

Directors' Statement and  
Audited Financial Statements

**DHUNSERI PETROCHEM & TEA  
PTE. LTD.**

(Company Registration No.: 201136419H)

31 DECEMBER 2020



**GENERAL INFORMATION**

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**DIRECTORS**

Satinder Singh Nain  
Shanker Iyer  
Bharati Dhanuka

**SECRETARIES**

Cheng Lian Siang  
Pathima Muneera Azmi

**REGISTERED OFFICE**

9 Raffles Place  
#27-00 Republic Plaza  
Singapore 048619

**AUDITORS**

**TKNP International**  
Public Accountants and  
Chartered Accountants  
Singapore

**PRINCIPAL BANKERS**

DBS Bank Ltd  
Standard Chartered Bank (Singapore) Limited  
Standard Chartered Bank PLC  
Indusind Bank Ltd  
Hong Leong Finance

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**DIRECTORS' STATEMENT  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020**

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The directors are pleased to 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 2020.

**1. OPINION OF THE DIRECTORS**

In the opinion of the directors,

- (i) the financial statements of the Company are drawn up so as to give a true and fair view of the financial position of the Company as at 31 December 2020 and the financial performance, changes in equity and cash flows of the Company for the year then ended; and
- (ii) at the date of this statement, there are reasonable grounds to believe that the Company, with the continuing financial support from its holding Company, will be able to pay its debts as and when they fall due.

**2. DIRECTORS**

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

Satinder Singh Nain  
Shanker Iyer  
Bharati Dhanuka

**3. ARRANGEMENTS TO ENABLE DIRECTORS TO ACQUIRE SHARES OR DEBENTURES**

Neither at the end of nor at any time during the financial year was the Company a party to any arrangement whose objects are, or one of whose objects is, 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.

**4. DIRECTORS' INTEREST IN SHARES OR DEBENTURES**

According to register of directors' shareholdings kept by the Company under section 164 of the Singapore Companies Act, Chapter 50 (the "Act"), the directors of the Company who held office at the end of the financial year had no interests in the shares or debentures of the Company and its related corporations.

**5. SHARE OPTIONS**

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

There were no shares 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.

**DHUNSERI PETROCHEM & TEA PTE. LTD.**  
(Company Registration No.: 201136419H)

**DIRECTORS' STATEMENT  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020**

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**6. AUDITORS**

The auditors, **TKNP International**, Public Accountants and Chartered Accountants of Singapore, have expressed their willingness to accept re-appointment as auditors.

On behalf of the Board of Directors,



.....  
**Shanker Iyer**  
Director



.....  
**Bharati Dhanuka**  
Director

Date: **27 MAY 2021**

**INDEPENDENT AUDITORS' REPORT  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020**

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**INDEPENDENT AUDITORS' REPORT TO THE MEMBER OF DHUNSERI PETROCHEM & TEA PTE. LTD.**

**Report on the Audit of the Financial Statements**

*Opinion*

We have audited the financial statements of Dhunseri Petrochem & Tea Pte. Ltd. (the "Company"), which comprise the statement of financial position of the Company as at 31 December 2020, 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 2020, 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 Auditors' 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 Directors' Statement set out on pages 1 to 2.

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.

*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.

**INDEPENDENT AUDITORS' REPORT  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020**

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**INDEPENDENT AUDITORS' REPORT TO THE MEMBER OF DHUNSERI PETROCHEM & TEA PTE. LTD. (CONT'D)**

*Responsibilities of Management and Directors for the Financial Statements (Cont'd)*

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

*Auditors' 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 auditors' 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:

- 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.
- 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.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- 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 auditors' 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 auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- 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.

**DHUNSERI PETROCHEM & TEA PTE. LTD.**  
(Company Registration No.: 201136419H)

**INDEPENDENT AUDITORS' REPORT  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020**

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**INDEPENDENT AUDITORS' REPORT TO THE MEMBER OF DHUNSERI PETROCHEM & TEA PTE. LTD. (CONT'D)**

**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.

The engagement partner on the audit resulting in this independent auditors' report is Ong Lien Wan.



