of Freight Links (Jiangsu) Co., Ltd., a subsidiary of Vibrant
Xueqing	Mr. Xia Xueqing, the legal representative of Leixing Trading
Yang Fen	Ms. Yang Fen, former Cashier of Heijin
Yifeng	Mr. Huang Yifeng, former Supervisor of Heijin
Yilong	Mr. Yi Yilong, former Executive Director, General Manager and Legal Representative of Changhong
Yuguo	Mr. Peng Yuguo, former Chief Executive Officer of Blackgold Group
Yuju	Ms. Peng Yuju, former Manager of Blackgold Shipping
Yulu	Mr. Peng Yulu, former General Manager of Heijin
Zhang Jiao	Ms. Zhang Jiao, former Accountant of Heijin
Zhenghai	Mr. Peng Zhenghai, former Deputy Chief Executive Officer of Blackgold Group
Zongde	Mr. Jiang Zongde who held several key management positions in Caotang, Heiwan, Baolong and Heijin
Zongling	Ms. Tian Zongling, Secretary/Translator of Blackgold Group

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Executive Summary

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1. Executive summary

This Executive Summary should be read in context of the entire report, exhibits and appendices. It does not stand alone, but rather provides a summary of the findings in the remainder of this report.

1.1 Background and our appointment

1.1.1 Vibrant Group Limited (“Vibrant” and together with its subsidiaries, the “Group”), a company incorporated in Singapore on 8 January 1986, has been listed on the Singapore Exchange Limited (“SGX”) since 1995. Vibrant acquired Blackgold International Holdings Pty. Ltd.¹ (“Blackgold”) and its subsidiaries (collectively referred to as “Blackgold Group”) by way of a scheme of arrangement in accordance with Part 5.1 of the Corporation Act of Australia (the “Acquisition”) on 13 July 2017 (the “Acquisition Date”).

1.1.2 On 18 July 2018, the Board of Directors of Vibrant (the “Board”) made an announcement on SGXNet that the Group’s auditors, KPMG LLP (the “Auditors”) were unable to complete their audit of the Group’s financial statements for the financial year ended 30 April 2018, without performing additional procedures. It was reported in the announcement that the Auditors had identified certain irregularities and discrepancies in respect of the receipts and sales invoices arising from the coal mining and coal trading businesses carried on by the following subsidiaries of Blackgold (referred to as the “Irregularities” in this report):

- (a) Chongqing Heijin Industrial Co., Ltd. (“Heijin”);
- (b) Chongqing Caotang Coal Mine Resources Development Co., Ltd. (“Caotang”); and
- (c) Chongqing Guoping Heiwan Coal Mine Resources Development Co., Ltd. (“Heiwan”)

(collectively referred to as the “Affected Blackgold’s Subsidiaries”).

¹ Previously known as Blackgold International Holdings Limited.

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- 1.1.3 In the same announcement, the Board announced that the Auditors had recommended to the Audit Committee of Vibrant (the “AC”) for additional procedures to be carried out on Blackgold Group’s balance sheet as at the Acquisition Date by Vibrant (i.e., on 13 July 2017) to ascertain the existence, accuracy and completeness of the assets and liabilities acquired.
- 1.1.4 On 15 August 2018, the Board published another announcement declaring that a motor vehicle transporting certain accounting records of Blackgold Group caught fire near the coal mine operated by Caotang in the afternoon of 9 August 2018 (the “Fire Incident”).
- 1.1.5 On 21 August 2018, Vibrant and its appointed legal counsel, Duane Morris & Selvam LLP (“DMS”) appointed Ernst & Young Advisory Pte. Ltd. (“EY Advisory” or us) as the Special Auditor to carry out a fact-finding investigation into the Irregularities as well as the assets and accounting records (to the extent these records are still available) of Blackgold Group (the “Special Audit”).
- 1.1.6 The following individuals held key management positions in Blackgold Group during the period of 1 July 2017 to 30 April 2018 (the “Review Period”). These individuals are collectively referred to as “Blackgold Management” in this report:
- (a) Mr. Peng Yuguo (彭玉国), former Chief Executive Officer of Blackgold Group (“Yuguo”) (resigned on 16 August 2018).
 - (b) Mr. Chi Ho (James) Tong, former Non-Executive Chairman of Blackgold Group (prior to the Acquisition) and current Director of Blackgold (“James Tong”).
 - (c) Mr. Ou Jun (欧军), former General Manager of Heijin (resigned on 16 August 2018).
 - (d) Mr. Tin It Phong (陈一峰), Chief Financial Officer of Blackgold Group (“It Phong”).
 - (e) Mr. Chen Shaokui (陈绍奎), former Head of Finance and Accounts of Blackgold Group (“Shaokui”) (Vibrant had terminated Shaokui’s employment on 15 August 2018).

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1.2 Overview of the engagement and work performed

1.2.1 Based on the terms set out in the statement of work dated 21 August 2018, the AC requested us to perform the following:

- (a) Conduct preliminary discussions/interviews with the relevant personnel of Blackgold Group and the Auditors to obtain a detailed understanding and information relating to the Irregularities.
- (b) Perform factual assessment of the coal mining and coal trading receipts and sales invoices of the Affected Blackgold's Subsidiaries (the "Relevant Sales Transactions"). This includes selecting significant transactions for the Review Period to verify against the underlying supporting documents, inspect relevant bank records, perform independent verification with relevant third parties (e.g., customers, vendors) and quantify financial impact of the Relevant Sales Transactions resulting from any irregularities identified.
- (c) Identify and assess relevant key operating expenses incurred by the Affected Blackgold's Subsidiaries and identify any questionable transactions/payments to third parties for the Review Period.
- (d) Perform factual assessment of other relevant accounts of the Affected Blackgold's Subsidiaries as at the Acquisition Date. These accounts include, but not limited to, property, plant and equipment ("PPE") including mine development and intangible assets, trade receivables and trade payables ("Specific Accounts"). Select significant transactions for analysis (i.e., verification against the underlying supporting documents), perform sighting of significant PPE of Affected Blackgold's Subsidiaries and quantify financial impact of improper recognition of assets and liabilities by Blackgold Group as at the Acquisition Date.
- (e) Deploy data analytics procedures to facilitate the analysis in Paragraph 1.2.1(b), (c) and (d) as may be necessary and practicable².

² We managed to restore the data in the accounting system, XinZhongDa (新中大) but we noted that it contained limited data which could be analysed in a meaningful manner using data analytics procedures.

