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 2018, 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 54.

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) 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 2018, the Group and the Company are in a net current liabilities position of S$6,918,000 and S$4,823,000 (2017: S$4,605,000 and S$3,316,000) and a net liabilities position of S$6,125,000 and S$4,819,000 (2017: S$3,859,000 and S$3,305,000) respectively.

(ii) For the financial year ended 31 December 2018, the Group and the Company incurred a net loss of S$2,232,000 and S$1,514,000 (2017: S$3,317,000 and S$2,534,000) and incurred net operating cash outflows of S$1,141,000 and S$927,000 (2017: S$2,852,000 and S$2,590,000) respectively.

(iii) As disclosed in Note 23(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 2018 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.

Bases for Disclaimer of Opinion (continued)

1) Going concern (continued)

(b) The Company is currently in the process of negotiating with third parties on the acquisition of certain viable businesses and assets in the liquefied natural gas industry and believes that the incoming assets and businesses will increase the prospects and viability of the Group.

(c) Based on discussions with the lawyers, the Board of Directors believes that the outcome of legal litigation as disclosed in Note 23(a) would be favourable to the Group.

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.

In the event that the Group and the Company are unable to continue in operational existence for the foreseeable future, the Group and the Company may be unable to discharge its 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 sheet. In addition, the Group and the Company may have to provide for further liabilities that might arise, and to reclassify non-current assets as current assets. The financial statements do not include any adjustment which may arise from these uncertainties.

2) Impairment of property, plant and equipment ("PPE")

The net carrying amount of the Group's PPE amounted to S$793,000 (2017: S$746,000) as at 31 December 2018. 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.

3) Recoverability of the Company's other receivables from subsidiary corporation

As disclosed in Note 13 to the financial statements, as at 31 December 2018, the Company has other receivables from subsidiary corporations amounted to S$1,197,000 (2017: S$931,000), of which, S$969,000 (2017: S$703,000) is receivable from a subsidiary corporation with significant increase in credit risk as at 31 December 2018. The directors are of the view that this amount is 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 this amount and therefore unable to determine whether any impairment loss was necessary. Any impairment loss which might have been necessary as at 31 December 2018 would have increased the total comprehensive loss for the financial year and the net liabilities as at that date by the same amount.

Bases for Disclaimer of Opinion (continued)

4) Opening balances

Our independent auditor's report on the consolidated financial statements of the Group and the balance sheet of the Company for the financial year ended 31 December 2017 dated 9 April 2018 included a disclaimer of opinion on the appropriateness of going concern assumptions of the Group and of the Company as there were existence of material uncertainties which may cast significant doubt about the ability of the Group and of the Company to continue as going concerns, and the inability to obtain sufficient appropriate audit evidence on the impairment of property, plant and equipment and the appropriateness and impairment of the carrying amount of the trade and other receivables from related parties and subsidiary corporations. As the matters mentioned above have not been resolved in the financial year ended 31 December 2018, we have considered the impact as below.

In view of the significance of the matters described in the bases for disclaimer of opinion paragraphs on the financial statements for the financial year ended 31 December 2017, we were unable to determine:

(a) Whether the opening balances of the Group and of the Company as at 1 January 2018 were fairly presented; and

(b) The impact on the current financial year's financial position of the Company and of the Group and the financial performance, changes in equity and cash flows of the Group.

Our opinion on the current financial year's consolidated financial statements of the Group and the balance sheet of the Company is a disclaimer of opinion because of the significance of these matters on the comparability of the current financial year's figures and the corresponding figures.

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 Singapore Companies Act (the "Act") and Singapore Financial Reporting Standards (International) (the "SFRS(I)s"), 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

5 April 2019

Extracts of the Notes to the Financial Statements

Note 2.1 - Basis of preparation

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

The preparation of financial statements in conformity with SFRS(I) 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.

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 2018, the Group and the Company is in a net current liabilities position of S$6,918,000 and S$4,823,000 (2017: S$4,605,000 and S$3,316,000) and a net liabilities position of S$6,125,000 and S$4,819,000 (2017: S$3,859,000 and S$3,305,000) respectively.

(ii) For the financial year ended 31 December 2018, the Group and the Company incurred a net loss of S$2,232,000 and S$1,514,000 (2017: S$3,317,000 and S$2,534,000) and incurred net operating cash outflows of S$1,141,000 and S$927,000 (2017: S$2,852,000 and S$2,590,000) respectively.

(iii) As disclosed in Note 23(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 2018 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 and when they fall due for at least the next twelve months.

(b) The Company is currently in the process of negotiating with third parties on the acquisition of certain viable businesses and assets in the liquefied natural gas industry and believes that the incoming assets and businesses will increase the prospects and viability of the Group.

(c) Based on discussions with the lawyers, the Board of Directors believes that the outcome of legal litigation as disclosed in Note 23(a) would be favourable to the Group.

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 23 - 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.

On 5 January 2018, Andy Chee filed a defence against the case. On 25 April 2018, an application to withdraw certain interrogatories against the Company has been filed by Andy Chee.

On 26 April 2018, the timeline for both application on specific discovery by Edward Lee has been extended to 14 May 2018 and the application for withdrawal of interrogatories by Andy Chee has been extended to 8, 22 and 28 May 2018. On 4 May 2018, a court hearing for application to add parties is fixed on 18 May 2018.

On 9 May 2018, the timeline for the application for withdrawal of interrogatories by Andy Chee has been further extended to 15, 25 and 31 May 2018. On 18 May 2018, Kenneth Lim and Quintestellar have been added as co-plaintiff and co-defendant respectively. On 23 May 2018, a revised Statement of Claim ("SOC") was filed by Edward Lee which includes Kenneth Lim as a second plaintiff and Quintestellar as a third defendant.

On 20 August 2018 and 6 September 2018, a defence and amended defence were filed by Andy Chee.

Note 23 - Contingent liabilities (Legal litigation) (cont'd)

(a) Legal litigation (cont'd)

There has been no further updates to the litigation up to the date of the 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 13 - Trade and other receivables

	Group			Company		
	31 December		1 January	31 December		1 January
	2018	2017	2017	2018	2017	2017
	S$'000	S$'000	S$'000	S$'000	S$'000	S$'000
Trade receivables						
- non-related parties	1,063	1,149	1,010	-	-	-
- related party	439	445	514	439	445	514
	1,502	1,594	1,524	439	445	514
Less: Loss allowance (Note 26(b))						
- non-related parties	(1,010)	(1,010)	(435)	-	-	-
- related party	(439)	-	-	(439)	-	-
	(1,449)	(1,010)	(435)	(439)	-	-
Trade receivables – net	53	584	1,089	-	445	514
Non-trade receivables						
- non-related parties	2	2	139	-	-	50
- related parties	1,010	919	-	997	906	-
- subsidiary corporations	-	-	-	2,119	1,840	1,222
	1,012	921	139	3,116	2,746	1,272
Less: Loss allowance (Note 26(b))						
- related parties	(62)	(13)	-	(49)	-	-
- subsidiary corporations	-	-	-	(922)	(909)	-
	(62)	(13)	-	(971)	(909)	-
Non-trade receivables - net	950	908	139	2,145	1,837	1,272
	1,003	1,492	1,228	2,145	2,282	1,786

Non-trade receivable due from a related party amounting to S$948,000 (2017: S$856,000) is unsecured and repayable in full within 5 years from the date of disbursement. Interest is fixed at 12% (2017: 12%) per annum.

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