

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 APRIL 2017

4. Going concern

As at 30 April 2017, the Group's current liabilities exceeded the current assets by \$3,460,000 and the Group and the Company had trade and other payables owing to third parties (excluding advance payments received from customers) of \$17,895,000 and \$1,104,000 which exceeded their cash and cash equivalents of \$9,036,000 and \$74,000 respectively. As of that date, the Group's cash and cash equivalents of \$4,233,000 were held with subsidiaries in the PRC which are subject to local exchange control regulations. These conditions indicate the existence of material uncertainties that may cast significant doubts about the Group's and the Company's abilities to continue as going concerns.

The Directors of the Company are of the view that the going concern assumption is appropriate for the preparation of these financial statements based on the following assessment on the Group's major segments. Meanwhile, the Company is seeking funds through a placement exercise as announced on 3 July 2017 to strengthen its liquidity and provide working capital for its Group's operations. The placement details have been submitted to SGX-ST which has yet to approve the application and the placee has agreed to extend the agreement.

1) Capri Investments L.L.C. ("Capri")

The Group holds a 100% equity interest in Capri which is engaged in real estate development near the cities of Seattle and Tacoma in the state of Washington, USA. The residential real estate market in the Pacific Northwest has become increasingly favourable for continued development, as the supply of lots permitted for new home construction has become limited relative to the demand by new home builders. In view of this, a feasibility study has been conducted to design and obtain regulatory approvals for the next phase of development comprising 261 lots, with marketing expected to commence in 2017.

The total land lots recorded as inventories in Capri is currently carried at cost of \$10,495,000 as at 30 April 2017. However, its market potential is worth 3 times over based on its latest valuation report carried out by an independent valuer. Once an agreement is signed with home builders, Capri will be able to realise the potential market value in its land inventory. When the land inventory is sold, this can raise cash for the Group's operations.

2) Hubei Zonglianhuan Energy Investment Management Inc. ("HZLH")

The Group's wholly-owned subsidiary, Excellent Empire Limited, in turn via its wholly-owned subsidiary, China Environmental Energy Protection Investment Ltd ("China Environmental"), through a restructuring of its subsidiaries in the People's Republic of China ("PRC"), holds 85% equity interest in HZLH, which in turn holds 100% equity interest in four subsidiaries supplying natural gas under 30 year exclusive contracts in the cities of Anlu, Dawu, Xiaochang, and Guangshui in Hubei Province, PRC. These contracts have an average remaining contract life of 20 years.

During the financial year, the group cash generating unit is generating profits. However, it is in capital intensive phase of constructing Compressed Natural Gas stations and pipeline installations to link to households and industrial users. The completion of the Dou Shan gateway to Xiaochang city will create opportunities for more connection revenue along with more sales to new industrial customers, while reducing transportation costs. In addition, the Group believes that its bankers and suppliers will continue to provide financial support.

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FOR THE FINANCIAL YEAR ENDED 30 APRIL 2017

4. Going concern (Continued)

3) ESA Electronics Pte Ltd (“ESA”)

The Group holds an 81.25% equity interest in ESA, a Singapore incorporated company dealing in the business of assembling, trading and providing consultancy services in the semiconductor industry. ESA acts as agents and distributors of semi-conductor back-end equipment, such as burn-in systems, vision inspection systems and test systems. The Group believes that ESA will continue to generate profits and to provide financial support to the Company.

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 in a manner 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 and liabilities to current assets and liabilities. No such adjustments have been made to these financial statements.

35. Other matter

On 2 April 2014 and 29 April 2014, the Company, certain of its subsidiaries, a previous associated company and certain Directors had received order under Section 20 of the Criminal Procedures Code from Commercial Affairs Department, Singapore Police Force (“CAD”) requesting their assistance for an investigation into an alleged offence under the Securities and Futures Act, Chapter 280. The CAD had requested for files and financial records, computers, and data storage devices for the period from 1 January 2011 to the respective date of the letters.

On 25 November 2016, a joint statement was made by the Attorney-General's Chambers, CAD and the Monetary Authority of Singapore, which stated that Ms Quah Su-Ling, an ex-Director and ex-Chief Executive Officer of the Company, and Mr Goh Hin Calm, the current interim Chief Executive Officer of the Company, have been charged in the State Courts for offences under the Securities and Futures Act and the Penal Code. As at the date of these financial statements, the CAD investigations against persons who may have facilitated the offences are still ongoing.

The Board of Directors of the Company is in the process of seeking professional advice on this matter. The Board is not aware of any offence being committed within the Company and the Group and is of the view that the business and operations of the Company and of the Group are not unduly affected by the investigations and continue as normal. The Company and the Group will continue to monitor the progress of the investigations.