

notes to the financial statements

for the financial year ended 31 december 2013

2. Summary of significant accounting policies (Continued)

2.1 Basis of preparation (Continued)

The Group incurred net loss of RMB522,191,000 for the financial year ended 31 December 2013 and, as at that date the Group's and the Company's current liabilities exceeded its current assets by RMB422,631,000 and RMB49,004,000 respectively. The conditions indicate the existence of material uncertainty that may cast significant doubt about the Group's ability to continue as going concern.

Nevertheless, the directors are of the opinion, based on the Group's projected operating cash flows and the continual support from bankers and suppliers, that the use of going concern basis in the preparation of the Group financial statements is appropriate.

In addition, the Group has secured additional banking facilities amounting to RMB135 million from various financial institutions subsequent to the financial year end. The Group also has obtained approximately RMB36 million (or approximately S\$7.2 million) for placement of share to certain investors (Note 47) and is also in the process of securing an Equity Line Facility from another investor of up to approximately RMB217 million (or approximately US\$35 million) at the date of this report.

If the Group and the Company are unable to continue in operation existence for the foreseeable future, the Group and the Company may be unable to discharge their liabilities in the normal course of the business and adjustments may have to be made to reflect the situation that assets may need to be realised other than normal course of business and of amounts which could differ significantly from the amounts of which they are currently recorded in the statements of financial position. In addition, the Group may have to reclassify non-current assets. No such adjustments have been made to the financial statements.

The preparation of financial statements in compliance with FRS requires management to make judgements, estimates and assumptions that affect the Group's and the Company's application of accounting policies and reported amounts of assets, liabilities, revenue, expenses and the disclosure of contingent liabilities at the reporting date. Although these estimates are based on management's best knowledge of current events and actions, actual results may differ from those estimates. The areas where such judgements or estimates have the most significant effect on the financial statements are disclosed in Note 3 to the financial statements.

In the current financial year, the Group and the Company have adopted all the new and revised FRS and INT FRS that are relevant to its operations and effective for the current financial year. The adoption of these new/ revised FRS and INT FRS does not result in changes to the Group's and the Company's accounting policies and has no material effect on the amounts reported for the current or prior years.