INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MMP RESOURCES LIMITED

Report on the Audit of the Financial Statements

Disclaimer of Opinion

We were engaged to audit the accompanying financial statements of MMP Resources Limited (the "Company") and its subsidiary corporations (the "Group"), which comprise the consolidated balance sheet of the Group and the balance sheet of the Company as at 31 December 2017, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 9 to 52.

We do not express an opinion on the accompanying consolidated financial statements of the Group and the balance sheet of the Company. Because of the significance of the matters described in the Bases for Disclaimer of Opinion section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

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.

Bases for Disclaimer of Opinion (continued)

2) Going concern

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 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.

Bases for Disclaimer of Opinion (continued)

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.

Other Matter

The consolidated financial statements of the Group for the financial year ended 31 December 2016 and the balance sheet of the Company as at 31 December 2016 were audited by another independent auditor who expressed a disclaimer of opinion on those financial statements on 31 March 2017 on the matters noted earlier in this report.

Responsibilities of Management and Directors for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Companies Act, Chapter 50 (the "Act") and Financial Reporting Standards in Singapore ("FRSs"), and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair financial statements and to maintain accountability of assets.

In preparing the financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The directors' responsibilities include overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our responsibility is to conduct an audit of the Group's financial statements in accordance with Singapore Standards of Auditing and to issue an auditor's report. However, because of the matters described in the Bases for Disclaimer of Opinion section of our report, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

We are independent of the Group in accordance with the Accounting and Corporate Regulatory Authority (ACRA) Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities (ACRA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code.

Report on Other Legal and Regulatory Requirements

In our opinion, except for those matters described in the *Bases for Disclaimer of Opinion* section of our report, the accounting and other records required by the Act to be kept by the Company and by those subsidiary corporations incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.

The engagement director on the audit resulting in this independent auditor's report is Ms. Chan Siew Ting.

Nexia TS Public Accounting Corporation
Public Accountants and Chartered Accountants

Singapore

9 April 2018

Extracts of the Notes to the Financial Statements

Note 22(a) - Contingent liabilities (Legal litigation)

(a) Legal litigation

In the financial year ended 31 December 2015, the Group was involved in a legal dispute with Quintestellar Re Capital Inc ("Quintestellar"), a company incorporated in the British Virgin Islands. Quintestellar had commenced an action in the High Court (HC/S 906/2015) against the Company for repayment of an alleged loan given to the Company in the amount of approximately S$4.7 million.

On 12 August 2016, Quintestellar filed a notice of discontinuance in HC/S 906/2015 with no order to costs. Subsequently, Quintestellar had also assigned its claims in HC/S 906/2015 to Mr Kenneth Lim Tiong Hian ("Kenneth Lim"), who was previously a director of the Company. No claims have been filed by Kenneth Lim.

On September 2016, the Group engaged an external accounting specialist to perform a forensic audit on all Company accounts for the period from June 2014 to February 2015, as managed by the relevant executive management of the time. Based on comprehensive review of records and a forensic audit report presented to current management and the Board, it is noted that there was no sufficient documentation to evidence a liability to Quintestellar. Therefore, based upon this review, the Group had written off the liability of S$4.7 million and recognised it as other income for the financial year ended 31 December 2016.

On 9 December 2016, the Company was served with a Writ of Summons (the "Writ") filed by Edward Lee, previously a significant shareholder of the Group. In the writ, Edward Lee claimed to have loaned to the Group and the Company various monies amounting to a total of S$5.2 million, of which S$4.7 million was loaned to the Group via an intermediary. The intermediary in this matter is Quintestellar. Quintestellar was previously a significant shareholder of the Company and was a related party to the Group through a common director, Mr Tet Choy Chee ("Andy Chee"), up to date of his resignation. The balance of S$0.5 million was a loan that had been provided by Edward Lee to the Company in February 2016, and are presented as a borrowing on the balance sheet of the Company and of the Group as at 31 December 2017.

