

2 Going concern

The Group earned profits and total comprehensive profit of \$399,000 and \$399,000 (31 March 2017 – incurred loss and total comprehensive loss of \$740,000 and \$644,000) and reported net operating cash outflows of \$427,000 (31 March 2017 - \$641,000) for the financial period from 1 April 2017 to 31 December 2017; and as at the balance sheet date, the Group's and the Company's current liabilities exceeded the Group's and the Company's current assets by \$5,840,000 and \$5,835,000 (31 March 2017 - \$6,253,000 and \$6,180,000), respectively and the Group and the Company have a net deficit in equity of \$5,840,000 and \$5,835,000 (31 March 2017 - \$6,239,000 and \$6,166,000) respectively.

Following the disposal of Lereno Sdn Bhd on 17 August 2015, the Company ceased to have any operating subsidiaries or business and has become a cash company as defined under Rule 1017 of Section B: Rules of Catalist (the "Catalist Rules") of the Listing Manual of the Singapore Exchange Securities Trading Limited ("SGX-ST"). Furthermore, on 27 September 2017, the Board announced the termination of the sale and purchase agreement entered with the vendors of Kenyalang Property (S) Pte Ltd ("Kenyalang") in June 2016 to acquire 100% interest in Kenyalang for a consideration of RM 70 million.

On 27 September 2017, the Company entered into a conditional put and call agreement with Knit Textile and Apparel Pte. Ltd. ("Knit Textile") to acquire the entire issued share capital of Knit Textile and Apparel Pte. Ltd., a company incorporated in Singapore, which will, upon completion of the restructuring exercise conducted by Knit Textile, hold the entire issued share capital of Knit Textiles Mfg. Sdn. Bhd. ("KTM"), a company incorporated in Malaysia, Ocean Art & Embellishment Sdn. Bhd. ("OAE"), a company incorporated in Malaysia, Moon Apparel (Cambodia) Co. Ltd ("Moon Apparel"), a company incorporated in Cambodia, Callisto Apparel (Cambodia) Co. Ltd ("Callisto Apparel"), a company incorporated in Cambodia, and Xentika Limited ("Xentika"), a company incorporated in Seychelles. The purchase consideration is agreed at \$26,400,000, which shall be fully satisfied on completion by way of allotment and issuance of 2,640,000,000 ordinary shares of the Company at an issue price of \$0.01 per share to Knit Textile.

The proposed acquisition, if it proceeds to completion, will result in a reverse takeover ("RTO") of the Company as defined in Chapter 10 of the Catalist Rules of the SGX-ST and accordingly, the proposed acquisition will be subject to, amongst other things the approval of SGX-ST and the shareholders of the Company at an extraordinary general meeting to be convened at a later date.

2 Going concern (Cont'd)

In February 2018, the Company, through its sponsor, applied to SGX-ST and successfully obtained a further 6.5-month extension to meet the requirement of a new listing (i.e. by 31 August 2018). The previous extension granted by SGX-ST lapsed on 15 February 2018. The extension is subject to the Company providing information to SGX-ST and the Company's investors on its progress in meeting key milestones in the transaction.

In the event the Company is unable to meet its milestones, or complete the relevant acquisition despite the extension granted, no further extension will be granted and the Company will be removed from the Official List and a cash exit offer in accordance with Rule 1308 will be made to the Company's shareholders within 6 months.

The conditions and events mentioned above indicate that there are material uncertainties existing at the balance sheet date, which relate to events or conditions that, individually or collectively, may cast significant doubt on the Group's and the Company's ability to continue as a going concern.

As at the date of this report, the directors believe that a further 6.5-month extension approved by SGX-ST on 6 February 2018 will provide management with sufficient time to identify additional new assets as part of the proposed acquisition so as to strengthen the size of the assets such that the Company would be in a better financial position upon completion of the proposed acquisition of Knit Textiles. In addition, the directors believe that the Group and the Company will be able to meet their obligations as and when they fall due in the next 12 months based on the continuing financial support from one of the Company's substantial shareholders to meet its liabilities and its normal operating expenses to be incurred. Lastly, management has received letters of undertaking from one substantial shareholder and a related company that they will not be demanding repayments of the advances extended by them to the Company, which amounted to \$0.29 million and \$5.17 million respectively, within 12 months from the balance sheet date.

If the Company fails to satisfy the requirements of SGX-ST and lifts the "cash company" status of the Company and/or obtains continuing financial support from one of the Company's substantial shareholders, it may not be able to continue in operational existence for the foreseeable future, and the Group and the Company may be unable to discharge its liabilities in the normal course of business. 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 balance sheet. In addition, the Group and the Company may have to reclassify non-current assets and liabilities as current assets and liabilities respectively, and to provide for further liabilities that may arise. No such adjustments have been made to these financial statements.