**TKNP International**  
Public Accountants and  
Chartered Accountants  
Singapore



Date: **27 MAY 2021**

**STATEMENT OF FINANCIAL POSITION**  
**AS AT 31 DECEMBER 2020**

	<u>Note</u>	<u>2020</u> <u>US\$</u>	<u>2019</u> <u>US\$</u>
<b><u>ASSETS</u></b>			
<b>Non-current assets</b>			
Plant and equipment	4	141,103	155,012
Deferred cost	5	-	87,884
Investment in subsidiaries	6	22,000,001	22,000,001
		<u>22,141,104</u>	<u>22,242,897</u>
<b>Current assets</b>			
Inventories		288	-
Deferred cost	5	87,884	120,563
Trade and other receivables	7	125,429	174,818
Cash and cash equivalents	8	53,154	87,815
		<u>266,755</u>	<u>383,196</u>
<b>Total assets</b>		<u>22,407,859</u>	<u>22,626,093</u>
<b><u>LIABILITIES AND EQUITY</u></b>			
<b>Current liabilities</b>			
Trade and other payables	9	44,802	107,356
Bank loan	10	1,078,000	1,078,000
Lease liability	11	16,108	15,453
Income tax payable		85,862	4,376
		<u>1,224,772</u>	<u>1,205,185</u>
<b>Non-current liabilities</b>			
Bank loan	10	2,648,000	3,726,000
Lease liability	11	52,544	68,652
		<u>2,700,544</u>	<u>3,794,652</u>
<b>Total liabilities</b>		<u>3,925,316</u>	<u>4,999,837</u>
<b>Equity</b>			
Share capital	12	11,993,991	11,993,991
Retained earnings		6,488,552	5,632,265
		<u>18,482,543</u>	<u>17,626,256</u>
<b>Total liabilities and equity</b>		<u>22,407,859</u>	<u>22,626,093</u>

*See accompanying notes to these financial statements*

**DHUNSERI PETROCHEM & TEA PTE. LTD.**  
**(Company Registration No.: 201136419H)**

**STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**  
**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020**

	<u>Note</u>	<u>2020</u> <u>US\$</u>	<u>2019</u> <u>US\$</u>
<b>Revenue income</b>	13	1,405,000	1,597,078
Other income	14	15,937	-
<b>Expenses and costs</b>			
Employee benefits expense	15	109,486	26,312
Other operating expenses	16	81,546	67,463
Finance costs	17	290,194	421,997
		<u>(481,226)</u>	<u>(515,772)</u>
<b>Profit before tax</b>		939,711	1,081,306
Income tax expense	18	(83,424)	(20,715)
<b>Profit for the year, representing total comprehensive income for the year</b>		<u>856,287</u>	<u>1,060,591</u>

*See accompanying notes to these financial statements*

**STATEMENT OF CHANGES IN EQUITY**  
**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020**

	<u>Note</u>	<b>Share capital</b> <b>US\$</b>	<b>Retained earnings</b> <b>US\$</b>	<b>Total</b> <b>US\$</b>
<b>At 1 January 2019</b>		11,993,991	4,571,674	16,565,665
Profit for the year, representing total comprehensive income for the year		-	1,060,591	1,060,591
<b>At 31 December 2019</b>		<u>11,993,991</u>	<u>5,632,265</u>	<u>17,626,256</u>
<b>At 1 January 2020</b>		11,993,991	5,632,265	17,626,256
Profit for the year, representing total comprehensive income for the year		-	856,287	856,287
<b>At 31 December 2020</b>		<u>11,993,991</u>	<u>6,488,552</u>	<u>18,482,543</u>