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- (f) Discuss and agree with the AC on the type and number of electronically stored information (“ESI”) to collect, forensically image and preserve the full imaged ESI at the commencement of fieldwork. Secure and retain the preserved ESI at our forensic facility in the People’s Republic of China (“PRC”), and perform an examination of forensic images for relevant documentation upon consultation with the AC.
- (g) Conduct background searches (limited to the information available in the public domain) on any questionable customers, vendors, third parties or other relevant parties connected to the irregularities identified during the course of our work.
- (h) Perform inquiries with relevant employees of Blackgold Group who have knowledge of the Relevant Sales Transactions and Specific Accounts. The relevant employees of Blackgold Group would be given an opportunity to review extract of our draft report that cite our interviews with them through “Maxwellisation” process.
- (i) Examine possible irregularities identified in the Relevant Sales Transactions and Specific Accounts during the course of the Special Audit with the view of establishing the facts and circumstances leading to the Irregularities.
- (j) Identify possible breaches of the SGX Listing Manual or applicable laws and regulations based on prima facie the relevant documentation and information available to us and in consultation with independent legal counsels or other professional advisors appointed by the AC.
- (k) Assess the internal controls, corporate governance and remedial actions put in place by the AC and provide observations and/or recommendations on any discrepancies identified during the course of the Special Audit.

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1.2.2 Pursuant to the above statement of work, EY Advisory performed the following procedures:

- (a) Conducted preliminary discussions with the Auditors and its component auditor based in PRC, KPMG Huazhen LLP who was appointed as the statutory auditors of Blackgold Group, to obtain background information relating to the Irregularities on 29 August 2018 and 10 October 2018 respectively.
- (b) Performed an interview with KPMG Huazhen LLP at its office in Chengdu, PRC on 17 October 2018 to obtain a detailed understanding and information relating to the Irregularities. During our visit at KPMG Huazhen LLP's office from 17 to 18 October 2018, we also read the documents obtained by KPMG Huazhen LLP over the course of their audit from 14 May 2018 to 27 June 2018. These documents were subsequently provided to us for further analysis through It Phong, on 26 October 2018.
- (c) Restored the accounting data in XinZhongDa (新中大) ("XZD"), the accounting system used by Blackgold Group which appeared to be deleted prior to the commencement of the Special Audit on 27 August 2018.
- (d) Performed a factual assessment of the Relevant Sales Transactions based on the following work steps:
 - (i) Obtained the management accounts³ of Blackgold Group from It Phong between 26 and 29 August 2018 for analysis.
 - (ii) Identified significant accounts which had been purportedly revised by Blackgold Management following the discovery of the Irregularities and performed inquiries with It Phong on the revisions made⁴.

³ The management accounts consisted of a set of unaudited trial balance, profit and loss statement, balance sheet and relevant supporting schedules prepared by Blackgold Management in Microsoft Excel format. For clarity, the term "management accounts" used in this report denotes a set of internal accounting records and it should be distinguished from the term "Financial Report" which is used to denote a formal set of audited financial statements provided by a company to external parties that show details of its financial situation.

It Phong represented that Blackgold Management initially provided the management accounts as of 30 June 2017 and 30 April 2018 to the Auditors for purpose of the audit of the financial statements for the year ended 30 April 2018. Subsequently, after the discovery of the Irregularities, Blackgold Management provided revised sets of management accounts for the same periods to the Auditors. We obtained these sets of management accounts as well as the management accounts as of 31 October 2016 from It Phong between 26 and 29 August 2018.

⁴ We could not speak with certain members of Blackgold Management and personnel from the finance and accounting department of Blackgold Group as these individuals had resigned and/or refused to turn up for work.

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- (iii) Attempted to verify the Relevant Sales Transactions of Blackgold Group by tracing to the transactions recorded in the original bank statements obtained directly from the banks and performing independent verification on balances and transactions with the customers. In addition, we compared the recorded sales to the Annual Enterprise Income Tax Return and the Value Added Tax (“VAT”) Return obtained directly from the website of Chongqing Online Taxation Bureau for certain subsidiaries of Blackgold Group with operating revenue.

[Note: We could not verify the Relevant Sales Transactions to the underlying supporting documents such as sales invoices, purchase orders, delivery documents, etc. as we were advised by It Phong that all physical books and records of Blackgold Group for the past 10 years up to April 2018 were destroyed during the Fire Incident.]

- (iv) Discovered the existence of multiple sets of XZD accounting data (in addition to the management accounts provided by It Phong) for certain entities of Blackgold Group through examination of ESI. We analysed these accounting data and identified significant differences between different sets of data, especially in respect of the cash/bank and sales ledgers.
 - (v) Assessed the cash/bank ledgers of the multiple sets of XZD accounting data by matching against the original bank statements obtained directly from the banks and identified the discrepancies between these records.
 - (vi) Interviewed and/or obtained written representations from relevant employees of Vibrant and Blackgold Group with knowledge of the Relevant Sales Transactions.
 - (vii) Examined discrepancies identified in the Relevant Sales Transactions and established the facts and circumstances leading to such discrepancies.
 - (viii) To the extent possible, estimated the financial impact of the Relevant Sales Transactions, resulting from any irregularities identified.
- (e) Assessed relevant key operating expenses reported in the management accounts of Blackgold Group and identified questionable transactions/payments.

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- (f) Performed a factual assessment of the Specific Accounts and other relevant accounts of Blackgold Group as at the nearest practicable date of the Acquisition by Vibrant (i.e., 30 June 2017) based on the following work steps:
 - (i) Based on the management accounts provided by It Phong [refer to Paragraph 1.2.2(d)(i)], we analysed the financial information relating to the Specific Accounts and other relevant accounts to identify the existence of any improper recognition of assets and liabilities by Blackgold Group.
 - (ii) Performed independent verification of balances, transactions and other information with relevant third parties (e.g., customers, vendors and local governments).
 - (iii) Attempted to perform sighting of selected significant PPE of Affected Blackgold's Subsidiaries to determine the physical existence but were not able to do so due to limited access to the coal mines and absence of information surrounding the assets (e.g., physical identification tags).
 - (iv) Inspected the Annual Enterprise Income Tax Return for the reported non-current assets information to the local tax authorities and compared the reported figures with the management accounts of certain subsidiaries of Blackgold Group.
 - (v) Examined discrepancies identified in the Specific Accounts and established the facts and circumstances leading to such discrepancies.
 - (vi) To the extent possible, estimated the financial impact of the assets and liabilities of Blackgold Group as at 30 June 2017 resulting from any irregularities identified.
- (g) Performed relevant electronic discovery procedures including collecting, processing, extracting, and reviewing electronic data provided by It Phong.
- (h) Consulted with Vibrant's legal counsels in the PRC, Zhonghao Law Firm regarding the extraction of documents out of the PRC in compliance with the PRC's State Secrets Laws.

