

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2019

35. Capital management

The Group's policy is to maintain adequate capital based to ensure continuity as a going concern and maintain an optimal capital structure for expansion plan of the group. The Group funds its operations and growth through a mix of equity and debts by maintenance of adequate lines of credit and assessing the need to raise additional equity where required.

Management monitors capital based on gearing ratio to ensure compliance with all borrowing covenants.

The gearing ratio is calculated as net debt divided by total capital. Net debt is calculated as borrowings plus trade and other payables less cash and cash equivalents. Total capital is calculated as equity plus net debt.

	Group		Company	
	31.3.2019	31.3.2018	31.3.2019	31.3.2018
	\$	\$	\$	\$
Total borrowings and payables	10,505,974	10,041,761	11,948,227	12,627,094
Cash and cash equivalents	(15,795,045)	(15,471,010)	(3,806,755)	(7,512,263)
Net (surplus)/debt	(5,289,071)	(5,429,249)	8,141,472	5,114,831
Total equity	74,067,505	75,576,805	71,052,790	71,818,972
Total capital	68,778,434	70,147,556	79,194,262	76,933,803
Gearing ratio	N.M	N.M	0.103	0.066

N.M - Not meaningful

The Board of Directors reviews the capital structure on an annual basis. As part of this review, the directors consider the cost of capital and the risk associated with each class of capital, and monitors the gearing ratio. Based on recommendations of the directors, the Group will balance its overall capital structure through the payment of dividends, new share issues and share buy-backs as well as the issue of new debts or redemption of existing debts.

Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

36. Legal claims and contingent liabilities

On 7 September 2015, a writ of summons and statement of claim was issued against Mr Chan by the Company and filed in the High Court. The Company was claiming for the sum of \$7,000,000, paid as a refundable commitment fee to Straitsworld Advisory Limited ("Straitsworld") under a term sheet in respect of a property development project in Zhangye Gansu, the People's Republic of China, and due to the Company under a subsequent term sheet, Vietnam Term Sheet, under which, inter alia, Mr Chan undertook to fulfil the payment obligation of Straitsworld.

On 30 September 2015, Mr Chan had filed a defence and counterclaim. Mr Chan, inter alia, denied the claims of the Company and has counterclaimed for a total sum of \$3,450,000 (including an alleged loan of \$750,000) which he has alleged are owing to him from the Company.

In response, the Company has filed a reply and defence to counterclaim on 9 October 2015, in which the Company has expressly denied all the allegations set out in Mr Chan's counterclaims and has put Mr Chan to strict proof of each of his counterclaims.



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36. Legal claims and contingent liabilities (cont'd)

On 26 November 2015, the Company announced that it had withdrawn the action filed against Mr Chan for the repayment of \$7,000,000 and that the Company filed a writ of summons and statement of claim against Straitsworld and Mr Chan in the High Court. The Company is claiming for the following:

- (a) the payment of \$7,000,000;
- (b) alternatively, damages to be assessed;
- (c) interests and costs; and
- (d) such further or other relief as the Court deems fit.

On 18 December 2015, Straitsworld and Mr Chan had filed a defence and counterclaim. They denied the claims of the Company and has sought for, inter alia, a declaration that the Project Happy Term sheet be rescinded against Mr Chan and damages.

On 6 April 2016, the Company had filed a reply and defence to counterclaim denying Straitsworld's and Mr Chan's Counterclaims.

On 25 April 2016, the Court dismissed Mr Chan's application for summary judgement and granted the Company unconditional leave to defend Mr Chan's claim for the alleged loan of \$750,000.

On 3 May 2016, the Company had filed an application for summary judgement against Straitsworld and Mr Chan for the sum of \$7,000,000, interests and costs.

On 18 October 2016, the High Court has granted summary judgement in favour of the Company for the sum of \$7,000,000, interest on the sum of \$7,000,000 at the rate of 5.33% per annum from 21 November 2015 and costs of \$10,000 excluding disbursements, which are to be agreed if not taxed.

Mr Chan and Straitsworld lodged an appeal against the court's decision. On 28 September 2017, the Court of Appeal dismissed Mr Chan and Straitsworld's appeal and ordered that costs of the appeal be fixed at S\$20,000 (inclusive of disbursements) be paid by them to the Company.

