Extracted Independent Auditor's Report of the Audited Financial Statements of Blumont Group Ltd. for the financial year ended 31 December 2017

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF BLUMONT GTOUP LTD.
(Incorporated in Singapore)

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Blumont Group Ltd. (the "Company") and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position of the Group and the statement of financial position 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 year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements of the Group and the statement of financial position of the Company are properly drawn up in accordance with the provisions of the Companies Act, Chapter 50 (the "Act") and Financial Reporting Standards in Singapore ("FRSs") so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at 31 December 2017 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group for the year ended on that date.

Basis for Opinion

We conducted our audit in accordance with Singapore Standards on Auditing (SSAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. 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. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

As stated in Note 3(b) to the financial statements, the Group incurred a net loss after tax of S$2.6 million and recorded negative cash flows from operating activities of S$2.1 million during the year ended 31 December 2017. The Company was in a net current liabilities position of S$5.2 million as at 31 December 2017. These conditions indicate the existence of a material uncertainty which may cast significant doubt about the ability of the Group and the Company to continue as going concerns and to realise their assets and discharge their liabilities in the ordinary course of business. Our opinion is not modified in respect of this matter.

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Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the Material Uncertainty Related to Going Concern section, we have determined the matters described below to be the key audit matters to be communicated in our report.

Key Audit Matter	**How our audit addressed the key audit matter**
Net realisable value of development property	
Risk identified We refer to Note 3(n), 4(a)(iv) and 16 to the financial statements. The Group's development property amounted to S$4,581,730 as at 31 December 2017. The development property held for sale is stated at the lower of its cost and net realisable value. Management estimates the net realisable value based on independent valuation reports which are inherently subject to significant judgment and estimates.	Our response Our procedures are designed to challenge the appropriateness of the valuation of the development property. These procedures included, amongst others: • discussed with management the basis of their estimated net realisable value and reviewing the stage of development of the development property; • reviewed the latest available valuation report on the development property and compared it to the carrying amount; • assessed the competency, capability and objectivity of the independent valuer and compared the valuer's underlying assumptions on estimated selling prices to market comparables; and • considered the adequacy of the Group's disclosure concerning the uncertainty of the carrying value of the development property. Our findings We are satisfied with the qualifications of the professional valuer and the valuation methodology adopted by the valuer was found to be appropriate and comparable to the methods used for similar properties and those used in the prior years. We consider that the Group's disclosures for the development property to be appropriate.

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Key Audit Matters (cont'd)

Key Audit Matter	**How our audit addressed the key audit matter**
Valuation of investment property held for sale	
Risk identified We refer to Note 3(l), 4(a)(v) and 17 to the financial statements. The Group's assets held for sale comprising investment property amounted to S$1,186,560 at 31 December 2017. The valuation of investment property involves significant judgment and estimation.	Our response Our audit procedures included, amongst others, checking the valuation of the investment property held for sale to the external valuation report used by management. We evaluated the competency, capability and objectivity of the independent valuer by reviewing their professional credentials and corroborating the valuation inputs used to available comparable market data. Our findings We concluded that the fair value attributed to the investment property held for sale to be reasonable.

Other Information

Management is responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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 Act and 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.

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Responsibilities of Management and Directors for the Financial Statements (cont'd)

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 objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with SSAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

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Auditor's Responsibilities for the Audit of the Financial Statements (cont'd)

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

In our opinion, the accounting and other records required by the Act to be kept by the Company and by those subsidiaries incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.

The engagement partner on the audit resulting in this independent auditor's report is Chang Fook Kay.

Moore Stephens LLP
Public Accountants and
Chartered Accountants

Singapore
2 April 2018

Extracted Note 3(b) Going Concern Assumption of the Audited Financial Statements of Blumont Group Ltd. for the financial year ended 31 December 2017

Going Concern Assumption

For the financial year ended 31 December 2017, the Group incurred a net loss after tax of S$2.6 million and recorded negative cash flows from operating activities of S$2.1 million. The Company was in a net current liabilities position of S$5.2 million as at 31 December 2017. In addition, the Company has received two demand notes from the Inland Revenue Authority of Singapore ("IRAS") on 8 February 2017 to pay the outstanding withholding taxes of S$1.1 million and late payment penalty of S$0.1 million, as disclosed in Note 22. Subsequently on 21 November 2017, IRAS granted a new repayment schedule to the Company from November 2017 to June 2018, but did not agree to waive the late payment penalties in full.

The above conditions indicate the existence of a material uncertainty which may cast significant doubt on the ability of the Group and the Company to continue as going concerns and to realise their assets and discharge their liabilities in the ordinary course of business. Nevertheless, the directors of the Company believe that the use of the going concern assumption in the preparation and presentation of the financial statements for the financial year ended 31 December 2017 remains appropriate after taking into consideration the following factors:

(i) Management has prepared a cash flow forecast which shows that the Company and the Group will have sufficient cash resources to satisfy their day-to-day operations for the next twelve months from 31 December 2017 and to pay their debts as and when they fall due, which include the following assumptions:

- The ultimate holding company has undertaken to provide continuing financial support to the Group and will not demand repayment of the loan due to the ultimate holding company within 12 months from the reporting year end date;

- The Group will successfully settle the legal suit relating to the sale of the condominium unit at Suasana Sentral Condominium located in Malaysia and collect the balance payment of the sale proceeds of approximately S$1.0 million (equivalent to RM3.0 million) (Notes 17 and 35).

(ii) Management continues to evaluate various strategies to improve profitability and generate positive cash flows from the Group's current business activities. These strategies include, *inter alia*, obtaining alternative sources of funds and the sale of the Group's other assets.

In the event the Company and the Group are unable to continue in operational existence for the foreseeable future, the Company and the Group 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 the normal course of business and at amounts which could differ from the amounts at which they are currently recorded in the statements of financial position. In addition, the Company and the Group may have to provide for further liabilities which may arise, and to reclassify non-current assets and non-current liabilities as current assets and current liabilities, respectively. No such adjustments have been made to these financial statements.