

Company Registration No: 201136419H

DHUNSERI PETROCHEM & TEA PTE. LTD.
(Incorporated in Singapore)

FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

DHUNSERI PETROCHEM & TEA PTE. LTD.
(Incorporated in Singapore)

FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

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DHUNSERI PETROCHEM & TEA PTE. LTD.
(Incorporated in Singapore)

GENERAL INFORMATION

Directors

Chandra Kumar Dhanuka	(Resigned on 31 March 2016)
Mrigank Dhanuka	
Shanker Iyer	
Christine Binti Lapongan	
Lilian Teo	
Satinder Singh Nain	(Appointed on 31 March 2016)

Company Secretaries

Cheng Lian Siang
Pathima Muneera Azmi

Registered Office

160 Robinson Road
#17-01 SBF Center
Singapore 068914

Independent Auditor

JBS Practice PAC

DHUNSERI PETROCHEM & TEA PTE. LTD.
(Incorporated in Singapore)

DIRECTORS' STATEMENT

The directors present their statement to the member together with the audited financial statements of DHUNSERI PETROCHEM & TEA PTE. LTD. (the "Company") for the financial year ended 31 December 2016.

In the opinion of the directors,

- (a) the accompanying financial statements of the Company together with the notes thereto are drawn up so as to give a true and fair view of the financial position of the Company as at 31 December 2016 and the financial performance, changes in equity and cash flows of the Company for the financial year then ended; and
- (b) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

DIRECTORS

The directors in office at the date of this statement are as follows:

Mrigank Dhanuka

Shanker Iyer

Christine Binti Lapongan

Lilian Teo

Satinder Singh Nain

(Appointed on 31 March 2016)

ARRANGEMENTS TO ENABLE DIRECTORS TO ACQUIRE SHARES AND DEBENTURES

Neither at the end of nor at any time during the financial year was the Company a party to any arrangement whose object was to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

DIRECTORS' INTERESTS IN SHARES AND DEBENTURES

According to the register of directors' shareholdings required to be kept under Section 164 of the Singapore Companies Act, Chapter 50, no director who held office at the end of the financial year had any interests in shares or debentures of the Company, or its related corporations.

DHUNSERI PETROCHEM & TEA PTE. LTD.
(Incorporated in Singapore)

DIRECTORS' STATEMENT (...CONT'D)

SHARE OPTIONS

There were no share options granted during the financial year to subscribe for unissued shares of the Company.

No shares have been issued during the financial year by virtue of the exercise of options to take up unissued shares of the Company.

There were no unissued shares of the Company under option at the end of the financial year.

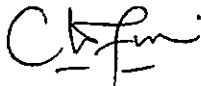
INDEPENDENT AUDITOR

The independent auditor, Messrs JBS Practice PAC., Public Accountants and Chartered Accountants, Singapore, has expressed its willingness to accept re-appointment.

On behalf of the directors



Lilian Teo
Director



Christine Binti Laponan
Director

19 May 2017

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBER OF
DHUNSERI PETROCHEM & TEA PTE. LTD.
(Incorporated in Singapore)**

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of DHUNSERI PETROCHEM & TEA PTE. LTD. (the "Company") as set out on pages 7 to 35, which comprise the statement of financial position of the Company as at 31 December 2016, the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows of the Company for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements are properly drawn up in accordance with the provisions of the Companies Act, Chapter 50 (the "Act") and Financial Reporting Standards in Singapore ("FRSs") so as to give a true and fair view of the financial position of the Company as at 31 December 2016 and of the financial performance, changes in equity and cash flows of the Company for the year ended on that date.

Basis for Opinion

We conducted our audit in accordance with Singapore Standards on Auditing ("SSAs"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the Accounting and Corporate Regulatory Authority ("ACRA") Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities ("ACRA Code") together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

Management is responsible for the other information. The other information comprises the General Information set out on page 1, the Directors' Statement set out on pages 2 to 3, and the accompanying Schedule of Other Operating Expenses.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBER OF
DHUNSERI PETROCHEM & TEA PTE. LTD. (...CONT'D)**
(Incorporated in Singapore)

Report on the Audit of the Financial Statements (...cont'd)

Responsibilities of Management and Directors for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Act and FRSs, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair financial statements and to maintain accountability of assets.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The directors' responsibilities include overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level assurance, but is not a guarantee that an audit conducted in accordance with SSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with SSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- (a) Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- (b) Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- (c) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBER OF
DHUNSERI PETROCHEM & TEA PTE. LTD. (...CONT'D)**
(Incorporated in Singapore)

Report on the Audit of the Financial Statements (...cont'd)

Auditor's Responsibilities for the Audit of the Financial Statements (...cont'd)

- (d) Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- (e) Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on Other Legal and Regulatory Requirements

In our opinion, the accounting and other records required by the Act to be kept by the Company have been properly kept in accordance with the provisions of the Act.

