3. Critical accounting judgements and key sources of estimation uncertainty

In the application of the Group's and the Company's accounting policies, management made judgements, estimates and assumptions about the carrying amounts of assets and liabilities that were not readily apparent from other sources. The estimates and associated assumptions were based on historical experience and other factors that were considered to be reasonable under the circumstances. Actual results may differ from these estimates.

These estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

a) *Critical judgments made in applying the accounting policies*

The following are the critical judgements, apart from those involving estimations that management has made in the process of applying the Group's and the Company's accounting policies and that have significant effects on the amounts recognised in the financial statements:

(i) *Going concern*

The Group incurred a total loss of $9,760,000 (31.12.2016: $3,361,000) and a total comprehensive loss of $9,494,000 (31.12.2016: $3,533,000) for the financial period ended 30 Jun 2018. As at 30 Jun 2018, the Group's and the Company's current liabilities exceeded current assets by $11,339,000 (31.12.2016: $10,029,000) and $4,835,000 (31.12.2016: $5,487,000) respectively. These conditions indicate the existence of a material uncertainty which may cast significant doubt on the ability of the Group and the Company to continue as going concerns and therefore they may not be able to realise their assets and discharge their liabilities in the normal course of business.

Nevertheless, in the preparation of the financial statements, management believes that the use of the going concern assumption is appropriate after taking into consideration the following factors:

The Group's net current liability position of $11,339,000 as at 30 Jun 2018 is a result of classifying $12,339,000 owing by two subsidiaries to a single creditor as current liabilities in the Group's balance sheet (Note 19). This creditor had not demanded settlement in the past four financial years. However, on 1 Jun 2018, the Company received a letter of demand from the solicitor acting for the creditor claiming $14,689,000 from the Company. The Company had been advised by its lawyers and denies this claim and its validity. The Group is in communication with the creditor and the Board is optimistic that an amicable settlement can be reached.

The Company has on 6 Oct 2018 entered into a loan agreement with Joy Maker International Limited (the "Lender") (the "Loan Agreement"). Pursuant to the Loan Agreement, the Lender has agreed to lend up to $2,500,000 to the Company (the "Loan"), subject to the terms and on conditions as set out in the Loan Agreement as announced on 8 Oct 2018. The Loan of up to $2,500,000 is adequate to meet the Group's and the Company's working capital requirements and obligations over the next 12 months (Note 36).

Further to the Loan, the Company made a separate announcement on 9 Oct 2018 that it had also entered into two separate but inter-conditional agreements on 6 Oct 2018 relating to the (i) proposed sale of the Company's entire shareholding interests in certain non-core assets for a total sale consideration of $100,000 ("Proposed Disposal"); and (ii) proposed placement of 8,400,000,000 new ordinary shares of the Company, at an issue price of $0.001 per share which will raise up to $8,400,000 in total gross proceeds ("Proposed Placement"). The Proposed Disposal and Proposed Placement are subject to shareholders' approval at an extraordinary general meeting to be convened in due course. Upon approval and subsequent completion of both the Proposed Disposal and Proposed Placement, the Company will receive total gross proceeds of $8,500,000 which will significantly improve and strengthen the Company's financial position going forward (Note 36).

Assuming that the proposed transactions announced on 9 Oct 2018 were completed on 30 Jun 2018, the Group's total loss would be $1,357,000 and the total comprehensive loss would be $1,091,000. The Group's and the Company's current net liability position would have reversed into a net current asset position of $5,643,000 and $2,850,000 respectively. Therefore, the directors are of the view that the Group and the Company are going concerns.

The Group and the Company maintain that it is a going concern in view of the loan of $2,500,000 announced on 8 Oct 2018 which will enable the Group and the Company to meet its obligations as and when they fall due over the next 12 months; and the Proposed Disposal and the Proposed Placement will result in the Group and the Company having net current assets positions.

13. Available-for-sale-investments (cont'd)

Investment in SFC

SFC is a special purpose vehicle company and owns only the rights to net proceeds of 85 finished lots of property in Falling Water District, Pierce County, Washington. As at 30 Jun 2018, the Company owns 67% (31.12.2016: 67%) equity interest in SFC.

Although the Company acquired and holds more than 50% equity interest in SFC, this investment has been classified as an available-for-sale investment instead of investment in subsidiary or investment in associate as the Company has no power to exercise control or significant influence in its financial and operating policy decisions as defined in FRS 28 *Investments in Associates and Joint Ventures*, FRS 110 *Consolidated Financial Statements* and FRS 111 *Joint Arrangements*.

On 23 Apr 2002, SFC entered into a Vacant Land Sale and Purchase Agreement ("VLSPA") to sell the Falling Water raw land to Capri Investment L.L.C for the consideration of US$3,500,000 and the entitlement of net proceeds from the sale of 85 finished lots from the property, less the customary costs of sale and closing costs as well as, the traffic, park schools mitigation fees and related utility fees allocable to each of the lots.

On 26 Feb 2004, the Company, SFC and its members entered into an agreement whereby SFC agreed to distribute the net proceeds from the first 35 lots of the 85 lots that SFC is entitled to under the VLSPA to the Company as settlement of promissory notes issued by SFC to the Company. It was also agreed on 16 Mar 2004, that the Company will be entitled to a further 25 lots without any deductions for the creditors of SFC or advances made by members of SFC after the date of the VLSPA. Consequently, the Company has a right to receive the net proceeds from the sale of 60 finished lots.