*See accompanying notes to these financial statements*

**STATEMENT OF CASH FLOWS**  
**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020**

	<u>Note</u>	<u>2020</u> <u>US\$</u>	<u>2019</u> <u>US\$</u>
<b>Cash flows from operating activities</b>			
Profit before tax		939,711	1,081,306
<b>Adjustments for:</b>			
Depreciation of plant and equipment	4	15,640	-
Finance costs	17	289,754	421,997
<b>Operating profit before changes in working capital</b>		<u>1,245,105</u>	<u>1,503,303</u>
Changes in working capital:			
(Increase) in inventories		(288)	-
Decrease in trade and other receivables		55,414	35,813
Decrease in deferred cost		120,563	120,234
(Decrease)/increase in trade and other payables		<u>(62,554)</u>	<u>7,657</u>
<b>Cash generated from operations</b>		<u>1,358,240</u>	<u>1,667,007</u>
Interest paid for deferred cost		(120,563)	(120,234)
Income tax paid		(1,938)	(41,337)
Withholding tax paid		<u>(19,751)</u>	<u>(26,705)</u>
<b>Net cash generated from operating activities</b>		<u>1,215,988</u>	<u>1,478,731</u>
<b>Cash flows from investing activities</b>			
Acquisition of plant and equipment	4	(1,731)	(70,907)
Advances to a subsidiary		<u>(6,025)</u>	<u>-</u>
<b>Net cash used in investing activities</b>		<u>(7,756)</u>	<u>(70,907)</u>
<b>Cash flows from financing activities</b>			
Interest paid	20	(149,440)	(275,058)
Repayment of bank loan	20	(1,078,000)	(1,078,000)
Repayment of lease liability		<u>(15,453)</u>	<u>-</u>
<b>Net cash used in financing activities</b>		<u>(1,242,893)</u>	<u>(1,353,058)</u>
<b>Net (decrease)/increase in cash and cash equivalents</b>		<u>(34,661)</u>	<u>54,766</u>
<b>Cash and cash equivalents at beginning of year</b>		<u>87,815</u>	<u>33,049</u>
<b>Cash and cash equivalents at end of year</b>	8	<u>53,154</u>	<u>87,815</u>

*See accompanying notes to these financial statements*

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020**

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These notes form an integral part and should be read in conjunction with the accompanying financial statements.

**1. CORPORATE INFORMATION**

Dhunseri Petrochem & Tea Pte. Ltd. (the "Company") is a private limited liability Company which is incorporated and domiciled in Singapore.

The Company's registered office and principal place of business is at 9 Raffles Place, #27-00 Republic Plaza, Singapore 048619.

The principal activities of the Company are those of an investment holding Company. There have been no significant changes in nature of these activities during the financial year.

The Company's holding company is Dhunseri Tea & Industries Limited, which is incorporated in India.

The principal activities of the subsidiaries are set up in Note 6 to the financial statements.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**2.1) BASIS OF PREPARATION**

The financial statements of the Company have been drawn up in accordance with Financial Reporting Standards in Singapore ("FRSs"). The financial statements have been prepared on the historical cost basis except as disclosed in the accounting policies below.

The financial statements are presented in United States dollar ("US\$"), which is also the functional currency of the Company.

The preparation of financial statements in conformity with FRSs requires management to exercise its judgement in the process of applying the Company's accounting policies. It also requires the use of certain significant accounting estimates and assumptions. Areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 3 to the financial statements.

**2.1a) GOING CONCERN**

The financial statements of the Company have been prepared on a going concern basis notwithstanding the Company's current liabilities exceeded its current assets by US\$958,017 (2019: US\$821,989). These factors indicate the existence of a material uncertainty which may cast significant doubt over the Company's ability to continue as a going concern.

The ability of the Company to continue as a going concern is dependent on the undertaking of its holding company will continue financing the operations of the Company and to provide adequate funds for the Company to meet its obligations as and when they fall due.

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020**

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**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

**2.1a) GOING CONCERN (CONT'D)**

If the Company is unable to continue in operational existence for the foreseeable future, the Company may be unable to discharge its 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 statement of financial position. In addition, the Company may have to reclassify non-current assets and liabilities as current assets and liabilities. No such adjustments have been made to these financial statements

**2.2) ADOPTION OF NEW AND AMENDED STANDARDS AND INTERPRETATIONS**

The accounting policies adopted are consistent with those of the previous financial year except that in current financial year, the Company has adopted all the new and amended standards which are relevant to the Company and are effective for annual financial periods beginning on or after 1 January 2020.

**2.3) BASIS OF NON-CONSOLIDATION**

Consolidation financial statements of the Company and its subsidiaries have not been prepared as the Company is exempted from preparing consolidated financial statements as:

- (i) It is itself a wholly-owned subsidiary, or is a partially-owned subsidiary of another entity, and its other owners do not object to the parent not presenting consolidated financial statements,
- (ii) Its debt or equity instruments are not traded in a stock exchange,
- (iii) It did not file, not as in the process of filing, its financial statements with a securities commission or other regulatory organisation for the purpose of issuing any debt and equity instruments, and
- (iv) Its holding company, Dhunseri Tea & Industries Limited, which is incorporated in India, produces consolidated financial statements available for public use.