JBS Practice PAC

JBS PRACTICE PAC
PUBLIC ACCOUNTANTS AND
CHARTERED ACCOUNTANTS

Singapore

19 May 2017

DHUNSERI PETROCHEM & TEA PTE. LTD.
(Incorporated in Singapore)

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2016

	<u>Note</u>	<u>2016</u> US\$	<u>2015</u> US\$
ASSETS			
Current assets			
Cash and cash equivalents	4	93,212	158,040
Trade receivables	5	322,188	656,436
Other receivables	6	54,982	-
Deferred cost	2n)	112,098	112,098
		<u>582,480</u>	<u>926,574</u>
Non-current assets			
Investment in subsidiaries	7	22,000,000	22,000,000
Deferred cost	2n)	65,415	177,513
		<u>22,065,415</u>	<u>22,177,513</u>
Total assets		<u>22,647,895</u>	<u>23,104,087</u>
LIABILITIES			
Current liabilities			
Trade and other payables	8	423,057	30,817
Bank loan	9	1,078,000	1,078,000
Amount owing to holding company	10	275,000	489,127
Income tax payables		40,200	5,077
		<u>1,816,257</u>	<u>1,603,021</u>
Non-current liability			
Bank loan	9	6,960,000	8,038,000
Total liabilities		<u>8,776,257</u>	<u>9,641,021</u>
NET ASSETS		<u>13,871,638</u>	<u>13,463,066</u>
SHAREHOLDER'S EQUITY			
Share capital	11	11,527,551	11,527,551
Retained earnings		2,344,087	1,935,515
TOTAL EQUITY		<u>13,871,638</u>	<u>13,463,066</u>

The annexed notes form an integral part of and should be read in conjunction with these financial statements.

DHUNSERI PETROCHEM & TEA PTE. LTD.
(Incorporated in Singapore)

**STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016**

	<u>Note</u>	<u>2016</u> US\$	<u>2015</u> US\$
REVENUE	12	1,155,193	1,662,275
EXPENSES			
Employee benefits expenses	13	(178,883)	-
Legal and professional fees		(47,450)	(64,502)
Loss on foreign exchange		(7,316)	(694)
Other operating expenses		(10,687)	(8,308)
Finance costs	14	(462,085)	(797,066)
Total expenses		(706,421)	(870,570)
Profit before income tax		448,772	791,705
Income tax expense	15	(40,200)	(5,077)
Net profit		408,572	786,628
Other comprehensive income:			
<u>Item that may be reclassified subsequently to Profit or Loss</u>			
- De-recognition of fair value loss arising from interest rate swaps relating to cash flow hedge		-	130,162
Other comprehensive income for the financial year, net of tax		-	130,162
Total comprehensive income for the financial year		408,572	916,790

The annexed notes form an integral part of and should be read in conjunction with these financial statements.

DHUNSERI PETROCHEM & TEA PTE. LTD.
(Incorporated in Singapore)

**STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016**

	<u>Share capital</u> US\$	<u>Retained earnings</u> US\$	<u>Hedging reserves</u> US\$	<u>Total</u> US\$
<u>2016</u>				
Balance as at 1 January 2016	11,527,551	1,935,515	-	13,463,066
Net profit, representing total comprehensive income for the financial year	-	408,572	-	408,572
Balance as at 31 December 2016	<u>11,527,551</u>	<u>2,344,087</u>	<u>-</u>	<u>13,871,638</u>
<u>2015</u>				
Balance as at 1 January 2015	11,180,816	1,148,887	(130,162)	12,199,541
Net profit for the financial year	-	786,628	-	786,628
<u>Other comprehensive income for the financial year</u>				
- De-recognition of fair value loss arising from interest rate swaps relating to cash flow hedge	-	-	130,162	130,162
Total comprehensive income for the financial year	-	786,628	130,162	916,790
Issuance of shares (Note 11)	346,735	-	-	346,735
Balance as at 31 December 2015	<u>11,527,551</u>	<u>1,935,515</u>	<u>-</u>	<u>13,463,066</u>

The annexed notes form an integral part of and should be read in conjunction with these financial statements.

DHUNSERI PETROCHEM & TEA PTE. LTD.
(Incorporated in Singapore)

STATEMENT OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

	<u>Note</u>	<u>2016</u> US\$	<u>2015</u> US\$
Cash Flows From Operating Activities:			
Profit before income tax		448,772	791,705
Adjustment for:			
Finance cost	14	462,085	797,066
Cash flows before changes in working capital		910,857	1,588,771
Changes in working capital, excluding changes relating to cash:			
Trade receivables		334,248	(83,878)
Other receivables		(54,982)	-
Trade and other payables		337,681	(61,971)
Cash generated from operations		1,527,804	1,442,922
Interest paid		(295,428)	(882,070)
Income tax (paid)/refund		(5,077)	7,468
Net cash generated from operating activities		1,227,299	568,320
Cash Flows From Financing Activities			
Repayment of bank loan		(1,078,000)	(114,769)
Repayment of loan from holding company (Note 1)		(214,127)	(500,000)
Net cash used in financing activities		(1,292,127)	(614,769)
Net decrease in cash and cash equivalents		(64,828)	(46,449)
Cash and cash equivalents at beginning of the financial year		158,040	204,489
Cash and cash equivalents at end of the financial year	4	93,212	158,040

Note (1): Amount owing to holding company was converted to share capital during the previous financial year.

The annexed notes form an integral part of and should be read in conjunction with these financial statements.

DHUNSERI PETROCHEM & TEA PTE. LTD.
(Incorporated in Singapore)

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016**

1. GENERAL INFORMATION

DHUNSERI PETROCHEM & TEA PTE. LTD. (Company Registration No: 201136419H) is domiciled in Singapore. The Company's registered office is at 160 Robinson Road, #17-01 SBF Center, Singapore 068914.

