EXTRACTS OF RELEVANT NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS REFERRED TO IN THE INDEPENDENT AUDITORS' REPORT

15 Other receivables, deposits and prepayments

	Group		Company	
	2015	2014	**2015**	2014
	$'000	$'000	**$'000**	$'000
Other receivables:				
- Director related company [(1)]	**2,503**	2,499	**2,501**	2,499
- Third parties	**1,242**	1,063	**-**	1
- Niaga [(2)]	**633**	633	**-**	-
	4,378	4,195	**2,501**	2,500
Less: Allowance for impairment of other receivables	**(961)**	(774)	**-**	-
Other receivables, net	**3,417**	3,421	**2,501**	2,500
Refundable deposits	**119**	14	**119**	14
Prepayments	**28**	23	**28**	23
	3,564	3,458	**2,648**	2,537

(1) Director related company refers to a company in which a director of the Company has significant influence. The balance due from director related company is loan in nature unsecured, interest free and repayable on demand.

On 16 September 2014, the Company issued a Writ of Summons ("Writ") against an existing Director, Mr Lam Ah Seng @ Lam Pang Chuang ("Mr PC Lam") in his capacity as guarantor for an outstanding loan due from Ban Joo Investment (Pte) Ltd ("BJI") amounting to $2.5 million ("Outstanding Loan"), together with interest and costs. The Outstanding Loan was part of a $5 million loan granted by the Company to its subsidiary, Ban Joo Global Pte Ltd ("BJG") in 2009. The loan was subsequently novated to BJI in 2010 pursuant to a novation agreement. These transactions were part of the sale and transfer of the textile business, assets and liabilities of BJG to BJI in 2010, as announced on 11 November 2010. Mr PC Lam holds approximately 21.43% shares in BJI and is also one of its directors.

As at the date of this report, the legal action is still in progress.

(2) This refers to amount held by Niaga in Hong Kong.

29 Subsequent events

(a) Independent investigation by Ernst & Young Advisory Pte. Ltd. ("EY")

On 25 July 2012, the Company announced that it had appointed EY as the independent accounting firm to conduct an independent investigation into the circumstances that led to the funds placed with Niaga being restricted, including a review of the processes and procedures around the Group's deposit and placement of funds with Niaga, as well as verifying the movement of cash placed and the restriction.

EY completed its independent investigation on 31 October 2014 and issued a report (the "EY Report") on its findings to the Audit Committee of the Company ("Audit Committee"). The Audit Committee and the Board of Directors ("Board") have reviewed the EY Report and have noted that it highlighted, among other things:

(i) certain questionable cash movements between the Company and Niaga;

(ii) there was evidence that appeared to suggest that the discrepancy in the Company's cash balances and cash restriction with Niaga relating to the amount of approximately $26.8 million originally placed with Niaga, as further detailed in the announcement dated 5 July 2012 ("Discrepancies") could be connected to the personal exposure of the former director of the Company, Mr Hady Hartanto (and possibly companies connected to him) with Niaga; and

(iii) weaknesses and lapses in the internal controls and corporate governance procedures of the Company.

The Board has adopted the EY Report. To address these findings, the Board convened a Special Committee comprising two Independent Directors of the Company to assess (i) the extent of any damage caused to the Company arising from the matters highlighted; and (ii) the required action (including any legal action if deemed appropriate) that the Company needs to take to address these matters.

The Company also separately engaged EY to review internal control measures, policies and procedures within the Group, to identify and address any weaknesses and lapses in the internal controls and corporate governance procedures, over and above those highlighted in the EY Report, as well as to conduct a further investigation into, inter alia, the discrepancies and matters highlighted in the EY Report [Note 29 (c)].