**2.4) PLANT AND EQUIPMENT**

All items of plant and equipment are initially recorded at cost. Subsequent to recognition, plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses. The cost of plant and equipment includes its purchase price and any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Dismantlement, removal or restoration costs are included as part of the cost of plant and equipment if the obligation for dismantlement, removal or restoration is incurred as a consequence of acquiring or using the plant and equipment.

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

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

2.4) PLANT AND EQUIPMENT (CONT'D)

Depreciation is calculated using the straight-line method to allocate depreciable amounts over their estimated useful lives. The estimated useful lives are as follows:

	<u>Useful lives</u>
Office equipment	3 years
Motor vehicle	10 years

The residual value, useful lives and depreciation method are reviewed at the end of each reporting period, and adjusted prospectively, if appropriate.

An item of plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on de-recognition of the asset is included in profit or loss in the year the asset is derecognised.

2.5) FINANCIAL INSTRUMENTS

**Financial assets**

*Initial recognition and measurement*

Financial assets are recognised when, and only when the entity becomes party to the contractual provisions of the instruments.

At initial recognition, the Company measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through other comprehensive income (FVPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Trade receivables are measured at the amount of consideration to which the Company expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third party, if the trade receivables do not contain a significant financing component at initial recognition.

*Subsequent measurement*

*Investments in debt instruments*

Subsequent measurement of debt instruments depends on the Company's business model for managing the asset and the contractual cash flow characteristics of the asset. The three measurement categories for classification of debt instruments are amortised cost, fair value through other comprehensive income (FVOCI) and FVPL. The Company only has debt instruments at amortised cost.

Financial assets that are held for the collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Financial assets are measured at amortised cost using the effective interest method, less impairment. Gains and losses are recognised in profit or loss when the assets are derecognised or impaired, and through the amortisation process.

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

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

2.5) FINANCIAL INSTRUMENTS (CONT'D)

**Financial assets (Cont'd)**

*Derecognition*

A financial asset is derecognised where the contractual right to receive cash flows from the asset has expired. On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received and any cumulative gain or loss that had been recognised in other comprehensive income for debt instruments is recognised in profit or loss.

**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 FVPL, directly attributable transaction costs.

*Subsequent measurement*

After initial recognition, financial liabilities that are not carried at FVPL 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.

*Derecognition*

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. On derecognition, the difference between the carrying amounts and the consideration paid is recognised in profit or loss.

2.6) IMPAIRMENT OF FINANCIAL ASSETS

The Company recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at FVPL. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is recognised for credit losses expected over the remaining life of the exposure, irrespective of timing of the default (a lifetime ECL).

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020**

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**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

**2.6) IMPAIRMENT OF FINANCIAL ASSETS (CONT'D)**

For trade receivables, the Company applies a simplified approach in calculating ECLs. Therefore, the Company does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Company has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment which could affect debtors' ability to pay.

The Company considers a financial asset in default when contractual payments are 60 days past due. However, in certain cases, the Company may also consider a financial asset to be in default when internal or external information indicates that the Company is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Company. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

**2.7) INVESTMENT IN SUBSIDIARY**

A subsidiary is an investee that is controlled by the Company. The Company controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Investment in subsidiary is stated at cost less accumulated impairment losses, if any, in the Company's statement of financial position. On disposal of investment in subsidiary, the difference between net disposal proceeds and the carrying amount of the investment is taken to profit or loss.

**2.8) CASH AND CASH EQUIVALENTS**

Cash and cash equivalents comprise cash at banks and are subject to an insignificant risk of changes in value.

**2.9) INVENTORIES**

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the first-in first-out method and comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs necessary to make the sale.

When necessary, allowance is provided for damaged, obsolete and slow moving items to adjust the carrying value of inventories to the lower of cost and net realisable value.

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020**

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**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

**2.10) EMPLOYEE BENEFITS**

*Short-term employee benefits*

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

*Defined contribution plans*

The Company makes contributions to the Central Provident Fund scheme in Singapore, a defined contribution pension scheme. Contributions to defined contribution pension schemes are recognised as an expense in the period in which the related service is performed. The Company has no further payment obligations once the contributions have been paid.