The principal activities of the Company are those of investment holding. The Company has a branch in Labuan, whose activities are similar to those of the Company, which has become dormant in 2016. Other than this update, there have been no significant changes in the nature of these activities during the financial year.

The principal activities of the subsidiaries are set out in Note 7 to the financial statements.

The financial statements of the Company for the financial year ended 31 December 2016 were authorised and approved by the directors for issuance on 19 May 2017.

2. SIGNIFICANT ACCOUNTING POLICIES

a) Basis of preparation

The financial statements have been prepared in accordance with Singapore Financial Reporting Standards ("FRS"). The financial statements, which are expressed in United States dollars, are prepared in accordance with the historical cost convention, except as disclosed in the accounting policies below.

In the current financial year, the Company has adopted all the new and revised FRSs and Interpretations of FRS ("INT FRS") that are mandatory for application. The adoption of these new and revised FRSs and INT FRSs have no material effect on the financial statements.

These financial statements are separate financial statements of DHUNSERI PETROCHEM & TEA PTE LTD. The Company is exempted from the preparation of consolidated financial statements as the Company is a wholly owned subsidiary of Dhunseri Tea & Industries Ltd, a company incorporated in India which produces consolidated financial statements available for public use. The registered office of Dhunseri Tea & Industries Ltd is at "Dhunseri House", 4A Woodburn Park, 2nd Floor, Kolkata – 700020.

DHUNSERI PETROCHEM & TEA PTE. LTD.
(Incorporated in Singapore)

**NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31
DECEMBER 2016 (...CONT'D)**

2. SIGNIFICANT ACCOUNTING POLICIES (...CONT'D)

b) Currency translation

The financial statements of the Company are measured and presented in the currency of the primary economic environment in which the entity operates (its functional currency). The financial statements of the Company are presented in United States dollars, which is the functional currency of the Company.

In preparing the financial statements of the Company, monetary assets and liabilities in foreign currencies are translated into United States dollars at rates of exchange closely approximating to those ruling at the end of the reporting period and transactions in foreign currencies during the financial year are translated at rates ruling on transaction dates. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on retranslation of monetary items are included in profit or loss for the financial year. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the financial year except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in other comprehensive income. For such non-monetary items, any exchange component of that gain or loss is also recognised directly in other comprehensive income.

c) Financial assets

(i) *Classification*

Financial assets are classified into the following specified categories: financial assets “at fair value through profit or loss”, “loans and receivables”, “held to maturity investments” and “available-for-sale” financial assets. The classification depends on the nature of the asset and the purpose for which the assets were acquired. Management determines the classification of its financial assets at initial recognition.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are presented as current assets, except for those maturing later than 12 months after the end of the reporting period which are presented as non-current assets. Loans and receivables are presented as “cash and cash equivalents”, “trade receivables” and “other receivables” on the statement of financial position.

DHUNSERI PETROCHEM & TEA PTE. LTD.
(Incorporated in Singapore)

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016 (...CONT'D)

2. SIGNIFICANT ACCOUNTING POLICIES (...CONT'D)

c) Financial assets (...cont'd)

(ii) *Effective interest method*

The effective interest method is a method of calculating the amortised cost of a financial instrument and of allocating interest income or expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments through the expected life of the financial instrument, or where appropriate, a shorter period.

(iii) *Recognition and derecognition*

Regular way purchases and sales of financial assets are recognised on trade date – the date on which the Company commits to purchase or sell the asset.

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership. On disposal of a financial asset, the difference between the carrying amount and the sale proceeds is recognised in profit or loss. Any amount in the fair value reserve relating to that asset is reclassified to profit or loss.

(iv) *Initial measurement*

Financial assets are initially recognised at fair value plus transaction costs.

(v) *Subsequent measurement*

Loans and receivables are subsequently carried at amortised cost using the effective interest method less allowance for impairment.

(vi) *Impairment*

The Company assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired and recognises an allowance for impairment when such evidence arises.

DHUNSERI PETROCHEM & TEA PTE. LTD.
(Incorporated in Singapore)

**NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31
DECEMBER 2016 (...CONT'D)**

2. SIGNIFICANT ACCOUNTING POLICIES (...CONT'D)

c) Financial assets (...cont'd)

(vi) *Impairment (...cont'd)*

Loans and receivables

Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy, and default or significant delay in payments are objective evidence that these financial assets are impaired.

The carrying amount of these assets is reduced through the use of an impairment allowance account which is calculated as the difference between the carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. When the asset becomes uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are recognised against the same line item in profit or loss.

The allowance for impairment loss account is reduced through the profit or loss in a subsequent period when the amount of impairment loss decreases and the related decrease can be objectively measured. The carrying amount of the asset previously impaired is increased to the extent that the new carrying amount does not exceed the amortised cost had no impairment been recognised in prior periods.

(vii) *Offsetting financial instruments*

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

d) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank which are subject to an insignificant risk of change in value.

e) Investment in subsidiaries

Unquoted equity investment in subsidiaries are stated at cost less accumulated impairment losses in the Company's separate financial statements. On disposal of investment in subsidiary, the difference between the net disposal proceeds and the carrying amount of the investment is taken to profit or loss.