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- (i) Performed background searches (limited to the information available in the public domain) on certain individuals and entities in order to identify any undisclosed related party transactions or interested party transactions. We also conducted discreet visits to business premises of certain major customers and suppliers of Blackgold Group.
- (j) Conducted interviews with relevant employees of Blackgold Group who have knowledge of the Relevant Sales Transactions and Specific Accounts. The relevant employees were given an opportunity to review extract of our draft report that cite our interviews with them. This process is known as the “Maxwellisation” process.
- (k) Identified possible breaches of the SGX Listing Manual as well as applicable laws and regulations based on prima facie the relevant documentation and information available to us.
- (l) Assessed the remedial actions put in place by the AC as well as the management of Vibrant and provided observations on any discrepancies identified during the course of the Special Audit.

[Note: We did not perform an assessment on internal controls or corporate governance of Blackgold Group as (a) Vibrant had suspended the operations of Blackgold Group (except for its shipping business) following the discovery of the Irregularities; (b) we could not perform these assessments as the books and records of Blackgold Group were destroyed in the Fire Incident; and (c) the integrity of Blackgold Management is questionable as they appeared to have created more than 1 set of accounting records to suggest falsification of its accounting records as described in the ensuing sections of this report. For the purpose of our work, we have assessed the remedial actions carried out by Vibrant as per its announcement on SGXNet dated 18 July 2018.]

1.3 General limiting conditions and constraints

- 1.3.1 Our report has been prepared on the basis of management information, financial data and documentation provided by Blackgold Group and Vibrant relevant to our scope of work, as well as interviews and/or discussions conducted with relevant persons.

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- 1.3.2 The findings in this report are based on facts obtained from the interviews and/or discussions as well as review of documents that were provided to us.
- 1.3.3 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 or anywhere else; accordingly, no assurance will be expressed in this regard.
- 1.3.4 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.
- 1.3.5 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 provided to us. 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.
- 1.3.6 All assumptions made for the purpose of this engagement are based on information and representations provided by Blackgold Group 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.
- 1.3.7 We wish to highlight that the people we interviewed were not under oath. Hence, certain judgment would need to be exercised as to the reliability of the views and recollections of those interviewed and/or discussed.
- 1.3.8 Any report issued by EY Advisory or excerpts should not be used by Vibrant for any purpose other than that stated in our letter of engagement without our prior written consent. In the event that we provide written approval to Vibrant 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 require an appropriate indemnity from Vibrant absolving EY Advisory from any liability or consequence arising from the release of such report for purposes other than that specified above.

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- 1.3.9 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. 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.
- 1.3.10 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.
- 1.3.11 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 References to “Blackgold Management” in this report refer to the 5 individuals as mentioned in Paragraph 1.1.6, due to the limited nature of our work, we are unable to identify any particular member of Blackgold Management who were involved in (i) the setting up of multiple accounting records and/or (ii) the falsification of accounts and bank records, unless specifically mentioned in this report.
- 1.4.2 We were informed by It Phong that all the physical books and records of Blackgold Group for the past 10 years up to April 2018 were destroyed as a result of the Fire Incident (as reported in Vibrant’s announcement on SGXNet dated 15 August 2018). As a result, we were not able to verify relevant transactions against the underlying supporting documents (e.g., sales contracts, invoices, delivery orders, etc.).
- 1.4.3 We did not receive full cooperation from certain individuals related to Blackgold Group as these individuals had tendered their resignations and/or refused to turn up for work. We had through Vibrant’s management requested to interview the following individuals by sending official letters to their registered addresses on 30 and 31 August 2018 but we have not received a response from the following individuals as at the date of this report:

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- (a) Yuguo, former Chief Executive Officer of Blackgold Group (resigned on 16 August 2018)
- (b) Ou Jun, former General Manager of Heijin (resigned on 16 August 2018)
- (c) Shaokui, former Head of Finance and Accounts of Blackgold Group (Vibrant had terminated Shaokui's employment on 15 August 2018)
- (d) Mr. Xiang Yang (向阳), former Accountant of Blackgold Group (resigned on 23 August 2018)
- (e) Ms. Peng Yuju (彭玉菊), former Manager of Chongqing Guoping Shipping Transportation Co., Ltd. ("Blackgold Shipping") (resigned on 6 September 2018) ("Yuju")

In addition, we requested to interview Mr. Yao Qingping (姚钦平) ("Qinping"), an employee of Blackgold Shipping, whom we understand has knowledge of certain Relevant Sales Transactions in respect of the shipping business of Blackgold Shipping on 12 October 2018 but Qinping refused to be interviewed due to concerns of his personal safety and reputation.

- 1.4.4 We forensically imaged 16 computers and noted that 14 of these computers had the Windows operating systems installed between 6 and 27 August 2018. In addition, half of these computers appeared to have newly installed hard drives as the manufacturing dates printed on the drives showed that these were manufactured earlier this year.
- 1.4.5 We requested for email archives of all employees of Blackgold Group on the commencement of our Special Audit (i.e., 27 August 2018) and was informed by It Phong that we could request for the email archives from Blackgold Group's email service provider, Chongqing PinNuo Trademark Agency Co., Ltd. ("PinNuo"). Based on our analysis of the email archives, we noted that the email archives of various Blackgold Group's employees/departments had been deleted on 31 July 2018 and 13 August 2018, and PinNuo advised us that they were not able to recover the deleted data as substantial amount of time had lapsed since the deletion of data.

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- 1.4.6 We understand that majority of the PPE and mine infrastructures were located in the coal mine wells and that these assets were not properly tagged. Due to the limited access to the coal mines (i.e., we were not allowed to enter the coal mine wells due to certain government regulations and safety reasons) and the absence of information surrounding the assets (e.g., physical identification tags), we were not able to verify the physical existence of the assets.
- 1.4.7 The existing employees of Blackgold Group claimed that they were not able to provide details of the customers and vendors. As a result, we could only rely on publicly available information to obtain the registered addresses and contact details of the customers and vendors to mail our confirmation requests.
- 1.4.8 We mailed confirmation requests to Fengjie County Administration Bureau of Safety Working on 9 October 2018 to seek confirmation on the operational timeline of certain coal mining entities. We had also called them to follow up on our confirmation requests on 31 October 2018. We received a confirmation regarding the operational timeline for Caotang on 7 November 2018 but have not received any response in respect of Heiwan's operational timeline.
- 1.4.9 We visited banks located in Chongqing City and Fengjie County in PRC to obtain bank statements of Blackgold Group directly from the banks (with the assistance of a representative from Vibrant) between 29 August 2018 and 19 September 2018. We managed to obtain the bank statements for all active bank accounts as per Blackgold Group's records and certain terminated accounts noted except for 4 bank accounts held with Bank of Dalian, Industrial and Commercial Bank of China ("ICBC"), Agricultural Bank of China ("ABC") and Huaxia Bank. These banks required cooperation of the respective legal representatives and/or the legal representative's seal to be produced. We were not able to obtain the cooperation of the respective legal representatives and did not have access to the legal representative's seal of 1 subsidiary of Blackgold, namely Caotang. In addition, we could not confirm if the list of bank accounts according to Blackgold Group's records was complete as we could not perform validation with the respective banks or the People's Bank of China for the same reasons.

