

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2018

32. CAPITAL MANAGEMENT (CONT'D)

	Group		Company	
	2018	2017	2018	2017
	\$	\$	\$	\$
Total borrowings and payables	10,041,761	29,652,704	12,627,094	5,220,095
Cash and cash equivalents	(15,471,010)	(28,079,850)	(7,512,263)	(17,525,308)
Net (surplus)/debt	(5,429,249)	1,572,854	5,114,831	(12,305,213)
Total equity	76,369,965	89,330,999	71,818,972	73,523,580
Total capital	70,940,716	90,903,853	76,933,803	61,218,367
Gearing ratio	N.M	0.017	0.066	N.M

N.M - Not meaningful

The Board of Directors reviews the capital structure on the 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.

33. 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 \$7.0 million, 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 \$3.45 million (including an alleged loan of \$0.75 million) 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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2018

33. 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On 26 November 2015, the Company announced that it had withdrawn the action filed against Mr Chan for the repayment of \$7 million and that the Company filed a writ of summons and statement of claim against Straitsworld and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 \$7.0 million;
- (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 \$0.75 million.

On 3 May 2016, the Company had filed an application for summary judgement against Straitsworld and Mr Chan for the sum of \$7.0 million, interests and costs.

On 18 October 2016, the High Court has granted summary judgement in favour of the Company for the sum of \$7.0 million, interest on the sum of \$7.0 million 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/\$2.2 million, 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 \$1.25 million 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 \$0.5 million 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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2018

33. LEGAL CLAIMS AND CONTINGENT LIABILITIES (CONT'D)

As at 31 March 2018, the commission counterclaim is stayed and the bankruptcy proceedings are ongoing.

As at 31 March 2018, the amounts owing by Mr Chan and Straitsworld to the Company pursuant to the summary judgement and the costs orders in the counterclaim amounted to \$7,865,362. The Company commenced various enforcement proceedings against Mr Chan to recover the amounts owing, and has been able to recover a total of \$68,072 to date.

The amount of \$7.0 million has been fully provided for in the financial statements of the Group and the Company during the financial year ended 31 March 2015. In the event that there is any recovery of the fees, adjustment may have to be made in the financial statements of the Group.

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.

34. 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 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.

35. 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 2018 were authorised for issue in accordance with a resolution of the directors dated 5 July 2018.