DHUNSERI PETROCHEM & TEA PTE. LTD.
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NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016 (...CONT'D)

2. SIGNIFICANT ACCOUNTING POLICIES (...CONT'D)

f) Impairment of non-financial assets

Investment in subsidiaries

Investment in subsidiaries are tested for impairment whenever there is any objective evidence or indication that these assets may be impaired.

For the purpose of impairment testing, the recoverable amount (i.e. the higher of the fair value less cost to sell and the value-in-use) is determined on an individual asset basis unless the asset does not generate cash inflows that are largely independent of those from other assets. If this is the case, the recoverable amount is determined for the cash generating unit ("CGU") to which the asset belongs.

If the recoverable amount of the asset (or CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or CGU) is reduced to its recoverable amount.

The difference between the carrying amount and recoverable amount is recognised as an impairment loss in profit or loss, unless the asset is carried at revalued amount, in which case, such impairment loss is treated as a revaluation decrease. An impairment loss for an asset is reversed if, and only if, there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of an asset is increased to its revised recoverable amount, provided that this amount does not exceed the carrying amount that would have been determined (net of any accumulated amortisation or depreciation) had no impairment loss been recognised for the asset in prior years.

A reversal of impairment loss for an asset is recognised in profit or loss, unless the asset is carried at revalued amount, in which case, such reversal is treated as a revaluation increase. However, to the extent that an impairment loss on the same revalued asset was previously recognised as an expense in profit or loss, a reversal of that impairment is also recognised in profit or loss.

g) Financial liabilities

Initial recognition and measurement

Financial liabilities are recognised when, and only when, the Company becomes a party to the contractual provisions of the financial instrument. The Company determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value plus in the case of financial liabilities not at fair value through profit or loss, directly attributable transaction costs.

DHUNSERI PETROCHEM & TEA PTE. LTD.
(Incorporated in Singapore)

**NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31
DECEMBER 2016 (...CONT'D)**

2. SIGNIFICANT ACCOUNTING POLICIES (...CONT'D)

g) Financial liabilities (...cont'd)

Subsequent measurement

The measurement of financial liabilities depends on their classification as follows:

(i) *Financial liabilities at fair value through profit or loss*

Financial liabilities at fair value through profit or loss include financial liabilities held for trading. Financial liabilities are classified as held for trading if they are acquired for the purpose of selling in the near term. This category includes derivative financial instruments entered into by the Company that are not designated as hedging instruments in hedge relationships. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Subsequent to initial recognition, financial liabilities at fair value through profit or loss are measured at fair value. Any gains or losses arising from changes in fair value of the financial liabilities are recognised in profit or loss.

The Company has not designated any financial liabilities upon initial recognition at fair value through profit or loss.

(ii) *Financial liabilities at amortised cost*

After initial recognition, financial liabilities that are not carried at fair value through profit or loss are subsequently measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the liabilities are derecognised, and through the amortisation process.

De-recognition

A financial liability is de-recognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

h) Provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) obligation as a result of past events, it is more likely than not that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated.

DHUNSERI PETROCHEM & TEA PTE. LTD.
(Incorporated in Singapore)

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016 (...CONT'D)

2. SIGNIFICANT ACCOUNTING POLICIES (...CONT'D)

h) Provisions (...cont'd)

Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimation.

Provisions are measured at the present value of the expenditure expected to be required to settle the obligation using a pre-tax discount rate that reflects the current market assessment of the time value of money and the risks specific to the obligation. The increase in the provision due to the passage of time is recognised as finance costs.

Changes in the estimated timing or amount of the expenditure or discount rate are recognised in profit or loss when the changes arise.

i) Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issuance of new ordinary shares are deducted against the share capital account.

j) Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sales of goods and rendering of services in the ordinary course of the Company activities, net of goods and services tax, rebates and discounts.

The Company recognises revenue when the amount of revenue and related cost can be measured reliably, it is probable that the collectability of the related receivables is reasonably assured and when the specific criteria for each of the Company's activities are met as follows:

- (i) Incentive fee, management fee and consultant fee is recognised on an accrual basis in accordance with the substance of the relevant agreement.

k) Income tax

Current income tax for current and prior periods is recognised at the amount expected to be paid to or recovered from the tax authorities, using the tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period.

Deferred income tax is recognised for all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements except when it affects neither the accounting profit nor the taxable profit.

A deferred income tax asset is recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences and tax losses can be utilised.

DHUNSERI PETROCHEM & TEA PTE. LTD.
(Incorporated in Singapore)

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016 (...CONT'D)

2. SIGNIFICANT ACCOUNTING POLICIES (...CONT'D)

k) Income tax (...cont'd)

Deferred income tax is measured:

- (i) at the tax rates that are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period; and
- (ii) based on the tax consequence that will follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amounts of its assets and liabilities.

Current and deferred income taxes are recognised as income or expense in profit or loss except when they relate to items credited or debited outside profit or loss (either in other comprehensive income or directly in equity), in which case the tax is also recognised outside profit or loss (either in other comprehensive income or directly in equity, respectively).

l) Derivative financial instruments

A derivative financial instrument is initially recognised at its fair value on the date the contract is entered into and is subsequently carried at its fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged.