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1.4.10 It Phong could not provide a detailed breakdown of transactions (e.g., breakdown of accruals, accounts receivable aging schedules, etc.) related to the Specific Accounts as he did not have such information. In addition, we could not obtain the information as all the employees of the finance and accounting department of Blackgold Group, with the exception of It Phong, had tendered their resignations and/or refused to turn up for work.

1.5 Summary of our key findings and observations

1.5.1 Key findings and observations identified are summarised in this section. Details of the key findings and observations are provided in Sections 3 to 9 of the report.

A. Summary of key events leading to the Special Audit

1.5.2 Based on our discussions with the Auditors and its component auditor, KPMG Huazhen LLP between 29 August 2018 and 17 October 2018, we understand that KPMG Huazhen LLP commenced their audit on 14 May 2018 after they were engaged as statutory auditors of Blackgold Group on 11 May 2018.

1.5.3 During the course of their audit, KPMG Huazhen LLP obtained the bank statements of Blackgold Group directly from certain banks between 26 and 27 June 2018. KPMG Huazhen LLP analysed and compared these bank statements vis-à-vis the bank records provided by Shaokui and noted significant discrepancies in transactions recorded. Based on our discussion with KPMG Huazhen LLP, we understand that KPMG Huazhen LLP believed that this could present “pervasive” risks to the financial statements of Blackgold Group as such discrepancies could affect multiple accounts such as sales, assets etc.

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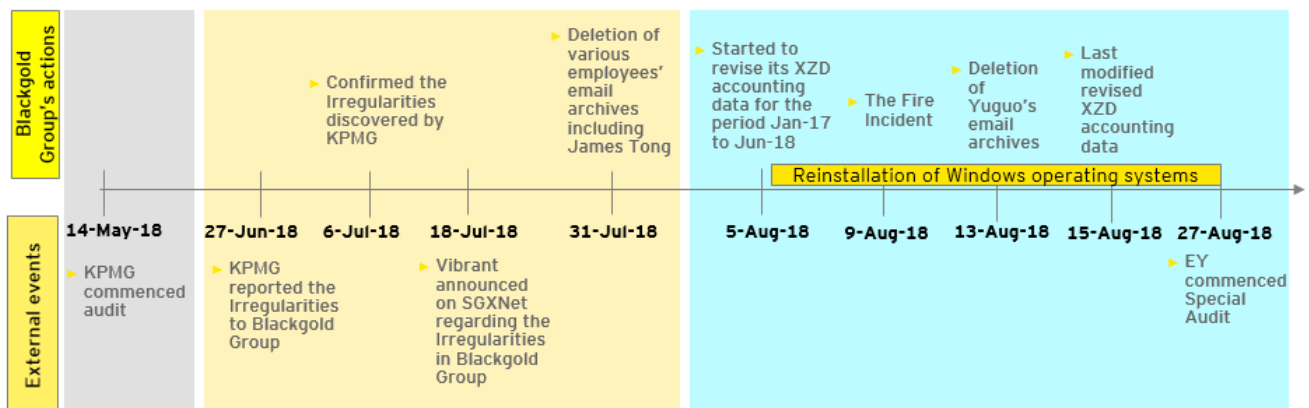
- 1.5.4 KPMG Huazhen LLP reported the Irregularities to Blackgold Group on 27 June 2018. KPMG Huazhen LLP informed us that they liaised with Yuguo, James Tong, It Phong and Shaokui throughout the course of their audit of the financial statements of Blackgold Group. KPMG Huazhen LLP informed us that they considered these individuals as the management of Blackgold Group⁵ collectively.
- 1.5.5 On the same day, KPMG Huazhen LLP suspended the audit so that Blackgold Management could conduct its own internal investigation. KPMG Huazhen LLP also reported the Irregularities to the Auditors who in turn reported them to the AC on 28 June 2018.
- 1.5.6 On 6 July 2018, Blackgold Management confirmed the Irregularities and provided KPMG Huazhen LLP with a new set of management accounts which was “significantly different” from the management accounts they received at the start of their appointment. The revised set of management accounts included significant write-off of Blackgold Group’s revenue. KPMG Huazhen LLP did not resume their audit of Blackgold Group since 27 June 2018 as they were given to understand that the AC would appoint a Special Auditor to examine the Irregularities before resuming the audit of Blackgold Group’s financial statements for the financial year ended 30 April 2018.
- 1.5.7 On 18 July 2018, the Board made an announcement on SGXNet that the Auditors were unable to complete their audit of the Group’s financial statements for the financial year ended 30 April 2018, without performing additional procedures.
- 1.5.8 Based on our interview with It Phong on 1 November 2018, we noted that Blackgold Management had performed a “clean-up” of its XZD accounting data and that all personnel of Blackgold Group’s accounting and finance department were involved in preparing the revised management accounts based on transactions recorded in the original statements obtained from the banks. We also understand from It Phong that the physical books and records of Blackgold Group were maintained in Blackgold Group’s offices in Chongqing City and Fengjie County and on 26 July 2018, these books and records were purportedly transported from Chongqing City to Fengjie County for the purpose of revising the XZD accounting data.

⁵ KPMG Huazhen LLP had on 17 October 2018 informed us that they considered Yuguo, James Tong, It Phong and Shaokui as the management of Blackgold Group collectively as they liaised with these individuals throughout the course of their audit. We have however included Ou Jun, in addition to these said individuals, in our definition of “Blackgold Management” as Ou Jun was a member of the Board of Directors of Blackgold Group prior to the Acquisition and he was also the General Manager of Heijin during the Review Period.