On 6 September 2017, a revised Statement of Claim ("SOC") was filed by Edward Lee which includes Andy Chee as a second defendant. The SOC also clarifies that the claims which Quintestellar had previously assigned to Kenneth Lim has been subsequently assigned to Edward Lee between 27 September 2016 and 29 June 2017. A defence has also been filed by Andy Chee on 5 January 2018 but there has been no further updates to the litigation up to the date of this financial statements.

As at the date of the financial statements, based on the various discrepancies, lack of contemporaneous documentation as well as other significant dispute of fact, the Company, through consultation with the Group's legal representatives, is of the opinion that, on the balance of probabilities, Edward Lee's claims are unlikely to be successful.

Note 2.1 - Basis of preparation

These financial statements have been prepared in accordance with Singapore Financial Reporting Standards ("FRS") under the historical cost convention, except as disclosed in the accounting policies below.

The preparation of financial statements in conformity with FRS requires management to exercise its judgement in the process of applying the Group's accounting policies. It also requires the use of certain critical accounting estimates and assumptions. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 3.

Interpretations and amendments to published standards effective in 2017

On 1 January 2017, the Group adopted the new or amended FRS and Interpretations of FRS ("INT FRS") that are mandatory for application for the financial year. Changes to the Group's accounting policies have been made as required, in accordance with the transitional provisions in the respective FRS and INT FRS.

The adoption of these new or amended FRS and INT FRS did not result in substantial changes to accounting policies of the Group and of the Company and had no material effect on the amounts reported for the current or prior financial years except for the following:

FRS 7 Statement of cash flows

The amendments to FRS 7 Statement of cash flows (Disclosure initiative) sets out required disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes.

The Group has included the additional required disclosures in Consolidated Statement of Cash Flows to the Financial Statements.

Going concern

In preparing the financial statements, the Board of Directors have considered the operations of the Group and the Company as going concerns notwithstanding the following circumstances:

(i) As at 31 December 2017, the Group and the Company are 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.

Nevertheless, the Board of Directors of the Company believes that the use of the going concern assumptions in the preparation of the financial statements for the financial year ended 31 December 2017 are 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 when they fall due for at least the next twelve months.

Note 2.1 - Basis of preparation (cont'd)
Going concern (cont'd)

(b) The operating subsidiary corporations 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 Company and the claims would be nullified.

If the Group and the Company are unable to continue in operational existence in the foreseeable future, the Group and the Company may be unable to discharge their liabilities in the normal course of business and adjustments may have to be made to reflect the situation that assets may need to be realised other than in the normal course of business and at amounts which could differ significantly from the amounts at which they are currently recorded in the balance sheets. In addition, the Group and the Company may have to reclassify non-current assets to current assets. The financial statements do not include any adjustment which may arise from these uncertainties.

Note 12 - Trade and other receivables

	Group		Company	
	2017 S$'000	2016 S$'000	2017 S$'000	2016 S$'000
Trade receivables				
- non-related parties	1,149	1,010	-	-
- related parties	445	514	445	514
	1,594	1,524	445	514
Less: Allowance for impairment (Note 25(b))				
- non-related parties	(1,010)	(400)	-	-
Trade receivables – net	584	1,124	445	514
Non-trade receivables				
- non-related parties	2	139	-	50
- subsidiary corporations	-	-	1,840	1,222
- related parties	919	-	906	-
	921	139	2,746	1,272
Less: Allowance for impairment (Note 25(b))				
- non-related parties	-	(35)	-	-
- subsidiary corporations	-	-	(909)	-
- related parties	(13)	-	-	-
	(13)	(35)	(909)	-
Non-trade receivables - net	908	104	1,837	1,272
	1,492	1,228	2,282	1,786

Non-trade receivable due from a related party amounting to S$856,000 is unsecured and repayable in full within 5 years. Interest is fixed at 12% per annum.

All other non-trade receivables due from related parties and subsidiary corporations are unsecured, interest-free and repayable on demand.