Fair value changes on derivatives that are not designated or do not qualify for hedge accounting are recognised in profit or loss when the changes arise.

The Company documents at the inception of the transaction the relationship between the hedging instruments and hedged items, as well as its risk management objective and strategies for undertaking various hedge transactions. The Company also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives designated as hedging instruments are highly effective in offsetting changes in fair value or cash flows of the hedged items.

The carrying amount of a derivative designated as a hedge is presented as a non-current asset or liability if the remaining expected life of the hedged item is more than 12 months, and as a current asset or liability if the remaining expected life of the hedged item is less than 12 months. The fair value of a trading derivative is presented as a current asset or liability.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016 (...CONT'D)

2. SIGNIFICANT ACCOUNTING POLICIES (...CONT'D)

l) Derivative financial instruments (...cont'd)

Cash flow hedge – interest rate swaps

The Company has entered into interest rate swaps that are cash flow hedges for the Company's exposure to the interest rate on its borrowings. These contracts entitle the Company to receive interest at floating rates on notional principal amounts and oblige the Company to pay interest at fixed rates on the same notional principal amounts, thus allowing the Company to raise borrowings at floating rates and swap them into fixed rate.

The fair value changes on the ineffective portion are recognised immediately in profit or loss. When a forecasted transaction is no longer expected to occur, the gains and losses that were previously recognised in the hedging reserve are transferred to profit or loss immediately.

m) Related parties

A related party is defined as follows:

- (i) A person or a close member of that person's family is related to the Company if that person:
 - (a) Has control or joint control over the Company;
 - (b) Has significant influence over the Company; or
 - (c) Is a member of the key management personnel of the Company or of a parent of the Company.
- (ii) An entity is related to the Company if any of the following conditions applies:
 - (a) The entity and the Company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others);
 - (b) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member);
 - (c) Both entities are joint ventures of the same third party;
 - (d) One entity is a joint venture of a third entity and the other entity is an associate of the third entity;

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NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016 (...CONT'D)

2. SIGNIFICANT ACCOUNTING POLICIES (...CONT'D)

m) Related parties (...cont'd)

(ii) An entity is related to the Company if any of the following conditions applies (...cont'd):

(e) The entity is a post-employment benefit plan for the benefit of employees of either the Company or an entity related to the Company. If the Company is itself such a plan, the sponsoring employers are also related to the Company;

(f) The entity is controlled or jointly controlled by a person identified in (i);

(g) A person identified in (i)(a) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); or

(h) The entity, or any member of a group of which it is a part, provides key management personnel services to the Company or to the parent of the Company.

n) Deferred cost

Processing fee imposed by the bank for the loan disbursement is deferred and amortised over the loan period. Amortisation of the deferred cost is recognised as finance charges in finance cost.

3. CRITICAL ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGEMENTS

The presentation of financial statements in conforming with FRS requires the use of certain critical accounting estimates, assumptions and judgements in applying the accounting policies. These estimates, assumptions and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual results may differ from these estimates.

The following are the critical accounting estimates, assumptions and judgements for preparation of financial statements:

(a) Critical judgements in applying the entity's accounting policies

In the process of applying the Company's accounting policies which are described in Note 2 above, management is of the opinion that there are no critical judgements involved, apart from those involving estimations that have a significant effect on the amounts recognised in the financial statements.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016 (...CONT'D)

3. CRITICAL ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGEMENTS (...CONT'D)

(b) Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

(i) Impairment of non-financial asset

Investment in subsidiaries is tested for impairment whenever there is objective evidence or indication that those assets may be impaired.

Based on the directors' assessment, there is no indication of impairment in the values of these investments at the end of the reporting period. The carrying amounts of the Company's investment in subsidiaries at the end of the reporting period is disclosed in Note 7 to the financial statements.

4. CASH AND CASH EQUIVALENTS

	<u>2016</u>	<u>2015</u>
	US\$	US\$
Bank balances	93,212	158,040

The carrying amounts of cash and cash equivalents are denominated in the following currencies:

	<u>2016</u>	<u>2015</u>
	US\$	US\$
Singapore dollars	46,751	54,103
United States dollars	46,461	103,937
	93,212	158,040

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NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016 (...CONT'D)

5. TRADE RECEIVABLES

	<u>2016</u> US\$	<u>2015</u> US\$
Subsidiaries	322,188	544,362
Third party	-	112,074
	<u>322,188</u>	<u>656,436</u>

The amounts owing by subsidiaries are trade in nature, unsecured, interest free and are repayable within the next twelve months from the reporting date.

The carrying amounts of trade receivables are denominated in United States dollars.

6. OTHER RECEIVABLES

	<u>2016</u> US\$	<u>2015</u> US\$
Deposits	37,193	-
Prepayments	17,789	-
	<u>54,982</u>	<u>-</u>

The carrying amounts of other receivables are denominated in Singapore dollars.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016 (...CONT'D)

7. INVESTMENT IN SUBSIDIARIES

	<u>2016</u> US\$	<u>2015</u> US\$
Unquoted equity shares, at cost:		
Balance at beginning and end of financial year	<u>22,000,000</u>	<u>22,000,000</u>

The details of the subsidiaries are as follows:

<u>Name of subsidiary</u>	<u>Place of incorporation and business</u>	<u>Percentage of equity held by the Company</u>		<u>Principal activity</u>
		<u>2016</u>	<u>2015</u>	
Kawalazi Estate Company Ltd	Malawi, Africa	100%	100%	Manufacture of tea and macadamia nuts
Makandi Tea and Coffee Estates Ltd	Malawi, Africa	100%	100%	Manufacture of tea, coffee and macadamia nuts

The Company pledged its shares in the subsidiaries to a bank for a bank loan.

