

Notes To The Financial Statements

31 December 2008

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 and the Company incur losses of \$20,338,000 and \$29,425,000 respectively during the financial year ended 31 December 2008 and as at that date, the Group's current liabilities exceeded its current assets by \$1,938,000 and the Group's and the Company's total liabilities exceeded the Group's and the Company's total assets by \$11,340,000 and \$9,367,000 respectively.

In addition as described in Note 12 to the financial statements, the Group and the Company have not complied with certain loan 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 and the banker had maintained the credit facilities as status quo (details in Note 12). 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 bank'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 bank 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 or new businesses.

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 would differ significantly from the amounts at which they are currently recorded in the balance sheets. In addition, the Group and the Company may have to reclassify certain non-current assets and non-current liabilities as current assets and current liabilities. No such adjustments have been made to these financial statements.

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12. Loans and borrowings

	Group		Company	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Current				
Obligations under finance leases (Note 14)	147	360	111	256
Bank overdrafts	2,118	2,919	867	1,490
Revolving credits	3,315	3,416	-	-
RMB - term loans	958	2,256	-	-
MYR - term loans	280	336	-	-
	<u>6,818</u>	<u>9,287</u>	<u>978</u>	<u>1,746</u>
Non-current				
Obligations under finance leases (Note 14)	-	45	-	-
MYR - term loans	-	292	-	-
Loans from a corporate shareholder	10,699	4,470	10,699	4,470
	<u>10,699</u>	<u>4,807</u>	<u>10,699</u>	<u>4,470</u>
Total loans and borrowings	<u>17,517</u>	<u>14,094</u>	<u>11,677</u>	<u>6,216</u>

Obligations under finance leases

These obligations are secured by a charge over the leased assets (Note 5). The average discount rate implicit in the leases is 3% (2007: 3%) per annum.

Bank overdrafts and revolving credits

Bank overdrafts bear interest at rates ranging from 6.00% to 8.50% (2007: 4.25% to 8.75%) per annum and are covered by a negative pledge over the subsidiary's unencumbered assets, a corporate guarantee from the Company and personal guarantee from two Directors of the Company.

Revolving credits are denominated in Malaysian Ringgit (MYR), bear interest at 5.10% to 5.64% (2007: 5.15% to 5.23%) per annum are covered by a negative pledge over the subsidiary's assets and a corporate guarantee from the Company.

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12. Loans and borrowings (cont'd)

Bank overdrafts and revolving credits (cont'd)

As at 31 December 2008, the Company has 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 \$867,000 (2007: \$1,458,000) 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. Subsequent to the year end, the Company has received confirmation from the bank that the Company has been granted an indulgence for the breach of covenants for the financial year ended 31 December 2008. The bank has also agreed to give the Company a grace period of six months to 30 June 2009 to comply with the required covenants.

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.

RMB term loan

The loan is granted to a China subsidiary and is covered by personal guarantee from two Directors of the Company, a subordinated deed and a corporate guarantee from the Company and a negative pledge over the assets of the subsidiary. The loan bears interest at an average rate of 8.25% (2007: 8.40%) 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 a 7-day notice.

MYR term loan

The loan is secured by a specific charge over the plant, machinery and equipment (Note 5), negative pledge over the subsidiary's assets and a corporate guarantee from the Company. The loan bears interest at 8.00% to 8.75% (2007: 8.25% to 8.75%) per annum and is repayable in 36 equal monthly instalments commencing from July 2006.

Loans from a corporate shareholder

The loans from the corporate shareholder, Surreyville Pte Ltd ("Surreyville") 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.

The Company had entered into a conditional Debt Conversion Deed with Surreyville on 18 August 2008, for the proposed debt conversion of the shareholders' loan into new shares in the Company's share capital, subject to the approval of shareholders and SGX-ST.