**2.11) GOVERNMENT GRANTS**

Government grants are recognised as a receivable when there is reasonable assurance that the grant will be received and all attached conditions will be complied with.

When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the related costs, for which it is intended to compensate, are expensed. When the grant relates to an asset, the fair value is recognised as deferred income on the statement of financial position and is recognised as income in equal amounts over the expected useful life of the related asset.

**2.12) TAXES**

*Current income tax*

Current income tax assets and liabilities for the current year and prior periods are measured at the amount expected to be recovered from or paid to the tax authority. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date.

Current income taxes are recognised in profit or loss except to the extent that the tax relates to items recognised outside profit or loss, either in other comprehensive income or directly in equity. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

*Deferred tax*

Deferred tax is provided using the liability method on temporary differences at the reporting date between the tax base of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted by the end of each reporting period.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current income tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same tax jurisdiction.

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020**

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**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

**2.13) RELATED PARTIES**

A related party is a person or entity that is related to the Company and includes:

- (a) A person or a close member of that person's family which is related to the Company if that person:
  - (i) has control or joint control over the reporting Company;
  - (ii) has significant influence over the reporting Company; or
  - (iii) is a member of the key management personnel of the Company or of a parent of the Company.
- (b) An entity is related to the Company if any of the following conditions applies:
  - (i) 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).
  - (ii) 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).
  - (iii) Both entities are joint ventures of the same third party.
  - (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
  - (v) The entity is a post-employment benefit plan for the benefit of employees of either the Company or any related to the Company. If the Company is itself such a plan, the sponsoring employers are also related to the Company.
  - (vi) The entity is controlled or jointly controlled by a person identified in (a).
  - (vii) A person identified in (a)(i) 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).
  - (viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Company or the parent of the Company.

The following are not necessarily related parties:

- (a) Two entities simply because they have a director or other member of key management personnel in common;
- (b) Two venturers simply because they share joint control over a joint venture.

Key management personnel are those persons having the authority and responsibility for planning, directing and controlling the activities of the Company.

**2.14) SHARE CAPITAL**

Proceeds from issuance of ordinary shares are recognised as share capital in equity. Incremental costs directly attributable to the issuance of ordinary shares are deducted against share capital.

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020**

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**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

**2.15) REVENUE RECOGNITION**

Revenue is measured based on the consideration to which the Company expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties.

Revenue is recognised when the Company satisfies a performance obligation by transferring a promised goods or services to the customer, which is when the customer obtains control of the goods or services. A performance obligation may be satisfied at a point in time or over time. The amount of revenue recognised is the amount allocated to the satisfied performance obligation.

***Rendering of services***

The Company receives advisory and management fees from its subsidiaries. The fees are measured based on terms agreed between the Company and its clients before the transactions are executed. Revenue from rendering of services is recognised at the time when such services have been performed and rendered.

**2.16) FOREIGN CURRENCY TRANSLATION AND BALANCES**

Transactions in foreign currencies are measured in the functional currency of the Company and are recorded on initial recognition in the functional currency at exchange rates approximating those ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the reporting date. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions.

Exchange differences arising on the settlement of monetary items or on translating monetary items at the reporting period are recognised in profit or loss.

**2.17) IMPAIRMENT OF NON-FINANCIAL ASSETS**

The Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when an annual impairment testing for an asset is required, the Company makes an estimate of the asset's recoverable amount.

An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs of disposal and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or group of assets. Where the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

Impairment losses are recognised in profit or loss.

A previously recognised impairment loss is reversed 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. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increase cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised previously. Such reversal is recognised in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

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**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

**2.18) LEASES**

The Company assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

***As lessee***

The Company applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Company recognises lease liabilities to make lease payments representing the right to use the underlying assets.

**Lease liabilities**

At the commencement date of the lease, the Company recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Company and payments of penalties for terminating the lease, if the lease term reflects the Company exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Company uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

The Company's lease liability is disclosed in Note 11

**3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES**

The preparation of the Company's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities at the end of each reporting period. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in the future periods.

**3.1) JUDGEMENTS MADE IN APPLYING ACCOUNTING POLICIES**

The management is of the opinion that there are no significant judgements made in applying accounting estimates and policies that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

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3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONT'D)

3.2) 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 are discussed below. The Company based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Company. Such changes are reflected in the assumptions when they occur.

