INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF

MMP Resources Limited
(Incorporated in Singapore)

Report on the Audit of the Financial Statements

Disclaimer of Opinion

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

2. 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 *Basis for Disclaimer of Opinion* section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

Basis for Disclaimer of Opinion

3. In our auditors' report dated 8 April 2016, we expressed a disclaimer of opinion in respect of the financial statements for the previous financial year ended 31 December 2015 due to the following matters:

    a. As disclosed in Note 12 to the financial statements, included in loss from discontinued operations of S$231,000 for the financial year ended 31 December 2015 is a loss of S$515,000 arising from the results of Elite Bay prior to its disposal, and a gain of S$284,000 arising from the disposal of Elite Bay. We were unable to obtain sufficient appropriate audit evidence that the results of Elite Bay, prior to its disposal, have been appropriately included in the consolidated financial statements of the Group. We were also unable to assess the appropriateness of the gain on disposal of Elite Bay.
    b. As disclosed in Note 14 to the financial statements, the Group and the Company have recognised impairment charges amounting to S$35,380,000 and S$23,380,000 respectively in respect of the unquoted equity investments during the financial year ended 31 December 2015. We were unable to obtain sufficient appropriate audit evidence on the appropriateness of the impairment charges recognised.
    c. As disclosed in Note 15 to the financial statements, the Company has recognised an impairment charge of S$12,000,000 in respect of its investment in a subsidiary during the financial year ended 31 December 2015. We were unable to obtain sufficient appropriate audit evidence on the appropriateness of the impairment charge recognised.

    The matters referred to above remain unresolved in the current 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.

4. As disclosed in Note 24 to the financial statements, during the year, the Group and Company have engaged in ongoing legal proceedings regarding funds lent to the Group and Company amounting to S$4.7 million, 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 was necessary.

5. 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.

6. As disclosed in Note 24, the Group received a writ of summons on 9 December 2016 for full and immediate repayment of borrowings amounting to S$5,215,000. This condition indicates the existence of an uncertainty that may cast significant doubt as to the ability of the Group and the Company to continue as going concerns.

7. In view of the material uncertainties as discussed above, we were also unable to obtain sufficient audit evidence to satisfy ourselves as to the ability of the Group and the Company to continue as going concerns. In the event that the Group and the Company are unable to continue as going concerns, it could have an impact on the Group's and the Company's ability to realise assets at their recognised amounts and to extinguish liabilities in the normal course of business at the amounts stated in the balance sheets of the Group and the Company. The Group and the Company may also have to provide for further liabilities which arise, and to reclassify non-current assets as current assets. No such adjustments have been made to these financial statements.

Responsibilities of Management and Directors for the Financial Statements

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

9. 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.

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

12. 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

13. In our opinion, except for the effects of the matters described in the *Basis 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.

Report on Other Legal and Regulatory Requirements

14. The engagement partner on the audit resulting in this independent auditor's report is Christopher Bruce Johnson.

Moore Stephens LLP
Public Accountants and
Chartered Accountants

Singapore
31 March 2017

Extracts of the Notes to the Financial Statements

Note 12 - Discontinued Operations

(a) Disposal of construction businesses

On 30 June 2015, the Group completed the disposal of its 60% equity interest in Elite Bay Sdn Bhd ("Elite Bay") to Goh Kim Chey and Yuen Pin Wai for a purchase consideration of S$100,000. Elite Bay previously operated in the construction segment for the Group.

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

The combined results of the discontinued operations included in the consolidated statement of comprehensive income are set out below:

	Group 2015 S$'000
Revenue	810
Expense	(1,348)
Loss from operations	(538)
Other income	23
Gain on disposal of subsidiaries (Note 15)	284
Loss before tax from discontinued operations	(231)
Loss after tax from discontinued operations	(231)

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

	Group 2015 S$'000
Net cash flow from operating activities	637
Net cash flow from investing activities	(6)
Net cash flow from financing activities	314
Net cash inflow	945

Note 14 - Investments in Unquoted Equities, held at Cost Less Impairment

	Group		***Company***	
	2016 S$'000	2015 S$'000	2016 S$'000	2015 S$'000
Investments in unquoted equities	-	35,380	-	23,380
Accumulated impairment losses	-	(35,380)	-	(23,380)
	-	-	-	-
Movements in allowance for impairment losses were as follows:				
Balance at the beginning of the year	35,380	-	23,380	-
Impairment made during the year	-	35,380	-	23,380
Written off during the year	(35,380)	-	(23,380)	-
Balance at the end of the year	-	35,380	-	23,380

The unquoted investments were written off in the current financial year.