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- 1.5.9 Based on our analysis of the email archives, we noted that the email archives of various Blackgold Group’s employees/departments had been deleted by an account administrator between 31 July 2018 and 13 August 2018. We understand from Ms. Tian Zongling (田宗玲) (Secretary/Translator of Blackgold Group) (“Zongling”) that the account administrators were previously Mr. Huang Yifeng (黄一峰, former Supervisor of Heijin, who resigned on 4 September 2018) (“Yifeng”) and Mr. Jia Qilin (嘉其琳, former Trader of Heijin, who resigned on 4 September 2018) (“Qilin”).
- 1.5.10 On 15 August 2018, the Board announced that a motor vehicle transporting certain accounting records of Blackgold Group caught fire near the coal mine operated by Caotang in the afternoon of 9 August 2018.
- 1.5.11 On 21 August 2018, Vibrant and its appointed legal counsel, DMS, appointed EY Advisory as the Special Auditor to carry out a fact-finding investigation into the Irregularities as well as the assets and accounting records (to the extent these records are still available) of Blackgold Group.
- 1.5.12 We summarised the key events from the discovery of the Irregularities by the Auditors to the commencement of the Special Audit in the timeline shown below.

Figure 1: Key events from the discovery of the Irregularities by the Auditors to the commencement of the Special Audit



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1.5.13 It appears from the above chart that Blackgold Management had attempted to conceal the Irregularities by destroying both physical and electronic records of Blackgold Group. In addition, we also noted that Blackgold Management had set up more than 1 set of accounting books for certain subsidiaries of Blackgold, and appeared to have falsified accounts and bank records. Further legal review is required to determine if these purported actions by Blackgold Management were in contravention of certain PRC's laws and regulations.

B. Potential inflation of Non-current Assets⁶ as at the Acquisition Date

1.5.14 We noted that Blackgold Group had recognised a total PPE and intangible assets including land-use rights, mining rights (referred to as the "Non-current Assets" in this report) of approximately RMB1.12 billion (before revision⁷) and approximately RMB933.91 million (after revision⁸) as at 30 June 2017. We noted that Blackgold Group's Non-current Assets mainly pertained to PPE and mine infrastructures recorded by Caotang, Heiwan, Qijiang Changhong Coal Industry Co., Ltd. ("Changhong") and Chongqing Baolong Mining Co., Ltd. ("Baolong") (collectively referred to as the "Coal Mining Entities") which accounted for approximately 95% of the total Non-current Assets as of 30 June 2017. Other Non-current Assets of Blackgold Group pertained to shipping vessels held by Blackgold Shipping and various motor vehicles owned by certain subsidiaries of Blackgold.

1.5.15 We analysed the management accounts of Blackgold Group (both before and after revision) for the period as at 30 June 2017 and identified the differences as shown below.

⁶ Comprised PPE and intangible assets including land-use rights, mining rights excluding investments in subsidiaries, investments accounted for using the equity method, and other financial assets.

⁷ Figures (before revision) in this report pertain to Blackgold Group's management accounts prior to the "clean-up" process as mentioned at Paragraph 1.5.8.

⁸ Figures (after revision) in this report pertain to Blackgold Group's revised management accounts following the "clean-up" process.

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Table 1: Blackgold Group's Non-current Assets as of 30 June 2017 before and after revision

Entity	Before revision (RMB) [A]	After revision (RMB) [B]	(Increase)/Decrease (RMB) [C] = [A] - [B]
Caotang	668,856,504	493,491,639	175,364,865
Heiwan	160,849,514	148,854,803	11,994,711
Changhong	187,381,921	187,381,921	-
Baolong	47,775,866	47,775,866	-
Other entities of Blackgold Group	56,408,180	56,408,180	-
Total	1,121,271,985	933,912,409	187,359,576

- 1.5.16 We noted that the difference of approximately RMB187.36 million mainly pertained to revisions made in respect of Caotang and Heiwan of approximately RMB175.36 million and RMB11.99 million respectively. We noted that these assets were initially recorded in the management accounts (before revision) between the months of November 2016 to June 2017 but subsequently removed from the management accounts (after revision) as of 30 June 2017.
- 1.5.17 It Phong represented that following the discovery of the Irregularities, the personnel from the finance and accounting department had through the "clean-up" process removed a significant amount of Non-current Assets previously shown as additions for the Review Period. However, It Phong was not certain if the management accounts (after revision) as of 30 June 2017 included "bona fide assets" only.
- 1.5.18 As the Non-current Assets of Blackgold Group comprised mainly of PPE and mining development owned by the Coal Mining Entities, we attempted to carry out site visits to determine the physical existence of assets. It Phong represented that:
- (a) the coal mine owned by Caotang was the only "active" coal mine although it was closed between September 2017 and July 2018;
 - (b) the other coal mines owned by Heiwan, Baolong and Changhong were not in operations during the Review Period;
 - (c) majority of the PPE and mine infrastructures were located in the coal mine wells of the Coal Mining Entities; and
 - (d) these assets were not properly tagged and could not be easily identified.

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Due to the limited access to the coal mines and the absence of information surrounding the assets, we were not able to determine the physical existence of the assets.

- 1.5.19 In addition, based on searches conducted on public domain and analysis of bank statements, we discovered that the Coal Mining Entities were either not in operations and/or received certain form of compensations (for voluntary closure) from the PRC government. This could potentially have an impact on the valuation of these entities as Vibrant (as the acquirer) would be required to determine the fair value⁹ of Blackgold Group in accordance with the provisions of Singapore Financial Reporting Standard.
- 1.5.20 Based on the computer forensic procedures performed, we managed to recover and restore certain XZD accounting database used by Blackgold Group. We discovered that Blackgold Management maintained multiple sets of accounting records for Caotang and Heiwan (e.g., these records were labelled as "Listing", "Tax", etc.) and the accounting records thereof differed significantly from each other. We observed that the "Listing" records appeared to be the management accounts (before revision) and the "Tax" records appeared to be for the purpose of reporting to the local tax authorities as we noted that the figures were consistent with the relevant records filed with the tax authorities in the PRC. In addition, we noted that the "Tax" records showed the lowest amount of Non-current Assets for both Caotang and Heiwan of approximately RMB34.44 million and RMB34.46 million respectively.
- 1.5.21 As the physical books and records of Blackgold Group were destroyed in the Fire Incident, we could not further assess the reliability of multiple sets of accounting records maintained by Blackgold Group and determine the Non-current Assets of the Coal Mining Entities as at the Acquisition Date. In addition, as mentioned in Paragraph 1.5.17, It Phong represented that he was not certain if the management accounts (after revision) as of 30 June 2017 included "bona fide assets" only.

⁹ "Fair value" is defined in Singapore Financial Reporting Standard (International) 13 as "the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions (i.e. an exit price) regardless of whether that price is directly observable or estimated using another valuation technique".