13. Available-for-sale-investments

	Group and Company	
	1.1.2017 to 30.6.2018	1.1.2016 to 31.12.2016
	$'000	$'000
Cost		
As at 1 Jan	**17,852**	17,852
Disposal	**(1,542)**	–
	16,310	17,852
Less: Allowance for impairment	**(11,710)**	(11,710)
As at 30 Jun/31 Dec	**4,600**	6,142

Available-for-sale investments comprise the following:

	Group and Company	
	30.6.2018	31.12.2016
	$'000	$'000
Investment in unquoted shares [Note (i)]	**4,600**	4,600
Investment in unquoted shares [Notes (ii) and (iii)]	**–**	1,542
	4,600	6,142

(i) Represents carrying amount of the Group's and the Company's equity investment in SFC, which has rights to receive net proceeds from the sale of 60 finished lots (based on 67% share of investment) of land situated at Falling Water, Pierce County, Washington State, United States of America amounting to $4,600,000;

16. Other receivables and prepayments

	Group		Company	
	30.6.2018	31.12.2016	30.6.2018	31.12.2016
	$'000	$'000	$'000	$'000
Other receivables				
- third parties	3,306	3,399	270	342
- joint ventures	34	3	13	3
Allowance for impairment	(1,070)	(1,036)	(282)	(269)
	2,270	2,366	1	76
Amounts due from subsidiaries	–	–	29,251	29,266
Allowance for impairment	–	–	(26,600)	(26,539)
	–	–	2,651	2,727
Deposits	34	36	31	33
Prepayments	6	30	–	10
	2,310	2,432	2,683	2,846

Other receivables include an amount of $2,300,000 (equivalent to RMB11,000,000) due from the former non-controlling shareholder of Sheng Rong. In 2015, the former non-controlling shareholder had agreed to pay Sheng Rong RMB11,000,000 pursuant to the recovery of payments made by Sheng Rong for the CNG station by transferring four properties in the PRC totalling $1,000,000 (equivalent to RMB5,000,000) and assignment of debts totalling $1,300,000 (equivalent to RMB6,000,000) and also to transfer its 10% equity interest in Sheng Rong to an unrelated third party nominated by Sheng Rong. The receivables are personally guaranteed by the owner of the former non-controlling shareholder. The assignment of debt totalling $1,300,000 (equivalent to RMB6,000,000) have been transferred to Sheng Rong and one property of $100,000 (equivalent to RMB500,000) has been transferred to Sheng Rong's trustee in 2015. In May 2016, Sheng Rong initiated legal action against the former non-controlling shareholder of Sheng Rong and owners of properties (which are pledged as collaterals for the receivables) for enforcement of recovery of the receivables. In Dec 2016, the Chinese Court ruled in favour of Sheng Rong's application and required the various parties to fulfill their obligations and a penalty payment for the delay in transfer of the properties to Sheng Rong. The former non-controlling shareholder appealed the Court's award of the late payment penalty to Sheng Rong in Jan 2017. In Jun 2017, the Chinese (Appeal) Court reaffirmed the first Court decision on the transfer of the properties and the 10% equity interest in Sheng Rong but dismissed the penalty payment awarded to Sheng Rong. The former non-controlling shareholder's 10% equity interest in Sheng Rong had been transferred to an unrelated third party shortly after the Jun 2017 Court decision. Three out of four properties have yet to be transferred as at 30 Jun 2018.

As at 30 Jun 2018, the assignment of debts totalling $1,300,000 (equivalent to RMB6,000,000) and only one property worth $100,000 (equivalent to RMB500,000) have been transferred to Sheng Rong and a trustee appointed by the Group respectively.

Other receivables and amounts due from subsidiaries are interest-free, unsecured and repayable on demand.

Movements in allowance for impairment on other receivables are as follows:

	Group		Company	
	1.1.2017 to 30.6.2018	1.1.2016 to 31.12.2016	1.1.2017 to 30.6.2018	1.1.2016 to 31.12.2016
	$'000	$'000	$'000	$'000
As at 1 Jan	1,036	153	269	–
Addition	33	883	13	269
Foreign currency translation differences	1	–	–	–
As at 30 Jun/31 Dec	1,070	1,036	282	269

16. Other receivables and prepayments (cont'd)

An allowance for impairment is made for estimated irrecoverable amounts from other receivables and amount due from subsidiaries and determined by reference to the financial position and repayment capability of the other receivables and subsidiaries.

Other receivables which are aged less than one financial year are not considered as past due.

Movements in allowance for impairment on amounts due from subsidiaries are as follows:

	Company	
	1.1.2017 to 30.6.2018	1.1.2016 to 31.12.2016
	$'000	$'000
As at 1 Jan	**26,539**	27,786
Addition	**65**	272
Written off	**–**	(1,450)
Write back	**(4)**	(69)
As at 30 Jun/31 Dec	**26,600**	26,539

Amount due from subsidiaries that are individually determined to be impaired at the balance sheet date relate to subsidiaries that have been suffering financial difficulties.

Other receivables and prepayments are denominated in the following currencies:

	Group		Company	
	30.6.2018	31.12.2016	**30.6.2018**	31.12.2016
	$'000	$'000	**$'000**	$'000
Singapore dollar	**33**	122	**2,683**	2,846
Chinese renminbi	**2,275**	2,309	**–**	–
Malaysian ringgit	**2**	1	**–**	–
	2,310	2,432	**2,683**	2,846