

2 Going concern

The Group incurred losses and total comprehensive loss for the year of \$4,014,000 and \$4,014,000 (2015 - \$3,394,000 and \$3,381,000) and reported net operating cash outflows of \$1,194,000 (2015 - \$976,000) for the financial year ended 31 March 2016; and as at that date, the Group's and the Company's current liabilities exceeded the Group's and the Company's current assets by \$3,078,000 and \$2,835,000 (2015 - \$2,657,000 and \$2,472,000) respectively. As at 31 March 2016, the Group and the Company had cash and cash equivalents of \$4,000 and \$3,000 and the available cash balances are not sufficient to settle its outstanding current liabilities of the Group and the Company amounting to \$3.1 million and \$2.9 million respectively, comprising mainly (i) the remaining accrued consideration payable of \$0.95 million in connection with the acquisition of 100% interest in Summit Light Venture in FY 2014, (ii) unsecured shareholders' loan and related interest of \$0.9 million; (iii) amounts due to directors/ ex-directors of \$0.5 million and other creditors and accrued expenses. These factors indicate the existence of a material uncertainty which may cast significant doubt on the Group's and the Company's ability to continue as a going concern.

The directors are of the view that the going concern assumption is appropriate for the preparation of these financial statements and that debts owing will be paid as and when they fall due as:-

- (a) As at the date of the audit report, the Company has concluded the negotiation with certain non-trade creditors of the Company, which include the shareholders and current/ex directors of the Company, for conversion of amounts owed by the Company of approximately \$1.84 million into 1,536,795,833 new ordinary shares in the capital of the Company at a conversion price of \$0.0012 per share, with the intention to reduce the debt burden of the Company without adversely affecting its cash flows; and
- (a) On 1 September 2016, the Company entered into a Subscription Agreement with Advance Opportunities Fund I ("AOFI") and Advance Capital Partners Asset Management Private Limited pursuant to which the Company proposed to issue to AOFI 1% equity-linked redeemable convertible notes due 2019 (the Notes) with an aggregate principal amount of up to \$20 million comprising 4 tranches of a principal amount of \$5 million, comprising of Tranche 1 Notes, Tranche 2 Notes, Tranche 3 Notes and Tranches 4 Notes. Each Tranche 1 and Tranche 2 Notes shall comprise 20 equal sub-tranches of \$250,000 while each Tranche 3 and Tranche 4 Notes shall comprise 10 equal tranches of \$500,000. The Notes shall entitle AOFI 1% interest per annum calculated based on the aggregate principal amount of the Notes held and be convertible into ordinary shares in the capital of the Company based on the terms and conditions as set out in the Subscription Agreement.

As at the date of this report, the proposed issue of the Notes and the debt conversion exercise have not been approved by the Company's shareholders in the general meeting to be convened at a later date. Furthermore, certain conditions precedent have to be satisfied before the Company receives the proceeds from the issuance of the first tranche of Tranche 1 Notes amounting to \$250,000 from AOFI.

If the Group and the Company are unable to continue in operational existence, 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 and liabilities as current assets and liabilities. No such adjustments have been made to the financial statements.