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1.5.22 As for the other significant Non-current Assets of Blackgold Group, we summarised our observations below:

- (a) Vessels owned by Blackgold Shipping - Based on a copy of the draft valuation report for 8 shipping vessels owned by Blackgold Shipping, we noted that the appraised market value of these vessels appears to be above the net book value ("NBV")¹⁰ as at the Acquisition Date. However, this draft report appears to be questionable as the verification code¹¹ on the report was for other vessels owned by one Huang Yi Sheng (an individual who was not related to Blackgold Group).

- (b) Motor vehicles owned by certain subsidiaries of Blackgold - these motor vehicles were recorded in the management accounts at NBV as at the Acquisition Date. Based on information provided by Vibrant, we noted that some of these motor vehicles were transferred to entities related to Yuguo and James Tong, between April and July 2018 at disposal prices close to the NBV of the respective cars but appeared to be significantly below the market prices quoted by car vendors based on open source information¹². Based on our assessment, we noted that these transactions do not appear to be "interested person transaction" in accordance with Chapter 9 of the SGX Listing Manual as the entities related to Yuguo and James Tong which are involved in these disposals do not appear to fall under the definition of an interested person under the SGX Listing Manual.

¹⁰ Net book value is the value at which a company carries an asset on its balance sheet. It is equal to the cost of the asset minus accumulated depreciation.

¹¹ We attempted to verify the draft valuation report through the official website of the Chongqing Institute of Certified Public Accountants based on the verification code (i.e., authenticity code) noted on the draft valuation report. We noted the verification code on the draft valuation report showed conflicting information and that the verification code did not appear to relate to the draft valuation report issued by Chongqing Daoerdun Asset Valuation and Real Estate Appraisal Co., Ltd, the independent valuer engaged by Blackgold Shipping.

¹² The estimated market value is based on open sources, i.e., available second-hand car selling websites in the PRC market. We searched for the market prices of second-hand cars with same/similar car model and years of use as the motor vehicles disposed by the Blackgold Group. This is based on the limited information made available to us for the purpose of this assessment.

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C. Potential overstatement of sales during the Review Period

1.5.23 Blackgold Group had recognised a total sales of approximately RMB2.08 billion (before revision) for the Review Period and we noted that such sales were mainly attributable to Heijin (approximately 96%), followed by Caotang (approximately 3%) and Blackgold Shipping (approximately 1%). Blackgold Group's sales were significantly reduced by approximately RMB2.05 billion to approximately RMB29.12 million after the "clean-up" process subsequent to the discovery of the Irregularities.

1.5.24 We noted that the revised sales only related to Blackgold Shipping (approximately 87%) and Caotang (approximately 13%) as the entire sales of Heijin were excluded in the revised management accounts. Details of Blackgold Group's sales for the Review Period are shown below.

Table 2: Blackgold Group's sales for the Review Period before and after revision

Entity	Before revision (RMB) [A]	After revision (RMB) [B]	(Increase)/Decrease (RMB) [C] = [A] - [B]
Heijin	2,000,727,470	-	2,000,727,470
Caotang	51,974,407	3,882,412	48,091,995
Blackgold Shipping	25,240,733	25,240,733 ¹³	-
Total	2,077,942,610	29,123,145	2,048,819,465

1.5.25 We noted that the difference of approximately RMB2.05 billion mainly pertained to revisions made in respect of entire sales of Heijin (approximately RMB2.00 billion) and partial sales of Caotang (approximately RMB48.09 million). It appeared that these amounts were fictitious sales as they were not included in the revised management accounts.

1.5.26 We noted that the sales of Blackgold Shipping were not revised and it remained at approximately RMB25.24 million for the Review Period. We however noted that the sales appeared questionable due to the following reasons:

- (a) Based on the transaction descriptions in the sales ledger, it appeared that the recorded sales and accounts receivable were generated from freight sales. However, It Phong said that certain employees of Blackgold Shipping had represented that Blackgold Shipping had never provided freight services.

¹³ Blackgold Shipping's revised sales of approximately RMB25.24 million could potentially be overstated by approximately RMB20.74 million as mentioned in Paragraph 1.5.26(c) and Paragraph 1.5.28.

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Instead, all its 8 vessels were time-chartered to customers for a period of 3 years (between 2015 and 2018).

- (b) We noted that the monies earned from chartering the vessels had not been transferred to Blackgold Shipping's accounts directly from the chartering customers. Instead, it appeared that the amounts were transferred to Blackgold Shipping's accounts via intermediaries. We were unable to verify this further as we could not interview certain individuals related to Blackgold Group as mentioned in Paragraph 1.4.3.
- (c) In addition, we noted the maximum amount of charter fees for the Review Period based on available information appeared to be only RMB4.50 million. Hence, it appeared that the recorded sales of Blackgold Shipping could potentially be overstated by approximately RMB20.74 million.

1.5.27 In respect of Caotang's sales which was revised to approximately RMB3.88 million, we observed that Caotang had indeed received the sales proceeds in its bank account but noted that Caotang did not appear to have issued tax invoices to a certain customer of approximately RMB1.42 million based on the tax submission records.

1.5.28 Based on the above observations, we identified the questionable sales of Blackgold Group for the Review Period to be approximately RMB20.74 million as shown below.

Table 3: Potential overstatement of Blackgold Group's sales for the Review Period

Entity	After revision (RMB) [A]	Questionable sales (RMB) [B]	Adjusted sales (RMB) [C] = [A] - [B]
Heijin	-	-	-
Caotang	3,882,412	-	3,882,412
Blackgold Shipping	25,240,733	20,740,733	4,500,000*
Total	29,123,145	20,740,733	8,382,412

* Maximum amount of charter fees for the Review Period

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D. Potential overstatement of accounts receivable as at the Acquisition Date

1.5.29 Blackgold Group had recognised a total accounts receivable owing by third parties of approximately RMB537.09 million (before revision) as at 30 June 2017. This mainly pertained to Heijin’s accounts receivable generated from coal trading business which made up approximately 92%. After the “clean-up” process subsequent to the discovery of the Irregularities, Blackgold Group’s accounts receivable owing by third parties was increased by approximately RMB121.01 million to approximately RMB658.10 million with Heijin’s accounts receivable representing approximately 90%. Caotang and Blackgold Shipping each represented approximately 3% of the revised accounts receivable of Blackgold Group. Details of Blackgold Group’s accounts receivable owing by third parties as at 30 June 2017 are shown below.

