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.

EXTRACTS OF THE NOTES TO THE FINANCIAL STATEMENTS

31 March 2015

3 Critical Accounting Estimates, Assumptions and Judgements

(a) Key Sources of Estimation Uncertainty

Investigations by the Commercial Affairs Department

In April 2014, the Company and one of its subsidiaries were served notices by the Commercial Affairs Department ("**CAD**") of the Singapore Police Force in relation to an investigation into an offence under the Securities and Futures Act, Chapter 289. As the CAD has not provided details of its investigation, the Management is unable to ascertain (a) whether the investigation would have an impact on the Group's ongoing business operations; and (b) the significance of adjustments, if any, that may arise from the investigation, to the accompanying financial statements.

44 Guarantees

The table below shows the contractual expiry by maturity of the Group and the Company's contingent liabilities and commitments. The maximum amount of the guarantee contracts are allocated to the earliest period in which the guarantee could be recalled.

	Group			Company		
	2015 S$'000	2014 S$'000	Expiry dates	2015 S$'000	2014 S$'000	Expiry dates
Corporate guarantee provided to a customer in connection with a project granted to a former subsidiary – unsecured *	32,182	33,534	Upon completion of project	32,182	33,534	Upon completion of project
Corporate guarantee provided to a bank for a former subsidiary in connection with performance and maintenance guarantees granted to this former subsidiary – unsecured *	5,200	5,200	30 June 2015 and 30 September 2015	5,200	5,200	30 June 2015 and 30 September 2015
Corporate guarantee provided to an insurance company as a counter guarantee to a bank in connection with insurance bond guarantees granted to a former subsidiary – unsecured *	4,810	4,810	Upon completion of project	4,810	4,810	Upon completion of project
Financial guarantee provided to a supplier in connection with products purchased by a former subsidiary – unsecured *	226	241	Upon completion of project	226	241	Upon completion of project
	42,418	43,785		42,418	43,785	

* The former subsidiary refers to IPT which was disposed of during the financial year ended 31 March 2013.

31 March 2015

44 Guarantees (cont'd)

Claim on performance guarantee

On 20 August 2012, IPT entered into an Engineering, Supply, Construction, Commissioning and Testing Project with SKB and Hong Kong and Shanghai Banking Corporation Singapore ("**HSBC**") agreed to provide banking facilities to IPT as set out in a letter of offer dated 3 January 2013. As security for all monies owing by IPT to HSBC, LionGold, Annica and IPT agreed to execute a Corporate Guarantee for S$5,200,000 in aggregate. Further, LionGold, Annica and IPT also agreed to indemnify First Capital Insurance Limited for S$5,200,000 in consideration of First Capital Insurance providing a Counter Guarantee to HSBC.

SKB is claiming that IPT is in default under the contract and has made a claim for the Performance Bond Guarantee ("**Guarantee**") for S$2,600,000. Under the Guarantee, IPT, Annica or LionGold (jointly and severally) will have to raise S$2,600,000 to place it with HSBC in order to meet the claim by SKB. On 19 May 2015, LGC signed a deed of settlement with Annica under which it was agreed that LGC will bear S$1,000,000 out of the S$2,600,000. The remaining S$1,600,000 would be borne by Annica.

Accordingly, an amount of S$1,000,000 (Note 6) has been provided as a provision for corporate guarantee as at 31 March 2015. In the event that Annica does not meet its obligation for the amount of $1,600,000 LGC will be liable for that amount. The Directors of LGC, having made due enquiry, have no reason to believe that Annica will not be able to meet its commitment.

Potential claim on corporate guarantee

Prior to the disposal of IPT, the Company provided a corporate guarantee for the due performance of IPT's obligations under an Engineering Procurement Construction & Commissioning Turnkey Contract ("**EPCC Contract**") that IPT had entered into with a customer. Subsequently, IPT received a notice of termination from this customer stating that IPT was in breach and default of its obligations under the EPCC Contract. IPT is disputing that it was in breach and default of its obligations.

The Company's legal advisors have advised that in the event it receives a written demand from the customer, the Company will have to discharge its obligations under the corporate guarantee (be it payment of liquidated damages and/ or performance of all outstanding obligations under the EPCC Contract), regardless of whether IPT is successful in proving its defence against the customer's claims. The Company has assessed its maximum potential obligation as $32,182,000.

At the date of the financial statements, the customer has not made any claim against the Company on the corporate guarantee.

45 Contingent Liabilities

The Company has been notified of a claim in relation to a proposed subscription for shares in another company amounting to approximately S$2,369,000. The matter is under dispute and the Company's legal advisors are of the view that the Company has strong grounds to rescind the agreement. As such, no provision was recognized as at 31 March 2015.