

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2019

2(A) GOING CONCERN

For the financial year ended 31 March 2019, the Group incurred a net loss of S\$9,605,000 (2018: net profit of S\$1,505,000). In addition, as at 31 March 2019, Company had net current liabilities of S\$30,209,000 (2018: S\$23,423,000). Notwithstanding this, the directors are of the view that the going concern assumption is appropriate for the preparation of the financial statements, due to the following:

- (i) For the financial year ended 31 March 2019, the Group continues to generate net operating cash inflows of S\$2,462,000 (2018: S\$7,720,000). Having regard to measures to tighten controls over expenses and to better manage the Group's working capital, the directors believe that the Group is able to continue to generate sufficient cash flows from operations.
- (ii) As at 31 March 2019, the Group had net current assets and net assets of S\$23,674,000 (2018: S\$19,093,000) and S\$23,200,000 (2018: S\$34,408,000), respectively, which include cash and bank balances and fixed deposits amounting to S\$5,169,000 (2018: S\$7,202,000). In addition, the Company had net assets of S\$32,794,000 (2018: S\$43,917,000) as at 31 March 2019. The net current liabilities of the Company were mainly attributed to amounts owing to subsidiaries totalling S\$33,052,000 (2018: S\$26,575,000), which the Company has the power and authority to manage the payment obligations to the wholly-owned subsidiaries and between the group entities if the need ever arises. Excluding these amounts, the Company would have net current assets of S\$2,843,000 (2018: S\$3,152,000) as at 31 March 2019.
- (iii) In view of the continuing cash inflows generated from operations, the Group has been able to make significant repayments, and there has been no default on repayments in respect of the Group's and the Company's borrowings following the debt restructuring.
- (iv) As disclosed in Note 14 to the financial statements, the Group did not meet the financial covenants in respect of its restructured borrowings for the relevant period ended 31 December 2018. Nonetheless, the Group had obtained waivers of compliance with those financial covenants from the relevant lenders before the end of the financial year. The Group had also obtained waivers of compliance with the financial covenants relating to 30 June 2019 from the relevant lenders before the date of authorisation of the financial statements. Although the Group is still required to comply with the financial covenants for the subsequent relevant periods ending 31 December 2019, 30 June 2020 and 31 December 2020, the Group will work expeditiously with the lenders to obtain continuing support from the lenders and waivers of compliance with the financial covenants as and when they arise.
- (v) The Group is currently in discussions with the lenders on certain amendments to the terms, including the financial covenants, in the debt restructuring agreement.
- (vi) At the end of the reporting period, the Group's unfulfilled order book based on secured contracts stood at S\$128.0 million. In addition to that, as disclosed in Note 31 to the financial statements, subsequent to the end of the financial year, the Group has been awarded various contracts worth approximately S\$20.5 million in total by customers. In the press release dated 14 January 2019, Building and Construction Authority announced that it projects the total construction demand this year to range between S\$27 billion and S\$32 billion, which is similar to the S\$30.5 billion awarded last year. The projection is mainly based on the sustained public sector construction demand, which is expected to reach between S\$16.5 billion and S\$19.5 billion and contribute to about 60% of the projected demand for this year. Public construction demand is expected to be boosted by major infrastructure projects and a pipeline of major industrial building projects. This demand will continue to be supported by big infrastructure projects such as the Cross Island Line, developments at Jurong Lake District and Changi Airport Terminal 5, over the medium term, besides public residential developments.

Based on the above, the directors believe that the Group and Company have sufficient working capital and financial resources to enable them to meet their liabilities as and when they fall due and continue as going concern for 12 months from the end of the reporting period.

The financial statements do not include any adjustments relating to the recoverability and classification of reported asset amounts or the amounts and classification of liabilities that would be required if the going concern basis is found to be inappropriate.