

Going concern

The financial statements have been prepared on the going concern basis notwithstanding the Group's net current liabilities position of RMB163,848,000. The management, having assessed the sources of liquidity and funding available to the Group, believes that the Group can continue as a going concern for the foreseeable future.

In analysing the validity of the going concern basis applied in the preparation of the financial statements of the Group, the following factors were considered:

- (i) The Group is currently in negotiations with a bank to obtain a credit facility of a greater credit limit to refinance some of its existing loans and to provide additional working capital;
- (ii) The Group has obtained undertakings from certain related parties to provide the necessary financial support, if need be, to meet its liabilities as and when they fall due, for at least the next twelve months from the reporting date;
- (iii) The Group has also applied for and is currently awaiting the finalisation of a syndicated loan of RMB1,399,000,000 from financial institutions to finance the construction costs of a newly awarded project (utility tunnel phase two). The lead bank of the syndicated loan arrangement has provided its preliminary approval for its allocated contribution of the syndicated loan. Although the approval from the other participating banks has yet to be obtained, the Group is reasonably confident of obtaining the approval from these banks in due course.

The above-mentioned conditions indicate the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern. However, as described above, management has a reasonable expectation that the Group has adequate resources to continue in operational existence for at least the next twelve months from the reporting date.

If for any reason the Group is unable to continue as a going concern, it could have an impact on the Group's classification of its assets and liabilities and ability to realise its assets at their recognised values and to extinguish its liabilities in the normal course of business at the amounts stated in the financial statements. No such adjustments have been made in the financial statements.