Note 15 - Investment in Subsidiaries

	Company	
	2016 S$'000	2015 S$'000
Unquoted shares, at cost		
At 1 January	-	12,100
Additions (# - Less than S$1,000)	1	#
	-	12,100
Less: Allowance for impairment loss	-	(12,100)
At 31 December	1	-

Movement in the allowance for impairment loss is as follows:

	Company	
	2016 S$'000	2015 S$'000
At 1 January	12,100	-
Impairment made during the year	-	12,100
Written off during the year	(12,100)	-
At 31 December	-	12,100

(a) Significant subsidiaries of the Group

Name of company	Country of incorporation	Principal activities	Proportion (%) of ownership interest	
			2016 %	2015 %
Held by the Company				
SC Building & Construction Pte. Ltd. ("SCBC") [(1)]	Singapore	Design, construction and civil engineering activities, project consultancy and management services	100	100
Magnum Energy Limited [(1)]	Singapore	Investment holding	100	100
MMP Resources Japan KK [(2)]	Japan	Investment holding	100	-

[(1)] Audited by Moore Stephens LLP Singapore
[(2)] Audited by SeishinShisei & Co. for purpose of consolidation

(b) Incorporation of subsidiaries

(i) On 23 September 2016, the Company incorporated a wholly-owned subsidiary in Japan, MMP Resources Japan KK ("MMPRJKK"), with an initial capital of S$671.

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

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

(c) Disposal of subsidiaries

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

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

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

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

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

(ii) On 30 June 2015, the Group disposed of Elite Bay Sdn Bhd, which operated the design and construction services of the Group in the prior financial year.

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

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

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

	S$'000
Net liabilities disposed of (as above)	(210)
Gain on disposal	284
Foreign currency translation differences reclassified to profit and loss on disposal of foreign operation	2
Cash consideration from disposal	76
Add: Goodwill associated with subsidiary	26
Less: cash and cash equivalent in subsidiaries disposed	(2)
Net cash inflow on disposal	100

Note 24 - Contingent Liabilities and Commitments

(a) Contingent liabilities

Continuing financial support

The Company has undertaken to provide continuing financial support to its subsidiaries by not demanding payment for loans and receivables owing by them until they have the financial capability to repay the Company. The Company will also, when required, provide sufficient working capital to enable them to operate as a going concern for a period of at least twelve months from the respective dates of the Directors' reports of the subsidiaries relating to the audited financial statements for the financial year ended 31 December 2016.

Update on legal litigation disclosed in prior year

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 $4.7 million.

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

On September 2016, the Group engaged an external accounting specialist to perform a comprehensive forensic audit on all Company accounts between 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 has written off the liability of $4.7 million on the basis of the balance of probability and recognised it in the current financial year as other income.

As at the date of the financial statements, Kenneth Lim has not demanded or commenced legal action against the Company for any amounts.

Writ of Summons

The Group is involved with a legal dispute with Edward Lee Ewe Ming ("Edward Lee"), a shareholder of the Company. Edward Lee was previously a significant shareholder of the Group.

Between May and June 2014, Edward Lee claimed to have loaned the Group various monies amounting to a total of approximately S$4.7 million 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 Group does not have any supporting documentation evidencing the loan of S$4.7 million allegedly given by Quintestellar.

On February 2016, Edward Lee provided the Company a loan of S$0.5 million. The amounts are represented on the balance sheet as part of the Group and Company's borrowings from related parties.

On 9 December 2016, the Group was served with a Writ of Summons (the "Writ") filed by Edward Lee. Under the Writ, Edward Lee is claiming from the Company, inter alia, a sum of S$5.2 million.

As at the date of the financial statements, based on the various discrepancies, lack of contemporaneous documentation as well as other significant disputes 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.

Loan

The Group received various monies amounting to a total of S$0.418 million from Broadwell Limited ("Broadwell"), a company incorporated in the British Virgin Islands. Broadwell was previously a shareholder of the Group and was a related party of the Group through a common Director, Kenneth Lim, up to the date of his resignation.

The Group had attempted to contact Broadwell and Kenneth Lim to furnish further supporting documents in relation to the alleged loan. Based on the lack of documentation and company search undertaken on 28 February 2017, the Group has written off the loan of S$0.418 million and recognised it in the current financial year as other income.

As at the date of the financial statements, the Group had not been able to contact Broadwell or Kenneth Lim and has not found or received any supporting documents related to this alleged loan.

(b) Commitments

Operating lease commitments – where the Group is a lessee

The Group has entered into non-cancellable operating lease arrangements during the year.

Minimum lease payments recognised as an expense in profit or loss for the financial year ended 31 December 2016 amounted to approximately S$ 352,000 (2015: S$407,000).

Future minimum rental payable under non-cancellable operating leases at the end of the reporting period is as follows:

	Group	
	2016 S$'000	2015 S$'000
Not later than one year	102	268
Later than one year but not later than five years	59	2
	161	270

Operating lease commitments – where the Group is a lessor

The Group and the Company sub-leases office space to a third party under a non-cancellable operating lease agreement. The lessee is required to pay a fixed monthly lease payment during the lease period. The future minimum lease receivables under non-cancellable operating leases contracted for at the reporting date but not recognised as receivables, is as follows:

	Group	
	2016 S$'000	2015 S$'000
Not later than one year	-	64
Later than one year but not later than five years	-	-
	-	64