

## NOTES TO THE FINANCIAL STATEMENTS

31 December 2007

### 1(a). Corporate information

Tri-M Technologies (S) Limited (the Company) is a limited liability company, which is incorporated in Singapore and is listed on the Singapore Exchange Securities Trading Limited (SGX-ST). The immediate and ultimate holding companies are Surreyville Pte Ltd and Woodsville International Limited respectively.

The registered office and principal place of business of the Company is located at 25 Kallang Avenue #07-01, Singapore 339416.

The principal activities of the Company are those of a trading company and investment holding. The principal activities of the subsidiaries are disclosed in Note 6 to the financial statements.

### 1(b). Fundamental accounting concept

The Group incurred losses of \$12,141,000 (2006: \$365,000) during the financial year ended 31 December 2007 and at that date, the Group is in net current liability position of \$9,593,000 (2006: \$20,473,000).

As at 31 December 2007, the Group and the Company have not complied with certain loan covenants of the credit facilities agreement with one of its bankers. The banker has not exercised its rights under the credit facilities agreement to recall the credit facilities and the banker had maintained the credit facilities as status quo (details in Note 13). In the event that the breach of covenants is not rectified, the banker may exercise its rights under the credit facilities agreement and the credit facilities may then be repayable at the banker's demand. These factors indicate the existence of a material uncertainty which may cast significant doubt on the Group's and the Company's ability to continue as going concerns.

The ability of the Group and the Company to continue as going concerns is dependent on (a) the banks not demanding immediate repayment of the Group's and Company's credit facilities; (b) the success of the measures presently being explored to enhance the Group's and Company's financial positions such as refinancing their borrowings; (c) shareholders providing continuing financial support to the Group and Company; and (d) the generation of significant positive cash flow from the Group's and Company's core businesses and their ability to secure new profitable contracts.

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

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## 13. Borrowings

	Group		Company	
	2007	2006	2007	2006
	\$'000	\$'000	\$'000	\$'000
<b>Current</b>				
Bank overdrafts, unsecured	2,919	4,131	1,490	2,718
Revolving credits, unsecured	3,416	3,392	-	-
Term loans, secured	2,592	4,356	-	-
Loans from a corporate shareholder, subsequently converted into share capital	-	12,474	-	12,474
	8,927	24,353	1,490	15,192
<b>Non-current</b>				
Term loans, secured	292	-	-	-
Loans from a corporate shareholder, unsecured	4,470	4,520	4,470	4,520
	4,762	4,520	4,470	4,520
Total borrowings	13,689	28,873	5,960	19,712

### *Bank overdrafts and revolving credits*

The bank overdrafts of the Group are covered by negative pledge over the Company's and a subsidiary's unencumbered assets and a corporate guarantee from the Company.

The bank overdrafts of the Company are covered by a personal guarantee from a Director of the Company.

The revolving credits for the Group are covered by negative pledge over a subsidiary's unencumbered assets and a corporate guarantee from the Company.

Revolving credits for the Group are entirely denominated in Malaysian Ringgit.

The bank overdrafts and revolving credits bear interest at rates ranging between 4.25% to 8.75% per annum (2006: 6% to 8.75%) and 5.15% to 5.23% per annum (2006: 4.55% to 5.30%) respectively.

As at 31 December 2007, the Group and Company breached certain covenants of the credit facilities agreement with one of its bankers. The bank has not exercised its rights under the credit facilities agreement to recall the credit facilities of \$1,458,000 (2006: \$2,718,000) and had maintained the credit facilities as status quo. In the event that the breach of covenants is not rectified, the bank may exercise its rights under the credit facilities agreement and the credit facilities may then be repayable at the banks' demand.

At the date of these annual financial statements, the Board of the Company is actively exploring various measures to enhance the Group's financial position such as refinancing its borrowings, seeking new customers with favourable trading terms and seeking new business opportunities.

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### 13. Borrowings (cont'd)

#### *Term loans*

The term loan of the Malaysian subsidiary is secured against a specific charge over the machinery and equipment financed by a bank and a corporate guarantee from the Company. The term loan bears interest at 8.25% to 8.75% (2006: 6.8% to 7.5%) per annum and is repayable in 72 equal monthly installments commencing from July 2002.

The term loan of a China subsidiary is secured by a corporate guarantee from the Company. The term loan bears interest at an average of 8.4% (2006: 6.5% to 6.8%) per annum and is rolled-over every 6 months. The loan is for 3 years commencing on 5 March 2007. The bank reserves the right to cancel the loan by giving 7 days notice.

Term loans of the Group denominated in Malaysian Ringgit amounted to \$627,000 (2006: \$1,001,000)

#### *Loans from a corporate shareholder*

The loans from a corporate shareholder are interest-free, have no repayment terms and are repayable only when the cash flow of the Company permits. Accordingly, the fair value of the loan is not determinable as the timing of the future cash flow arising from the repayment of these loans cannot be estimated reliably.

During the year, the corporate shareholder waived a loan amount of \$3,000,000, (2006: \$5,000,000) resulting in an exceptional gain recognised in the current year income statement.

A debt conversion exercise was approved at the Company's Extraordinary General Meeting on 19 January 2007. Pursuant to this debt conversion exercise, an aggregate amount of \$12,474,000 owing by the Company to a corporate shareholder was converted into 155,917,000 shares at an issue price of \$0.08 per share.