On 12 August 2015, the Company announced that the Special Committee has completed its review and assessment of the findings in the EY Report and has made the following recommendations to the Board:

(i) appropriate legal action arising from the matter be deferred to be reconsidered by the Board at a later date when the loss to the Company and its subsidiaries VIP (HK) Limited ("VIP") and SLTDC is determined (but such action must be commenced no later than July 2018);

29 Subsequent events (cont'd)

(a) Independent investigation by Ernst & Young Advisory Pte. Ltd. ("EY") (cont'd)

(ii) the Board should consider engaging Hong Kong legal advisors to explore prospects of obtaining documents and evidence (if any) from parties in Hong Kong, including Niaga, Hady Hartanto ("Hady"), Sri Tjintawati Hartanto ("Ptjin") and/or Chan Fung Ling (aka Patty Chan) ("Patty") to determine the true circumstances of the transfers of the approximately $24 million from the Company and its subsidiaries VIP and SLTDC's accounts with Niaga and for the purposes thereafter to consider and determine whether there was any wrongdoing by Hady, Ptjin, and/or Patty and whether legal action against them is appropriate in the event of loss determined as having been suffered by the Company and its subsidiaries VIP and SLTDC; and

(iii) the Company's Directors to review the processes of the Company to ensure that proper internal controls are put in place in respect of the operation of the Company's bank accounts and facilities, including the keeping of proper records. In this regard, the Special Committee noted that the Company already engaged EY to perform a gap assessment to identify, among others, the areas of improvement in respect of its processes, and that EY had already issued its report and on this basis, the Special Committee recommends that the Company should adhere to the recommendations made in the report.

The Board has adopted the above recommendations made by the Special Committee, and will update Shareholders upon any further action taken by the Board.

(c) On-going Independent investigation by EY- Second Appointment

On 10 November 2014, the Company appointed EY as the independent accounting firm to investigate the following:

(i) The Company had on 1 April 2010 entered into a sale and purchase agreement to acquire MSN and its subsidiaries, PT KAMU, PT MSN (collectively, the "MSN group") from Bright Reach International Limited ("BRI"). Following the acquisition, allegations were raised by the previous owners of MSN's subsidiary PT MSN that BRI had not fulfilled certain obligations to them prior to the acquisition. Allegations were also raised regarding the appropriateness of certain transactions and actions involving PT MSN.

(ii) In light of the above allegations, EY is to ascertain the relevant facts, review of the acquisition transaction and the process and procedures surrounding the consideration paid with reference to the financial records of the MSN group and corporate records of PT MSN.

As at the date of this report, the investigation is still in progress.

29 Subsequent events (cont'd)

(d) On-going legal action against the Company

On 28 November 2014, legal action was commenced in Hong Kong by a third party ("Plaintiff") against the Company, its controlling shareholder and a former director of the Company regarding a private sale of the Company's shares. The Plaintiff obtained an injunction order restraining the Company from disposing or dealing with its assets or any money in its bank accounts maintained in Hong Kong or elsewhere up to the value of HK$10 million, and not to remove from Hong Kong any asset up to the value of HK$10 million. The injunction order did not however prohibit the Company from dealing with any asset or money so long as the total unencumbered value of all assets remains above HK$10 million.

The Company was not a contracting party to the underlying sale transaction which triggered the legal action, and had no previous knowledge of that sale transaction. However, the Plaintiff has alleged that the purchase price in relation to that sale transaction was paid to the Company's Hong Kong bank account in January 2011. The Company's records showed that these funds received in January 2011 were in fact funds paid for the exercise of warrants issued by the Company. As such, these funds were in fact proceeds arising from the exercise of the warrants, (i.e. share capital paid to the Company for the issue of new shares in the Company following the exercise of the relevant warrants by the respective warrant holder(s)).

On 28 January 2015, the Plaintiff also commenced similar legal proceedings in the High Court of Singapore with a view to obtain a similar injunction order restraining the Company from disposing or dealing with its assets in Singapore. However, such order, if obtained, will not prohibit the Company from dealing with or disposing of any of its assets in the ordinary and proper course of business.

On 12 May 2015, the High Court of Hong Kong has discharged the injunction which placed a restraining order on the Company. As at the date of this report, the similar legal proceeding in the High Court of Singapore is still in progress.

31 Contingent liabilities

We draw attention to Note 29(d) to the financial statements which describe the uncertainties relating to the outcome of on-going law suits filed against the Group and the Company. Accordingly, no provision for liabilities have been made for the financial year ended 31 March 2015.