Provision for expected credit losses of trade receivables

The Company uses a provision matrix to calculate ECLs for trade receivables. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns.

The provision matrix is initially based on the Company's historical observed default rates. The Company will calibrate the matrix to adjust historical credit loss experience with forward-looking information. At every reporting date, historical default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Company's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future. The information about the ECLs on the Company's trade receivables is disclosed in Note 21.

The carrying amount of the Company's trade receivables as at 31 December 2020 was US\$89,841 (2019: US\$145,255).

Impairment of investment in subsidiaries

Investment in subsidiaries are stated at cost less impairment losses in the Company's statement of financial position. The Company follows the guidance of FRS 36 Impairment of Assets to determine whether the investments in subsidiaries are impaired. This determination requires significant judgement. In making this judgement, the Company evaluates, among other factors, the market and economic performance of these entities, the duration and extent to which the costs of investments in the entities exceed their net tangible assets and fair value of investments less cost to sell. The carrying amount of the Company's investment in subsidiaries as at the end of the reporting period is disclosed in Note 6 to the financial statements.

Impairment of non-financial assets

The Company assess whether there are any indications of impairment for all non-financial assets at each reporting date. Plant and equipment and deferred cost are tested for impairment annually and at other times when such indicators exist.

When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

As at financial year end, the carrying value of plant and equipment and deferred cost are disclosed in Notes 4 and 5 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONT'D)

3.2) KEY SOURCES OF ESTIMATION UNCERTAINTY (CONT'D)

COVID-19

The outbreak of COVID-19 pandemic globally and in Singapore is causing efficient disturbance and slowdown of economy activities. The Company has considered internal and external information while finalising various estimates in relation to its financial statements up to the date of approval of the financial statements by the board of directors and has not identified any material impact on the carrying value of assets, liabilities or provisions.

However, the impact assessment of COVID-19 is a continuing process given the uncertainties associated with its nature and duration. The Company is monitoring the situation closely and shall take actions as appropriate based on any material changes to future economic conditions.

4. PLANT AND EQUIPMENT

	Office equipment US\$	Motor vehicle US\$	Total US\$
<b>Cost</b>			
At 1 January 2019	-	-	-
Additions	-	155,012	155,012
At 31 December 2019	-	155,012	155,012
Additions	1,731	-	1,731
At 31 December 2020	1,731	155,012	156,743
<b>Accumulated depreciation</b>			
At 1 January 2019	-	-	-
Depreciation for the year	-	-	-
At 31 December 2019	-	-	-
Depreciation for the year	139	15,501	15,640
At 31 December 2020	139	15,501	15,640
<b>Carrying amount</b>			
At 31 December 2020	1,592	139,511	141,103
At 31 December 2019	-	155,012	155,012

The Company has equipment under finance leases and finance lease contracts with net carrying value of US\$139,511 (2019: US\$155,012).

5. DEFERRED COST

	2020 US\$	2019 US\$
Non-current	-	87,884
Current	87,884	120,563
	<u>87,884</u>	<u>208,447</u>

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 costs.

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020**

**6. INVESTMENT IN SUBSIDIARIES**

	<u>2020</u> <u>US\$</u>	<u>2019</u> <u>US\$</u>
Cost	22,000,001	22,000,001

Details of the subsidiaries are as follows:

Name of subsidiaries	Country of incorporation and operations	Principal activities	Proportion of ownership interest and voting power held	
			2020 %	2019 %
Kawalazi Estate company Limited*	Malawi, Africa	Manufacture of tea and macadamia nuts	100	100
Makandi Tea and Coffee Estates Limited*	Malawi, Africa	Manufacture of tea and macadamia nuts	100	100
Dhunseri Mauritius Pte Ltd**	Republic of Mauritius	Investment in farming in various African countries	100	100

Details of the sub-subsidiary held via Makandi Tea and Coffee Estates Limited are as follows:

Name of sub-subsidiary	Country of incorporation and operations	Principal activities	Proportion of ownership interest and voting power held	
			2020 %	2019 %
AM Henderson & Sons Limited*	Malawi, Africa	Property letting and development	100	100
Ntimabi Estate Limited*	Malawi, Africa	Asset holding company	100	100
Chiwale Estate Management Services Limited***	Malawi, Africa	Property letting and development	100	100

\* Audited by Ernst & Young Global Limited, Malawi.