On 6 January 2017, Mr Chan discontinued part of his counterclaim amounting to \$2,000,000/\$2,200,000, with costs to be agreed if not taxed. On 19 December 2017, Mr Chan's remaining counterclaims for repayment of an alleged loan and commission totalling the sum of \$1,250,000 was also struck out. However, on 19 January 2018, the High Court Judge partially allowed Mr Chan's appeal and restored his commission counterclaim of \$500,000 but ordered Mr Chan to pay costs of \$14,000 plus reasonable disbursements to the Company in relation to the striking out of the loan counterclaim and the appeal. The proceeding will be stayed until all outstanding costs order was paid by Mr Chan to the Company.

On 12 February 2018, the Company filed an application to commence bankruptcy proceedings against Mr Chan.

On 19 March 2018, the Company filed an application for a peremptory order to compel Mr Chan to pay to the Company all costs that he has been ordered to pay to the Company, failing which, among other things, Mr Chan's remaining commission counterclaim would be dismissed with costs without further order.

On 23 July 2018, the application for a peremptory order by the Company was dismissed with no order as to costs.

On 26 July 2018, the High Court granted the Company's application to declare Mr Chan a bankrupt. Further, the Official Assignee was appointed as the trustee of Mr Chan's estate.



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36. Legal claims and contingent liabilities (cont'd)

Mr Chan appealed against the bankruptcy order. On 3 September 2018, the High Court stayed the bankruptcy order until a further hearing in the week of 4 March 2019 on certain terms. Mr Chan did not comply with those terms.

On 14 March 2019, the High Court extended the stay of the bankruptcy order until 17 May 2019. Amongst other terms, Mr Chan had to pay the Company the following sums on the stipulated dates, failing which his appeal against the bankruptcy order made against him will be dismissed:

- a. The sum of \$250,000 by 14 March 2019;
- b. The sum of \$2,000,000 by 7 April 2019; and
- c. The sum of \$1,500,000 by 16 May 2019.

Mr Chan has complied with the foregoing payments and the Company has received the above mentioned sums accordingly on or before the dates stipulated above.

On 17 May 2019, the High Court issued an 'unless order' against Mr Chan and extended the bankruptcy order until 13 January 2020. Amongst other terms, Mr Chan had to pay the Company the following sums on the stipulated dates, failing which his appeal against the bankruptcy order made against him will be dismissed:

- a. The sum of \$1,350,000 by 7 October 2019; and
- b. The sum of \$2,700,000 by 31 December 2019.

As at 31 March 2019, the commission counterclaim is stayed.

As at 31 March 2019, the amounts owing by Mr Chan and Straitsworld to the Company pursuant to the summary judgement (including interest) and the costs orders in the counterclaim amounted to \$7,920,718. The Company commenced various enforcement proceedings against Mr Chan to recover the amounts owing and it has been able to recover a total of \$318,072 as at 31 March 2019.

The Group has received \$250,000 from Mr Chan during the financial year ended 31 March 2019.

The amount of \$7,000,000 has been fully provided for in the financial statements of the Group and the Company during the financial year ended 31 March 2015. In view of the above payments, a reversal of impairment loss of other receivables amounting to \$3,750,000 has been made in the Group's financial statements as at 31 March 2019.

With respect to the counterclaims filed against the Company, the directors of the Company, based on legal advice obtained, are of the view that there are no liabilities required to be recognised in the financial statements.

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37. Investigation by the Commercial Affairs Department

On 19 November 2015, the Company received a notice from the Commercial Affairs Department (“CAD”) of Singapore Police Force which states that CAD is investigating an offence under the Securities and Futures Act (Chapter 289 of Singapore) pursuant to the provisions of the Criminal Procedure Code 2012 (Chapter 68, 2012 Revised Edition). For the purpose of the investigation, CAD requested access to documents and information from the Company and its subsidiaries for the period from 1 January 2012 until the date when the notice was served.

The Company's then managing director and then Group Financial Controller were interviewed by CAD officers in relation to its investigation. Subsequently, the Group Finance Manager and then Group Accountant of the Company were interviewed by the CAD.

The directors of the Company have advised that the CAD has not provided any details of its investigation, and that there had been no further updates from CAD since the serving of the notice, the submission of the documents and the aforementioned interviews of the consultant and employees of the Company. As at the date of these financial statements, the investigation is substantially completed. The business and day-to-day operations of the Group are not affected by the investigation and have continued as normal. The directors of the Company are of the view that the investigation should not have material financial impact on the Group's and the Company's financial statements.

38. Authorisation of financial statements

The consolidated financial statements of the Group and the balance sheet of the Company for the financial year ended 31 March 2019 were authorised for issue in accordance with a resolution of the directors dated 4 July 2019.