Table 4: Blackgold Group’s accounts receivable as at 30 June 2017 before and after revision

Entity	Before revision (RMB) [A]	After revision (RMB) [B]	(Increase)/Decrease (RMB) [C] = [A] - [B]
Heijin	496,783,179	593,582,999	(96,799,820)
Caotang	17,758,558	26,565,004	(8,806,446)
Blackgold Shipping	13,791,619	20,788,235	(6,996,616)
Heiwan	3,522,939	11,929,828	(8,406,889)
Other entities of Blackgold Group	5,236,979	5,236,778	201
Total	537,093,274	658,102,844	(121,009,570)

1.5.30 We observed that significant accounts receivable amounting to approximately RMB638.74 million appeared irrecoverable or doubtful. It appeared that Blackgold Group’s accounts receivable as at 30 June 2017 amounted to only approximately RMB19.36 million after excluding doubtful debts as shown below.

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Table 5: Potential overstatement of Blackgold Group's accounts receivable as at 30 June 2017

Entity	Accounts receivable (after revision) (RMB) [A]	Doubtful debts (RMB) [B]	Adjusted accounts receivable (RMB) [C] = [A] - [B]
Heijin	593,582,999	592,801,217	781,782
Caotang	26,565,004	17,455,059	9,109,945
Blackgold Shipping	20,788,235	20,280,341	507,894
Heiwan	11,929,828	8,205,121	3,724,707
Other entities of Blackgold Group	5,236,778	-	5,236,778
Total	658,102,844	638,741,738	19,361,106

1.5.31 Based on our observations, the above potentially irrecoverable or doubtful accounts receivable pertained to the following:

- (a) significantly aged debts;
- (b) amounts owing by Yuguo and his affiliates;
- (c) debtor's insolvency;
- (d) amounts not acknowledged by debtors; and
- (e) questionable prepayment of goods.

E. Potential overstatement of accounts payable as at the Acquisition Date

1.5.32 Blackgold Group had recognised a total accounts payable owing to third parties of approximately RMB64.97 million (before revision) as at 30 June 2017. After the "clean-up" process subsequent to the discovery of the Irregularities, Blackgold Group's accounts payable owing to third parties was increased by approximately RMB44.66 million to approximately RMB109.64 million. We noted that Caotang and Heiwan's accounts payable collectively represented approximately 37% of the total accounts payable. Other significant amounts pertained to Blackgold Shipping (approximately 29%), Heijin (approximately 15%) and Shangmao (10%). Details of Blackgold Group's accounts payable owing to third parties as at 30 June 2017 are shown below.

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Table 6: Blackgold Group's accounts payable as at 30 June 2017 before and after revision

Entity	Before revision (RMB) [A]	After revision (RMB) [B]	(Increase)/Decrease (RMB) [C] = [A] - [B]
Heijin	9,925,738	16,784,713	(6,858,975)
Caotang	30,126,869	19,138,419	10,988,450
Blackgold Shipping	9,907,968	32,310,949	(22,402,981)
Heiwan	10,504,442	21,859,035	(11,354,593)
Shangmao	4,221,723	11,056,978	(6,835,255)
Baolong	(48,387)	8,151,613	(8,200,000)
Other entities of Blackgold Group	333,423	333,323	100
Total	64,971,776	109,635,030	(44,663,254)

1.5.33 We noted that Blackgold Group's accounts payable as at 30 June 2017 could potentially be overstated by RMB0.26 million based on the results of our confirmation requests.

1.5.34 In addition, we noted the following in respect of Blackgold Group's accounts payable:

- (a) approximately RMB3.37 million pertained to significantly aged balances;
- (b) approximately RMB40.42 million pertained to amounts owing to entities related to Yuguo and his affiliates; and
- (c) approximately RMB23.70 million pertained to tax payables.

F. Questionable bank transactions during the Review Period

1.5.35 Blackgold Group had recognised a total cash and cash equivalents of approximately RMB3.85 million and approximately RMB14.34 million as at 30 June 2017 and 30 April 2018 respectively. We noted that there was no difference in the amounts reported for bank balances in the management accounts before and after revision.

1.5.36 In order to verify the bank transactions recorded in the management accounts of Blackgold Group, we obtained the original bank statements of Blackgold Group in person from the banks located in Chongqing City and Fengjie County in the PRC or by e-mail/mail for the bank accounts held with banks located overseas (i.e., Hong Kong and Sydney).

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1.5.37 We managed to obtain the original bank statements for all active bank accounts as per Blackgold Group's records and certain terminated accounts noted except for 4 bank accounts held with Bank of Dalian, ICBC, ABC and Huaxia Bank. These banks required cooperation of the respective legal representatives and/or the legal representative's seal to be produced. We were not able to obtain the cooperation of the respective legal representatives and did not have access to the legal representative's seal of 1 subsidiary of Blackgold, namely Caotang.

1.5.38 Based on our analysis of the original bank statements which we obtained directly from the banks and the cash ledgers of Blackgold Group for the Review Period, we observed the following:

- (a) The transactions recorded in the revised cash ledgers matched those recorded in the original bank statements.
- (b) There were significant differences between transactions recorded in the cash ledgers before revision (e.g., "Listing" records for Caotang and Heiwan) and those recorded in the original bank statements for the following bank accounts of the Affected Blackgold's Subsidiaries:

Table 7: List of affected bank accounts of the Affected Blackgold's Subsidiaries

Entity	Bank accounts containing potentially fabricated transactions in the cash ledgers before revision
Caotang	ABC 31480801040001497
	CCB 50001243600050205112
Heiwan	ABC 31480101040013547
	Bank of Chongqing 103001040004339
Heijin	ABC 31-480101040013661
	CCB 50001013700050200834

We noted that there were differences in month-end balance for majority of the months, except for year-end balances (i.e. financial/calendar year-end where statutory audits would take place). In addition, we discovered editable formats of ABC bank transaction advice slips which appeared to be created by Shaokui. These documents appeared to contain fabricated transactions as these transactions were recorded in the cash ledgers before revision/"Listing" records but not in the original bank statements.

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- (c) We noted that significant amounts were paid to It Phong of approximately RMB1.35 million and James Tong of approximately RMB1.04 million during the Review Period. We understand from It Phong and James Tong that these amounts pertained to their salaries/remuneration and reimbursement for travel and office related expenses. In addition, we also noted that approximately RMB2.09 million was paid to Yuguo during the Review Period but we were not able to understand the nature of this payment as Yuguo refused to cooperate with the Special Audit. We were also not able to verify the nature of payments made to the aforementioned individuals as all the physical books and records of Blackgold Group were destroyed as a result of the Fire Incident.
- (d) We noted that certain fund transfers were undertaken by Blackgold Group with certain entities during the Review Period which appeared questionable mainly because of the following reasons:
- (i) transactions were carried out with related parties of Yuguo and his affiliates;
 - (ii) description of transactions recorded in the management accounts differed from the statements obtained from the banks;
 - (iii) indications of round tripping transactions; and
 - (iv) fund transfers with no apparent business purposes.