8. TRADE AND OTHER PAYABLES

	<u>2016</u> US\$	<u>2015</u> US\$
Advance from customer	327,828	-
Interest payable on loan from holding company	45,017	19,006
Interest payable on loan from bank	28,548	-
Accrual for operating expenses	21,664	11,811
	<u>423,057</u>	<u>30,817</u>

Trade and other payables are recognised at their original invoiced amounts which represent their fair values on initial recognition. The trade and other payables are considered to be of short duration and are not discounted and the carrying values are assumed to approximate their fair value.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016 (...CONT'D)

8. TRADE AND OTHER PAYABLES (...CONT'D)

The carrying amounts of trade and other payables are denominated in the following currencies:

	<u>2016</u> US\$	<u>2015</u> US\$
Singapore dollars	21,664	11,811
United States dollars	401,393	19,006
	<u>423,057</u>	<u>30,817</u>

9. BANK LOAN

	<u>2016</u> US\$	<u>2015</u> US\$
Current		
Due within one year	1,078,000	1,078,000
Non-current		
Due within two to five years	6,960,000	8,038,000
	<u>8,038,000</u>	<u>9,116,000</u>

In 2015, the Company has obtained a fresh loan to repay its existing loan. The new bank loan bears interest of 3 months Libor + 2.5% per annum and repayable half yearly on 30 June and 31 December, effective from 1 July 2015. The interest repayment is quarterly. The loan is secured by a third-party commitment of USD8,038,000 (2015:USD9,116,000).

The bank loan is denominated in United States dollars.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016 (...CONT'D)

10. AMOUNT OWING TO HOLDING COMPANY

The amount owing to holding company is non-trade in nature, unsecured and carries an interest of 8.65% (2015: 8.65%) per annum and repayable within the next twelve months from the reporting date.

The amount owing to holding company is denominated in United States dollars.

11. SHARE CAPITAL

	<u>2016</u> Number of ordinary shares issued	<u>2015</u> Number of ordinary shares issued	<u>2016</u> US\$	<u>2015</u> US\$
Balance at the beginning of the year	11,527,551	11,180,816	11,527,551	11,180,816
Issuance of ordinary shares	<u>-</u>	<u>346,735</u>	<u>-</u>	<u>346,735</u>
Balance at the end of the year	<u>11,527,551</u>	<u>11,527,551</u>	<u>11,527,551</u>	<u>11,527,551</u>

All issued ordinary shares are fully paid. There is no par value for these ordinary shares.

During the previous financial year, the Company increased its paid up share capital from US\$11,180,816 to US\$11,527,551 by way of further allotment of 346,735 shares for a total consideration of US\$346,735 by capitalising the advance from holding company for working capital.

The holder of ordinary share is entitled to receive dividends as declared from time to time and is entitled to one vote per share at meetings of the Company. All shares rank equally with regard to the Company's residual assets.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016 (...CONT'D)

12. REVENUE

	<u>2016</u> US\$	<u>2015</u> US\$
Incentive fee	133,856	162,275
Management fee	200,000	200,000
Consultation fee	821,337	1,300,000
	<u>1,155,193</u>	<u>1,662,275</u>

In accordance with an agreement dated 9 August 2012 signed between the Company and the subsidiaries, the subsidiaries will pay incentive fee to the Company which represents 5% of subsidiaries' net profit after tax based on the audited year-end financial statements.

Management fee represents a fee of US\$100,000 per annum receivable from subsidiaries for management services and technical support.

13. EMPLOYEE BENEFITS EXPENSES

	<u>2016</u> US\$	<u>2015</u> US\$
Director's remuneration	68,738	-
Director's benefits in kind	110,145	-
	<u>178,883</u>	<u>-</u>

14. FINANCE COSTS

	<u>2016</u> US\$	<u>2015</u> US\$
Finance charges (Note 2n)	112,098	97,263
Interest on bank loan	285,482	636,830
Interest on loan from holding company	64,505	62,973
	<u>462,085</u>	<u>797,066</u>

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NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016 (...CONT'D)

15. INCOME TAX EXPENSE

	<u>2016</u> US\$	<u>2015</u> US\$
Current income tax		
- Current year's provision	40,200	-
Foreign tax	-	5,077
	<u>40,200</u>	<u>5,077</u>

The current year's income tax varies from the amount of income tax determined by applying the applicable Singapore statutory income tax rate of 17% (2015: 17%) to profit before income tax as a result of the following differences:

	<u>2016</u> US\$	<u>2015</u> US\$
Profit before income tax	<u>448,772</u>	<u>791,705</u>
Income tax expense at applicable rate	76,291	134,590
Non-taxable items	-	(134,590)
Tax exemption	(18,547)	-
Tax rebate	(17,885)	-
Foreign tax	-	5,077
Others	341	-
Tax expense	<u>40,200</u>	<u>5,077</u>

16. IMMEDIATE AND ULTIMATE HOLDING COMPANY

The immediate and ultimate holding Company is Dhunseri Tea & Industries Ltd, a company incorporated in India.

