

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2020

16 BORROWINGS

	The Group		The Company	
	2020 S\$'000	2019 S\$'000	2020 S\$'000	2019 S\$'000
Non-current				
Obligations under finance leases	—	112	—	—
Loans from financial institutions	—	34,736	—	—
Convertible bonds	—	15,731	—	15,731
	<u>—</u>	<u>50,579</u>	<u>—</u>	<u>15,731</u>
Current				
Obligations under finance leases	—	759	—	—
Loans from financial institutions	38,607	6,710	—	—
Convertible bonds	15,851	—	15,851	—
	<u>54,458</u>	<u>7,469</u>	<u>15,851</u>	<u>—</u>
	<u>54,458</u>	<u>58,048</u>	<u>15,851</u>	<u>15,731</u>

Convertible bonds

	2020 S\$'000	2019 S\$'000
The Group and the Company		
Liability component at beginning of year	15,731	15,614
Add: Accreted interest	120	117
Liability component at end of year	<u>15,851</u>	<u>15,731</u>

The amount of convertible bonds classified as equity of S\$243,000 is net of attributable transaction costs of S\$5,000.

The convertible bonds are in an aggregate amount of S\$15,975,000. They are convertible into fully-paid ordinary shares of the Company at a fixed conversion price of S\$0.081 per share at the option of the holder, at any time until 31 March 2021 on which they shall be fully repaid.

Obligations under finance leases

	2019 S\$'000
The Group	
Minimum lease payments payable:	
Due not later than one year	777
Due later than one year and not later than five years	113
	<u>890</u>
Less: Finance charges allocated to future periods	(19)
Present value of minimum lease payments	<u>871</u>
Present value of minimum lease payments:	
Due not later than one year	759
Due later than one year and not later than five years	112
	<u>871</u>
Represented by:	
Current	759
Non-current	112
	<u>871</u>

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16 BORROWINGS (CONTINUED)

Obligations under finance leases (Continued)

It is the Group's policy to lease certain plant and equipment and motor vehicles under finance leases. All finance leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments.

As at 31 March 2019, the finance leases were secured by the underlying assets, comprising plant and equipment and motor vehicles with carrying amount of S\$2,502,000 and S\$140,000, respectively, for the Group (Note 3) and corporate guarantees by the Company.

Obligations under finance leases are reclassified to lease liabilities (Note 17) on 1 April 2019 arising from the adoption of SFRS(I) 16. The impact of adoption is disclosed in Note 2(c).

Terms and debt repayment schedule

The terms and conditions of borrowings at the end of the reporting period are as follows:

	<u>Currency</u>	<u>Nominal interest rate</u>	<u>Year of maturity</u>	<u>Face value S\$'000</u>	<u>Carrying amount S\$'000</u>
The Group					
2020					
Loans from financial institutions	SGD	4.77%	2021	38,607	38,607
Convertible bonds	SGD	6.50%	2021	15,975	15,851
				<u>54,582</u>	<u>54,458</u>
2019					
Obligations under finance leases	SGD	2.69% to 6.14%	2020 to 2021	890	871
Loans from financial institutions	SGD	4.89%	2021	40,237	40,237
Bank loan	RMB	5.78%	2020	1,209	1,209
Convertible bonds	SGD	6.50%	2021	15,975	15,731
				<u>58,311</u>	<u>58,048</u>
The Company					
2020					
Convertible bonds	SGD	6.50%	2021	15,975	15,851
2019					
Convertible bonds	SGD	6.50%	2021	15,975	15,731

Loans from financial institutions are secured by the following:

- (a) legal mortgages over the Group's property on leasehold land (Note 3);
- (b) charges over certain of the Group's plant and equipment (Note 3);
- (c) charges over shares in the Company's subsidiaries;
- (d) charges over certain of the Group's bank accounts;
- (e) fixed deposits of the Group (Note 11);
- (f) floating charges over all other assets; and/or
- (g) corporate guarantees by the Company.

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FOR THE FINANCIAL YEAR ENDED 31 MARCH 2020

16 BORROWINGS (CONTINUED)

Financial covenants

The Group had entered into a Debt Restructuring Agreement (“DRA”) on 23 September 2016. The material terms of the DRA include, inter alia, the following:

- (a) Eligible Lenders with existing securities over earnings from the Group’s ongoing projects shall release current and future Project Proceeds into the Group’s operating bank accounts subject to the terms of the DRA;
- (b) The DRA provides for a mechanism for the repayment of the Project Proceeds, as well as other amounts owed to the Eligible Lenders;
- (c) During the tenor of the DRA, the Group shall repay the principal and interest owing to Eligible Lenders according to a cash sweep mechanism. There will be a bullet repayment for all outstanding amounts due to Eligible Lenders on the final repayment date, being 31 March 2021;
- (d) The Group has granted a security package over the Group’s operating bank accounts, fixed assets, and shares in the Company’s subsidiaries in favour of the Eligible Lenders whose rights over the security are held and will be exercised through a Security Trustee subject to the terms of, inter alia, the DRA;
- (e) The Group shall continue to dispose of its non-core assets and utilise the proceeds received to repay the Eligible Lenders with security over such assets subject to the terms of the DRA; and
- (f) Interest continues to be payable to the Eligible Lenders until 31 March 2021.

Under the DRA, the Group is required to comply with financial covenants for each six-month testing period as of 31 December 2016 to 31 December 2020. During the financial year ended 31 March 2020, the Group did not meet the financial covenants for the periods ended 30 June 2019 and 31 December 2019, which the Group had subsequently obtained waivers of compliance 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 2020 and 31 December 2020 from the relevant lenders before the date of authorisation of the financial statements.

As described in Note 2(a), the Group is currently in discussions with the lenders on certain amendments to the terms, including the financial covenants, and extension of repayment period from 2021 to 2024 in the debt restructuring agreement.

Carrying amounts and fair values

The carrying amounts of short-term borrowings approximate their fair values. The carrying amounts and fair values of long-term borrowings at the end of the reporting period are as follows:

	Carrying amount S\$’000	Fair value S\$’000
The Group		
2019		
Obligations under finance leases	871	908
Loans from financial institutions	40,237	39,752
Convertible bonds	15,731	15,803
	<u>56,839</u>	<u>56,463</u>
The Company		
2019		
Convertible bonds	15,731	15,803
	<u>15,731</u>	<u>15,803</u>

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16 BORROWINGS (CONTINUED)

Carrying amounts and fair values (Continued)

The fair values are determined from the discounted cash flow analyses, using the discount rates based on the borrowing rates which the directors expect would be available to the Group and the Company at the end of the reporting period, as follows:

	The Group		The Company	
	2020 %	2019 %	2020 %	2019 %
Obligations under finance leases	–	4.28	–	–
Loans from financial institutions and bank overdrafts	–	4.89	–	–
Convertible bonds	–	6.90	–	6.90

The fair value hierarchy of the above long-term borrowings is Level 2. The fair values are estimated using discount rates derived from SIBOR, an observable market interest rate used for similar borrowings with similar risk.