EXTRACTS OF THE NOTES TO THE FINANCIAL STATEMENTS

31 March 2015

2 Significant Accounting Policies

(a) Basis of Preparation

Going Concern

During the financial year, the Group reported a total loss after taxation for the year of S$61,339,000 (2014: S$189,099,000) and net cash out flow of S$9,500,000 (2014: S$23,194,000).

The Company had outstanding S$27,035,000 (US$20,000,000) in aggregate principal amount of 9% convertible bonds due on 8 May 2015 (the "**Bonds**"). On 5 May 2015, the Company obtained the bondholder's consent to an extension of the expiry of the Bonds until the end of May 2015 pending negotiations for a restructuring plan for the settlement of the Bonds. On 22 May 2015, the Company was notified that Premier Equity Fund Sub Fund D (managed by Value Capital Asset Management Pte. Ltd.) ("**Value Capital**") completed the purchase of the Bonds from the bondholder. The Company subsequently entered into negotiations with Value Capital on a restructuring plan and on 19 June 2015, the Company entered into (i) Bond Restructuring Agreement for the repayment of the outstanding Bonds; and (ii) Subscription Agreement for the issuance of S$100,000,000 in aggregate amount of convertible bonds. The convertible bonds will be drawn down in the 3 tranches comprising tranche 1 of S$50,000,000, tranche 2 of S$25,000,000 and tranche 3 of S$25,000,000, with each of the 3 tranches having sub tranches of S$1,000,000 each. The Bond Restructuring Agreement and the Subscription Agreement are subject to approval from shareholders at an extraordinary general meeting to be convened.

Management expects that the funds raised from the issuance of, at the minimum, tranche 1 of the convertible bonds (amounting to S$50,000,000) will be sufficient to repay the Bonds pursuant to the Bond Restructuring Agreement, and fund the Group's operations for the foreseeable future.

The ability to obtain shareholders' approvals and the certainty of completion of the issuance of, at the minimum, tranche 1 of the convertible bonds represent a material uncertainty that may cast a significant doubt on the Group's and the Company's ability to continue as a going concern. The Board is satisfied that the Bond Restructuring Agreement and the Subscription Agreement are in the best interest of the Company and while a material uncertainty exists, the Board believes that the Group will be able to raise sufficient funds to enable the Group to fund its operations for the foreseeable future. The Board has determined that it is appropriate for the Group and the Company to adopt the going concern assumption in preparing the accompanying financial statements.

If 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 their liabilities or realise their assets in the normal course of business. Assets may need to be realised at amounts which could differ from the amounts at which they are currently recorded in the balance sheet and additional liabilities may arise. In addition, the Group and the Company may have to reclassify
non-current assets and liabilities as current assets or liabilities. No such adjustments have been made in the financial statements.