17. SIGNIFICANT RELATED PARTY TRANSACTIONS

- (a) In addition to the related party information disclosed elsewhere in the financial statements, the Company had transactions with the related parties on terms agreed between them with respect to the following during the financial year:

	<u>2016</u> US\$	<u>2015</u> US\$
Incentive fee income from subsidiaries	133,856	162,275
Management fee income from subsidiaries	200,000	200,000
Payment on behalf of subsidiaries	348,026	346,992
Interest paid/payable to holding company	<u>64,505</u>	<u>62,973</u>

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NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016 (...CONT'D)

17. SIGNIFICANT RELATED PARTY TRANSACTIONS (...CONT'D)

(b) Compensation of key management personnel

The remuneration of key management during the financial year was as follows:

	<u>2016</u> US\$	<u>2015</u> US\$
Short term benefits	<u>178,883</u>	<u>-</u>

18. LEASE COMMITMENTS

The Company leases residential premises under lease agreements that are non-cancellable within a year from the year end. Future minimum lease payments payable under non-cancellable operating leases as at the reporting date are as follow:

	<u>2016</u> US\$	<u>2015</u> US\$
Due within 1 year	207,408	-
Due within 2 to 5 years	103,704	-
	<u>311,112</u>	<u>-</u>

19. FINANCIAL RISK MANAGEMENT

Financial risk factors

The Company's activities expose it to market risk (including currency risk and interest rate risk), credit risk and liquidity risk. The Company's overall risk management strategy seeks to minimise adverse effects from the unpredictability of financial markets on the Company's financial performance.

(a) *Market risk*

(i) Foreign currency risk

Currency risk arises when future commercial transactions and recognised assets and liabilities are denominated in a currency that is not in the entity's functional currency. The Company is subject to various currency exposures, primarily with respect to the Singapore dollars. The Company does not use any hedging instruments to protect against the volatility associated with the foreign currency transactions.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016 (...CONT'D)

19. FINANCIAL RISK MANAGEMENT (...CONT'D)

Financial risk factors (...cont'd)

(a) *Market risk (...cont'd)*

(i) Foreign currency risk (...cont'd)

The Company's currency exposure to Singapore dollars based on the information provided to key management is as follows:

	<u>2016</u> US\$	<u>2015</u> US\$
<u>Financial assets</u>		
Cash and cash equivalents	46,751	54,103
Other receivables (excluding prepayments)	37,193	-
	83,944	54,103
<u>Financial liability</u>		
Trade and other payables	(21,664)	(11,811)
Net currency exposure	62,280	42,292

As at 31 December 2016, if the Singapore dollars had strengthened/weakened by 2% (2015: 6%) against the United States dollars with all other variables including tax rate being held constant, the Company's net profit after income tax for the financial year and equity would have been higher/lower by approximately US\$1,200 (2015: US\$2,500) as a result of currency translation gains/losses.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016 (...CONT'D)

19. FINANCIAL RISK MANAGEMENT (...CONT'D)

Financial risk factors (...cont'd)

(a) *Market risk (...cont'd)*

(ii) Interest rate risk

The Company's exposure to interest rate risk arises from its bank loan (Note 9). The Company's policy is to obtain the most favourable interest rates available. Surplus funds are placed with reputable banks. The Company constantly reviews its debt portfolio and monitors changes in interest rate environment to ensure that interest receipts and payments are within acceptable levels.

At the reporting date the interest rate profile of the Company's interest-bearing financial instrument was:

	2016		2015	
	Effective Rate %	US\$	Effective Rate %	US\$
Variable rate instruments				
Bank loan	LIBOR + 2.5%	8,038,000	LIBOR + 2.5%	9,116,000
		<u>8,038,000</u>		<u>9,116,000</u>

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rates for bank loan and amount owing to holding company at the end of the reporting period. The analysis is prepared assuming the financial instruments outstanding at the end of the reporting period were outstanding for the whole year. 50 (2015: 50) basis points increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 50 basis points (2015: 50 basis points) higher/lower and all other variables were held constant, the Company's post-tax profit for the year ended 31 December 2016 would increase/decrease by approximately US\$40,200 (2015: US\$45,500).

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NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016 (...CONT'D)

19. FINANCIAL RISK MANAGEMENT (...CONT'D)

Financial risk factors (...cont'd)

(b) *Credit risk*

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Company. The major classes of financial assets of the Company are trade receivables, other receivables and cash and cash equivalents.

As the Company does not hold any collateral, the maximum exposure to credit risk for each class of financial instruments is the carrying amount of that class of financial instruments presented on the statement of financial position.

The credit risk for trade receivables based on the information provided to key management is as follows:

	<u>2016</u> US\$	<u>2015</u> US\$
<u>By types of customers</u>		
Subsidiaries	322,188	544,362
Third parties	-	112,074
	322,188	656,436

At the end of the reporting period, 100% (2015: 82%) of the Company's trade receivables are due from its subsidiaries.

