M M P RESOURCES LIMITED

(Incorporated in the Republic of Singapore)
(Registration No: 200613299H)

ANNOUNCEMENT IN RELATION TO RULE 704(5) OF THE LISTING MANUAL – DISCLAIMER OF OPINION BY INDEPENDENT AUDITORS ON FINANCIAL STATEMENTS

In compliance with Rule 704(5) of the SGX-ST Listing Manual of The Singapore Exchange Securities Trading Limited ("**SGX-ST**"), the Board of Directors of MMP Resources Limited (the "**Company**" or the "**Group**") wishes to announce the following in respect to Nexia TS Public Accounting Corporation ("**Nexia**"), the Company's external auditors, Independent Auditors' Report for the financial year ended 31 December 2017:

Bases for Disclaimer of Opinion

1. In the auditor's report dated 31 March 2017, the predecessor auditor expressed a disclaimer of opinion in respect of the financial statements for the previous financial year ended 31 December 2016 due to the following matters:

   (a) As disclosed in Note 22(a) to the financial statements, the Group and the Company have engaged in ongoing legal proceedings regarding the funds lent to the Group and the Company amounting to S$4,700,000, recorded as a liability in the balance sheet as at 31 December 2014, and which has been recognised as income during the current financial year. This is a reversal, by the Group and Company in the current financial year, of a liability accrued in 2014. We are unable to ascertain if legal action that has commenced would be successful and hence we are unable to determine whether any adjustments to the accompanying financial statements were necessary.

   (b) During the year, the Group and Company recognised revenue of S$1,619,000 which remain uncollected as at 31 December 2016. We were unable to obtain sufficient appropriate audit evidence on the recoverability of these receivables. As revenue is recognised only when collectability is probable, the uncertainty in recoverability impacts the appropriateness of the revenue recognised during the year. Consequently, we were unable to determine whether any adjustment to the accompanying financial statements was necessary.

   The matters referred to above remain unresolved in the current financial year. In view of this, our opinion on the current year's financial statements is also modified because of the possible effect of these matters on the comparability of the current year's figures and the corresponding figures.

2. <u>Going concern</u>

   As disclosed in Note 2.1 to the financial statements, the following circumstances give rise to material uncertainties as to the appropriateness of the use of the going concern assumption in the preparation of the accompanying consolidated financial statements of the Group and the balance sheet of the Company for the current financial year:

   (i) As at 31 December 2017, the Group and the Company is in a net current liabilities position of S$4,605,000 and S$3,316,000 (2016: net current assets of S$236,000 and S$339,000) and a net liabilities position of S$3,859,000 and S$3,305,000 (2016: net assets of S$572,000 and S$354,000) respectively.

   (ii) For the financial year ended 31 December 2017, the Group incurred a net loss of S$3,317,000 (2016: net profit of S$4,767,000) and net operating cash outflows of S$2,852,000 (2016: S$1,808,000).

(iii) As disclosed in Note 22(a), the Group is currently engaged in a legal dispute for the full and immediate repayment of S$5,200,000 alleged loan given to the Group.

The above conditions indicate the existence of material uncertainties which may cast significant doubt on the Group's and the Company's abilities to continue as going concerns. Notwithstanding the above, the Board of Directors of the Company believes that the use of the going concern assumption in the preparation of the financial statements for the financial year ended 31 December 2017 is appropriate after taking into consideration the following measures and assumptions:

(a) The major shareholder will continue to provide financial support to enable the Group and the Company to continue in operation and to meet its obligations as and when they fall due for at least the next twelve months.

(b) The operating subsidiary corporation would be able to generate positive cash flows from operations.

(c) The outcome of legal litigation as disclosed in Note 22(a) would be favourable to the Group and the Company and the claims would be nullified.

The ability of the Group and of the Company to continue in operational existence in the foreseeable future and to meet their financial obligations as and when they fall due are dependent upon the successful outcome of the measures and assumptions undertaken as disclosed above which cannot be determined at present. At the date of this report, we are unable to obtain sufficient audit evidence regarding the likely outcome of these measures and assumptions including the financial capability of the major shareholder that will provide continuing financial support to the Group and the Company. Therefore, we are not able to form an opinion as to whether the going concern basis of presentation of the accompanying financial statements of the Group and the Company is appropriate.

3. Impairment of property, plant and equipment ("**PPE**")

The net carrying amount of the Group's PPE amounted to S$746,000 as at 31 December 2017. The performance of the Group during the financial year indicates that the PPE may be impaired. Hence, management has estimated the recoverable amount of the Group's PPE based on value-in-use. However, we were unable to obtain sufficient and appropriate audit evidence to substantiate the recoverable amount for the Group's PPE. Therefore, we were unable to determine whether any adjustment to the carrying amount of PPE were necessary.

4. Recoverability of the Group's and the Company's trade and non-trade receivables from related parties and subsidiary corporations

As disclosed in Note 12 to the financial statements, as at 31 December 2017, the Group has trade and non-trade receivables from related parties with an aggregate amount of S$1,351,000 (2016: S$514,000) and the Company has trade and non-trade receivables from related parties and subsidiary corporations with an aggregate amount of S$2,282,000 (2016: S$1,736,000). The directors are of the view that these amounts are recoverable and there has not been a significant change in credit quality. We were unable to obtain sufficient appropriate audit evidence with respect to the recoverability of these amounts and therefore unable to determine whether any impairment loss was necessary as required by FRS 39 Financial Instruments: Recognition and Measurement. Any impairment loss which might have been necessary as at 31 December 2017 would have increased the total comprehensive loss for the financial year and the net liabilities as at that date by the same amount.

Copies of the aforesaid Independent Auditor's Report together with extracts of the relevant notes to the Financial Statements are annexed to this announcement.

BY ORDER OF THE BOARD

Gerard Chong Chee Meng
Lead Independent Director
9 April 2018