

2. Summary of significant accounting policies

2.1 Basis of preparation

Fundamental accounting concepts

The financial statements of the Group have been prepared on a going concern basis notwithstanding that the Group incurred a loss of \$3,386,000 (2014: \$20,743,000) and negative operating cash flow of \$36,925,000 (2014: \$37,072,000) during the financial year ended 31 December 2015 and as at that date, the Group has a net undiscounted financial liabilities due within next twelve month of \$19,617,000 (2014: net financial asset of \$15,800,000). These conditions indicate the existence of a material uncertainty that may cast significant doubt about the Group's ability to continue as a going concern.

The Directors are of the view that it is appropriate to prepare the Group's financial statements on the going concern basis after considering the following factors:

- Subsequent to the end of the financial year, the Company proposed to place 117,000,000 new shares of the Company at \$0.06 per share ("Private Placement") to Hengfai Business Development Pte Ltd ("HBD"), a substantial shareholder. HBD is wholly-owned by Mr Chan Heng Fai ("CHF"), CEO, an executive director and controlling shareholder of the Company. Net proceeds raised of \$6.9 million will be principally used to redeem all outstanding 18% Exchangeable Notes issued by Singapore Construction & Development Pte Ltd, a wholly-owned subsidiary of the Company. The Private Placement is subject to approval of independent shareholders of the Company;
- The Group intends to exercise the option to extend certain loan maturing within the next 12 months;
- The Group expects to generate positive cash flows as the Group does not envisage adverse events which may affect its ability to meet its contractual obligations;
- In addition to the Private Placement, HBD has provided a letter of financial support, in which HBD has agreed to provide the following:
 - financial and other supports of up to \$7.5 million at comparable market terms; and
 - undertaking not to demand repayment of a USD 10.5 million (equivalent to \$14.86 million) bridging loan granted to the Group, except when the cash flows of the Group permit repayment and such repayment will not adversely affect the ability of the Group to meet its liabilities as and when they fall due;
- The Group will conduct further fund raising in order to meet its payment obligations, if necessary.

If the Group is unable to continue in operational existence for the foreseeable future, the Group may be unable to discharge its 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 may differ significantly from the amounts at which they are currently recorded in the balance sheets. In addition, the Group may have to reclassify non-current assets and liabilities as current assets and liabilities. No such adjustments have been made to these financial statements.