

Extract from Audited Financial Statements of CCM Group Limited for the financial year ended 31 December 2013

2. Fundamental accounting concept

The financial statements of the Group and the Company have been prepared on a going concern basis notwithstanding the Group incurred a loss of \$22,420,312 (2012: \$1,868,148) and negative operating cash flow of \$1,708,619 (2012: \$8,157,893) during the financial year ended 31 December 2013 and as at that date, the Company has a net current liability position of \$14,202,936, and a net capital deficit of \$11,819,416.

The Directors are of the view that the Group's and the Company's financial statements prepared on going concern basis are appropriate after considering the following factors:

- Subsequent to the end of the financial year, 1,231.2 million warrants were exercised and \$11.04 million was received by the Group arising from the issuance of 1,712,200,000 Bonus Warrants and 1,712,200,000 Piggyback Warrants approved in during an EGM. Assuming the maximum amounts of Bonus Warrants and Piggyback Warrants are exercised, the Company expects to raise approximately \$35.95 million (Notes 1 and 29);
- During the same EGM, the shareholders of the Company had also approved the issuance of Exchangeable Notes totalling \$5 million. These Exchangeable Notes were fully issued and a total of \$5 million had been received on 21 February 2014;
- On 22 January 2014, the Company received an interest free loan from its Executive Chairman and Chief Executive Officer, Mr Liew Sen Keong of \$3 million. The Loan will be used for general working capital of the Company's construction business. The Loan is unsecured and is repayable within a period of 36 months from the date of the Loan Agreement;
- A subsidiary of the Group breached a covenant for not maintaining a minimum net worth of \$3 million. Subsequent to the balance sheet date, the Group is negotiating with the bank to restructure the outstanding debts owing to the bank. The directors are of the view that the Group will be able to negotiate with its current bankers for continuous financing or / and other bankers for necessary financing (Note 19);
- The Group expects to generate positive cash flows as they do not envisage adverse events which may affect its ability to meet its contractual obligations.
- Financial impacts of the diversification of the Group activities into property developments

The Group intends to expand its core business to include the Property Development Business in Singapore and Asian region, which includes actively acting as a developer for property projects and investing in property development projects.

The diversification represented an opportunity to establish a new and profitable business segment for the Group and to attain geographical diversification of its earning base as property cycles in different Asian countries and cities may not coincide with that in Singapore.

After the financial year, the Group, has announced major projects include US\$4.3 million (\$5.5 million) in Texas, USA and A\$2.2 million (\$2.5 million) in Perth, Australia (Note 29); and

- The Company will conduct further fund raising in order to meet its payment obligations if necessary.