

## **2(a) Going Concern**

The Group incurred net losses of approximately RMB420,959,000 and negative cash flow from operating activities of approximately RMB343,071,000 for the financial year ended 31 December 2013. As of that date, the Company's current liabilities exceeded current assets by RMB29,422,000 and the Company had recorded a deficit in shareholders' funds of RMB26,171,000. The equity of the Group stood at RMB483,000 as at 31 December 2013.

These events and conditions indicate the existence of a material uncertainties over the going concern assumption used in the preparation of the statement of financial position of the Company and the consolidated financial statements of the Group. The Company and all of its Directors are of the view that the Company and the Group will be able to pay its liabilities, which includes the accounts payables, accruals, other payables, compensation payables and bank loans, as they fall due. Based on the foregoing and the operational needs of the Group, the Group is likely to remain a going concern for the following reasons:

- (i) Notwithstanding that the Group will incur costs for the sales in respect of the compensation payable of RMB87,130,000 (refer to Note 16) over the next five years, the Board has considered the estimated annual sales for the Group's top ten customer contracts for FY2014, and is of the unanimous opinion that the cash and profit generated from its other sales will be able to support the working capital of the Group;
- (ii) The Group intends to raise a further S\$2,900,000 from the proposed placement for working capital purposes; and
- (iii) The Chief Executive Officer ("CEO") of the Company has executed a deed of undertaking prepared under PRC laws to the Company to provide, on demand by the Company, loans of up to RMB 100 million to support the financial position of the Group. On 23 April 2014, the CEO executed an irrevocable letter of undertaking, prepared under PRC laws for settlement of debts governed by PRC law in favour of the Company to provide financial support to the Company of an amount of up to RMB 100 million. In connection thereto, the CEO had also on the same date executed a deed of mortgage, governed by the PRC laws, over four of his properties in Fuzhou which are estimated to be worth above an aggregate of RMB 120 million, as security for the irrevocable undertaking.