\*\* Audited by Nexia Baker & Arenson.

\*\*\* Audit is not required by the laws of the country of incorporation

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

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

7. TRADE AND OTHER RECEIVABLES

	<u>2020</u> US\$	<u>2019</u> US\$
<u>Trade receivables</u>		
Subsidiaries	70,079	145,255
Third party	19,762	-
	<u>89,841</u>	<u>145,255</u>
<u>Other receivables</u>		
Amount due from a subsidiary	35,588	29,563
	<u>125,429</u>	<u>174,818</u>

Trade receivables are non-interest bearing and are generally on 30 days' (2019: 30 days') terms.

Amount due from a subsidiary is trade-related in nature, unsecured, non-interest bearing and repayable on demand.

Trade and other receivables are denominated in United States dollar.

8. CASH AND CASH EQUIVALENTS

	<u>2020</u> US\$	<u>2019</u> US\$
Cash at banks	53,154	87,815

Cash and cash equivalents are denominated in the following currencies:

	<u>2020</u> US\$	<u>2019</u> US\$
United States dollar	28,405	73,098
Singapore dollar	24,749	14,717
	<u>53,154</u>	<u>87,815</u>

9. TRADE AND OTHER PAYABLES

	<u>2020</u> US\$	<u>2019</u> US\$
<b>Trade payables</b>		
Third party	-	63,927
<b>Other payables</b>		
Sundry payable	33,309	29,986
Interest payable on loan from bank	3,906	6,870
Accruals	7,147	5,769
Withholding tax	440	804
	<u>44,802</u>	<u>43,429</u>
	<u>44,802</u>	<u>107,356</u>

Trade and other payables are recognised at their original invoiced amounts which represent their fair values on initial recognition. 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.

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020**

**9. TRADE AND OTHER PAYABLES (CONT'D)**

Trade and other payables are denominated in the following currencies:

	<u>2020</u> <u>US\$</u>	<u>2019</u> <u>US\$</u>
United States dollar	37,215	100,783
Singapore dollar	7,587	6,573
	<u>44,802</u>	<u>107,356</u>

**10. BANK LOAN**

	<u>2020</u> <u>US\$</u>	<u>2019</u> <u>US\$</u>
<b>Current</b>		
Due within one year	1,078,000	1,078,000
<b>Non-current</b>		
Due within two to five years	2,648,000	3,726,000
	<u>3,726,000</u>	<u>4,804,000</u>

In 2017, the Company has obtained a fresh loan to repay its existing loan. The new bank loan bears interest of 3 months Libor+2.3% per annum for 4 years after the first drawdown date and 3 months Libor+3.5% per annum at all times thereafter. The loan is repayable half yearly, effective from December 2017, with a maturity date of 30 June 2024. The interest payment is quarterly based. The loan is secured by a pledge of the Company's shares in subsidiaries of USD3,726,000 (2019: USD4,804,000).

The bank loan is denominated in United States dollar.

**11. LEASE LIABILITY**

The Company has finance leases for the purchase of motor vehicle. Finance leases repayment term for 5 years. The effective interest rate at 4.207% per annum. Finance leases payments are as follows:

	<u>2020</u> <u>US\$</u>	<u>2019</u> <u>US\$</u>
Payable not later than 1 year	18,745	18,745
Payable later than 1 year but not later than 5 years	56,203	74,948
	<u>74,948</u>	<u>93,693</u>
Less: Future finance charges	(6,296)	(9,588)
Present value of finance leases	<u>68,652</u>	<u>84,105</u>
<b>Present value of finance leases:</b>		
Payable not later than 1 year	16,108	15,453
Payable later than 1 year but not later than 5 years	52,544	68,652
	<u>68,652</u>	<u>84,105</u>

Lease liability are denominated in Singapore dollar.

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020**

**12. SHARE CAPITAL**

	<b>2020</b>		<b>2019</b>	
	<b>No. of shares</b>	<b>US\$</b>	<b>No. of shares</b>	<b>US\$</b>
<u>Issued and fully paid</u>				
At 1 Jan and 31 December	11,993,991	11,993,991	11,993,991	11,993,991

The holders of ordinary shares are entitled to receive dividends as and when declared by the Company. All ordinary shares carry one vote per share without restriction. The ordinary shares have no par value.

