

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

4. Going concern

The Group generated a profit of \$34.9 million for the financial year ended 31 December 2017. The profit mainly arose from the gain on deconsolidation of KIPL and its directly held subsidiaries amounting to \$64.6 million, placed under creditors' voluntary liquidation from October 2017. As at 31 December 2017, the Group's current liabilities exceeded its current assets by \$82.8 million and its total liabilities exceeded its total assets by \$71.7 million. The Company's current liabilities exceeded its current assets by \$41.5 million and its total liabilities exceeded its total assets by \$30.6 million. The Group's cash and bank balances as at 31 December 2017 amounted to approximately \$511,000.

The Company is in the midst of implementing its scheme of arrangement after the scheme was sanctioned by the High Court on 8 September 2017.

EMS Energy Solutions Pte. Ltd. ("EES") ceased activities since September 2016 due to insufficient working capital. The scheme of arrangement of EES has been approved by its creditors on 11 May 2018 and the management is in the process of applying for the sanction of EES scheme by the High Court.

All bank facilities of the Group have been withdrawn by the respective banks. The Group has no revenue generating activities as KIPL is under liquidation and EES have ceased operations. The follow up work for certain projects previously under KIPL which were novated to KPL have, more or less been completed in FY2017 and no significant revenue is expected to be generated by KPL going forward.

As at the end of the financial year, the Group is unable to determine if any further liabilities will be required to be included arising from the various legal claims as is in the process of applying for the sanction of EES scheme by the High Court. (Note 35).

The above conditions indicate the existence of multiple material uncertainties that may cast significant doubt about the Group's and the Company's abilities to continue as going concerns.

Notwithstanding the above, the Directors of the Company are of the opinion that the Group and the Company are able to meet their obligations as and when they fall due having regard to the following:

- (i) The Company has signed a Terms Sheet to raise \$7.5 million cash for the development of the yard under construction at Tuas. Furthermore, the deal includes injection of certain operating entities of the investor and the investor agrees to further capitalize the company by a 1 for 1 rights issue upon completion of scheme and placement.
- (ii) The management is confident that it will be able to successfully complete the implementation of the Company's scheme of arrangement and thus significantly reducing the Company's liabilities. Further the management is also confident that it will be successful obtaining the necessary sanction for the EES scheme from the High Court and successfully implement it.

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 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 statements of financial position. In addition, the Group and the Company may need to reclassify non-current assets. No such adjustments have been made to these financial statements.