Details of the questionable fund transfers are summarised below.

Table 8: Details of questionable fund transfers of Blackgold Group during the Review Period

Entity	Funds transferred to Blackgold Group (RMB) [A]	Funds transferred from Blackgold Group (RMB) [B]	Net inflow/(outflow) to/from Blackgold Group (RMB) [C]=[A]-[B]
Company owned and controlled by Yuguo			
Guoping Industrial	47,750,000	1,000,000	46,750,000
Companies related to Yuguo's affiliates			
Shanghai Puhui International Logistics Co., Ltd. (上海普惠国际物流有限公司) ("Puhui Logistics")	13,300,000	-	13,300,000

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Entity	Funds transferred to Blackgold Group (RMB) [A]	Funds transferred from Blackgold Group (RMB) [B]	Net inflow/(outflow) to/from Blackgold Group (RMB) [C]=[A]-[B]
Chongqing Anyijia Industrial Co., Ltd. (重庆安益佳实业股份有限公司) (“Anyijia Industrial”)	-	283,761	(283,761)
Relatives of Yuguo and/or former employees of Blackgold Group			
Liu Qiong	20,293,843	35,862,461	(15,568,618)
Yang Fen	1,000,000	-	1,000,000
Deng Xiaohong	2,550,100	-	2,550,100
External parties			
Chongqing Jingxinrun Trading Co., Ltd. (重庆晶信润商贸有限公司) (“Jingxinrun Trading”)	-	14,700,000	(14,700,000)
Chen Zuoxiang	332,836	-	332,836
Total	85,226,779	51,846,222	33,380,557

1.5.39 In assessing possible breaches of the SGX Listing Manual, given that Blackgold Group is wholly-owned by Vibrant following the Acquisition, the effect of any falsified accounting and banking records of Blackgold Group [as summarised at Paragraphs 1.5.13 to 1.5.38 of this report] would likely have an impact on the consolidated financial statements disclosed by Vibrant on the SGXNet. In particular, Vibrant had disclosed the Group’s unaudited financial information which included those of Blackgold Group for the first 3 quarters of the financial year ended 30 April 2018.

1.5.40 It appears that Blackgold Management may have caused Vibrant to disclose inaccurate financial information (for the first 3 quarters of its financial year ended 30 April 2018) from 13 September 2017 to 14 March 2018 and may have also caused Vibrant to be in breach of the SGX Listing Manual (e.g., Chapter 7 of the SGX Listing Manual including Listing Rule 703). Vibrant had on 31 October 2018, 14 November 2018 and 12 December 2018 also clarified that Blackgold Group’s financial information was “incomplete, not accurate and unreliable”.

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1.5.41 During the course of our work, we also observed other similar instances of potentially falsified transactions in periods prior to the Acquisition Date (e.g., Blackgold Management appeared to have recorded fictitious mining fees from subcontractors for Caotang in January 2017 in its "Listing" records). We did not perform further assessment as these transactions fall outside the Review Period of the Special Audit. However, this suggests that Blackgold Management may have potentially falsified accounting records and released false financial information during the times when Blackgold was listed on the Australian Securities Exchange ("ASX"). Further assessment is required to determine if these purported actions by Blackgold Management were in contravention of the relevant Australia's laws and regulations.

G. Remedial actions

1.5.42 Based on Vibrant's announcement on SGXNet dated 18 July 2018, we understand that Vibrant had taken the following steps after discovering the Irregularities, including but not limited to:

- (a) A special committee, comprising (i) Mr. Khua Kian Keong (also known as Eric Khua), Chief Executive Officer of Vibrant ("Eric Khua"), (ii) Mr. Chua Tiong Hock (also known as Henry Chua), Chief Corporate Development Officer of Vibrant ("Henry Chua"), and (iii) Mr. Sim Geok Beng (also known as Simon Sim), Chief Financial Officer of Vibrant ("Simon Sim") (the "Special Committee") was formed for the direct supervision of the Blackgold Group. The Special Committee reported to the Board.
- (b) Senior finance executives from Vibrant were sent to the offices of Blackgold Group in Chongqing, PRC to safeguard the cash, other assets and accounting records of Blackgold Group. These senior finance executives were tasked to review books and records of Blackgold Group, take control of banking facilities, secure control of and access to documents, books, accounts and information technology systems amongst other actions to safeguard Vibrant's interest in Blackgold Group.
- (c) Yuguo was placed on leave prior to his resignation on 16 August 2018.
- (d) The Board resolved the appointment of a Special Auditor to perform a fact-finding investigation (the Special Audit) into the Irregularities.

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1.5.43 In the same announcement on 18 July 2018, Vibrant also announced that the Special Committee would also take the following steps, including but not limited to:

- (a) Effect the change of all the legal representatives of Blackgold Group (subject to approval from the relevant authorities) and appointing a senior executive officer as the new legal representative for all entities of Blackgold Group.
- (b) Suspend the coal trading operations of Blackgold Group pending the outcome of the Special Audit.

1.5.44 During the course of our Special Audit, we observed that Vibrant had undertaken actions in line with its announcement on SGXNet dated 18 July 2018 regarding its remedial actions to address the Irregularities. However, we noted that Vibrant had not effected the change in legal representatives for all entities of Blackgold Group as at the date of this report. Vibrant had on 28 November 2018 advised us the reasons for not effecting the change in legal representatives as follows:

- (a) The pool of potential candidates was limited as the management of Vibrant understands that under the relevant laws in the PRC, only the chairman, an executive director or a manager of an entity may be appointed as its legal representative;
- (b) Certain subsidiaries of Blackgold had significant outstanding bank loans and as the bank and/or trade creditors attempted to recover outstanding sums owed, these subsidiaries may become insolvent. As such, there was a concern that the newly appointed legal representatives may be embroiled in the insolvency proceedings;
- (c) The legal representatives of the Coal Mining Entities would be held responsible for the safety requirements in respect of the operations of these Coal Mining Entities. Therefore, the appointed legal representatives for the Coal Mining Entities must have expertise related to the mining safety regulations; and
- (d) The legal representatives would be responsible for all the business activities of their respective companies. Therefore, the appointed legal representatives must have knowledge of the relevant laws and regulations and the lack of such knowledge would possibly expose the companies to unnecessary liabilities.

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Due to the aforementioned reasons, the management of Vibrant had not been able to identify and appoint suitable candidates who would be prepared to undertake the risks and responsibilities of being appointed the legal representatives of the respective entities of Blackgold Group.

- 1.5.45 We did not perform further assessment on internal controls or corporate governance of Blackgold Group in light of what had transpired for reasons stated at Paragraph 1.2.2(I) of this report.

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