(i) *Financial assets that are neither past due nor impaired*

Trade and other receivables that are neither past due nor impaired are substantially companies with a good collection track record with the Company. Cash at bank that are neither past due nor impaired are placed with or entered into with reputable financial institutions.

Receivables from its subsidiaries which management is of the view they are creditworthy.

(ii) *Financial assets that is past and/or impaired*

There is no financial asset that is past due and/or impaired.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016 (...CONT'D)

19. FINANCIAL RISK MANAGEMENT (...CONT'D)

Financial risk factors (...cont'd)

(c) *Liquidity risk*

Prudent liquidity risk management implies maintaining sufficient cash. At the end of the reporting period, assets held by the Company for managing liquidity risk include cash and cash equivalents as disclosed in Note 4.

The table below analyses the Company's non-derivative financial liabilities into relevant maturity grouping based on the remaining period from the end of the reporting period to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months after the reporting date equal their carrying amounts as the impact of discounting is not significant.

	Within <u>1 year</u> US\$	Within 2 to <u>5 years</u> US\$	<u>Total</u> US\$
<u>2016</u>			
Trade and other payables	423,057	-	423,057
Amount owing to holding company	275,000	-	275,000
Bank loan (Note 9)	<u>1,078,000</u>	<u>6,960,000</u>	<u>8,038,000</u>
	<u>1,776,057</u>	<u>6,960,000</u>	<u>8,736,057</u>
<u>2015</u>			
Trade and other payables	30,817	-	30,817
Amount owing to holding company	489,127	-	489,127
Bank loan (Note 9)	<u>1,078,000</u>	<u>8,038,000</u>	<u>9,116,000</u>
	<u>1,597,944</u>	<u>8,038,000</u>	<u>9,635,944</u>

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NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016 (...CONT'D)

19. FINANCIAL RISK MANAGEMENT (...CONT'D)

Financial risk factors (...cont'd)

(d) *Fair value measurement*

The carrying amounts of cash and cash equivalents, trade receivables, other receivables, trade and other payables and bank loan approximate their fair values, either due to their short-term nature or that they are floating rate instruments that are re-priced to market interest rates on or near the end of the reporting period or have fixed interest rates which approximate the market interest rate.

(e) *Categories of financial instruments*

The following table sets out the Company's financial instruments as at the end of the reporting period:

	<u>2016</u> US\$	<u>2015</u> US\$
Financial assets		
Loans and receivables:		
Cash and cash equivalents	93,212	158,040
Trade receivables	322,188	656,436
Other receivables (excluding prepayments)	<u>37,193</u>	<u>-</u>
Financial liabilities		
Amortised cost:		
Trade and other payables	423,057	30,817
Amount owing to holding company	275,000	489,127
Bank loan	<u>8,038,000</u>	<u>9,116,000</u>

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NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016 (...CONT'D)

20. CAPITAL MANAGEMENT

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern and to maintain an optimal capital structure so as to maximise shareholder value. In order to maintain or achieve an optimal capital structure, the Company may adjust the amount of dividend payment, return capital to shareholders, issue new shares, buy back issued shares, obtain new borrowings or sell assets to reduce borrowings.

The capital structure of the Company consists of bank borrowing (Note 9) and equity, which comprises issued capital.

The gearing ratio is calculated as net debt divided by total capital. Net debt is calculated as trade and other payables (including amount owing to holding company) plus bank loan less cash and cash equivalents. Total capital is calculated as equity plus net debt.

	<u>2016</u> US\$	<u>2015</u> US\$
Net debt	8,642,845	9,477,904
Total equity	13,871,638	13,463,066
Total capital	<u>22,514,483</u>	<u>22,940,970</u>
Gearing ratio	<u>0.38</u>	<u>0.41</u>

The Company is in compliance with all externally imposed capital requirements and the Company's overall strategies remained unchanged for the financial year ended 31 December 2016 and 2015.

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**NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31
DECEMBER 2016 (...CONT'D)**

21. STANDARDS ISSUED BUT NOT YET EFFECTIVE

At the date of authorisation of these financial statements, the following FRS and amendments to FRS that are relevant to the Company were issued but not yet effective.

<u>Description</u>	<u>Effective for annual period beginning on or after</u>
Amendments to FRS 7: Disclosure Initiative	1 January 2017
Amendments to FRS 12: Recognition of Deferred Tax Assets for Unrealised Losses	1 January 2017
FRS 115 Revenue from Contracts with Customers	1 January 2018
FRS 109 Financial Instruments	1 January 2018
Amendments to FRS 115: Clarifications to FRS 115 Revenue from Contracts with Customers	1 January 2018
FRS 116 Leases	1 January 2019

The Company expects the adoption of the above standards will have no financial effect on the financial statements in the period of initial application.

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**THE ACCOMPANYING SCHEDULE OF
OTHER OPERATING EXPENSES HAS BEEN PREPARED FOR MANAGEMENT
PURPOSES ONLY AND DOES NOT FORM PART OF THE
AUDITED FINANCIAL STATEMENTS.**

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**SCHEDULE OF OTHER OPERATING EXPENSES
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016**

	<u>2016</u> US\$	<u>2015</u> US\$
Auditor's remuneration	7,571	6,515
Bank charges	3,116	1,793
	<u>10,687</u>	<u>8,308</u>

The above schedule of other operating expenses provides additional information and does not form part of the audited financial statements.