**13. REVENUE INCOME**

Timing of transfer of service	<b>At a point In time US\$</b>	<b>Over time US\$</b>	<b>Total US\$</b>
<b>2020</b>			
Consultation fees	-	800,000	800,000
Dividend income	405,000	-	405,000
Management fees	-	200,000	200,000
	<u>405,000</u>	<u>1,000,000</u>	<u>1,405,000</u>
	<b>At a point In time US\$</b>	<b>Over time US\$</b>	<b>Total US\$</b>
<b>2019</b>			
Consultation fees	-	350,000	350,000
Dividend income	1,000,000	-	1,000,000
Incentive fees	-	47,078	47,078
Management fees	-	200,000	200,000
	<u>1,000,000</u>	<u>597,078</u>	<u>1,597,078</u>

In accordance with an agreement dated 31 March 2018 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 two subsidiaries for management services and technical support.

**14. OTHER INCOME**

	<b>2020 US\$</b>	<b>2019 US\$</b>
Grant received - JSS	9,715	-
Grant received - MOM	521	-
Other income	5,701	-
	<u>15,937</u>	<u>-</u>

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020**

**15. EMPLOYEE BENEFITS EXPENSE**

	<u>2020</u> US\$	<u>2019</u> US\$
<u>Staff costs</u>		
- Staffs' salaries and other costs	46,508	6,227
- CPF contribution	5,656	935
- Skill development levy	124	15
	<u>52,288</u>	<u>7,177</u>
<u>Key management personnel compensation (Note 19)</u>		
- Directors' remuneration	57,119	19,101
- Directors' skill development levy	79	34
	<u>57,198</u>	<u>19,135</u>
	<u>109,486</u>	<u>26,312</u>

**16. OTHER OPERATING EXPENSES**

Other operating expenses comprise the following:

	<u>2020</u> US\$	<u>2019</u> US\$
Auditor's remuneration	10,408	9,854
Bank charges	6,650	4,762
Depreciation of plant and equipment	15,640	-
Decorative item charges	107	-
Delivery charges	86	-
Freight for import	199	-
Insurance	1,787	1,823
Legal and professional charges	35,737	44,664
Subscription expenses	628	638
Travelling expenses	4,345	4,108
Unrealised (gain)/loss on foreign exchange	(738)	1,614
Upkeep of motor vehicle	6,697	-
	<u>81,546</u>	<u>67,463</u>

**17. FINANCE COSTS**

	<u>2020</u> US\$	<u>2019</u> US\$
Finance charges on deferred cost	120,563	120,234
Interest on lease interest	3,292	-
Interest on bank loan	146,148	272,388
Interest on loan from holding company	-	2,670
Withholding tax	20,191	26,705
	<u>290,194</u>	<u>421,997</u>

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020**

**18. INCOME TAX EXPENSE**

	<u>2020</u> US\$	<u>2019</u> US\$
Tax expense attributable to profit is made up of:		
- current year income tax	82,148	5,102
- under-provision in prior years	1,276	15,613
	<u>83,424</u>	<u>20,715</u>

**Relationship between tax expense and accounting profit**

A reconciliation between tax expense and the product of accounting profit multiplied by the applicable corporate tax rate for the financial years ended 31 December 2020 and 31 December 2019 were as follows:

	<u>2020</u> US\$	<u>2019</u> US\$
Profit before tax	<u>939,711</u>	<u>1,081,306</u>
Tax calculated at statutory tax rate of 17% (2019: 17%)	159,751	183,822
Tax effect of:		
- Non-deductible expenses	4,662	412
- Non-taxable income	(70,502)	(170,000)
- Tax exemption	(12,652)	(7,432)
- CIT rebate	-	(1,700)
- Under-provision for current tax in prior years	1,276	15,613
- Other	889	-
	<u>83,424</u>	<u>20,715</u>

**19. RELATED PARTY TRANSACTIONS**

In addition to the information disclosed elsewhere in the financial statements, the following transactions took place between the Company and related parties at terms agreed between the parties:

	<u>2020</u> US\$	<u>2019</u> US\$
Incentive fee income from subsidiaries	-	47,078
Interest paid/payable on loan from holding company	-	2,670
Management fee income from subsidiaries	200,000	200,000
Payment of behalf of subsidiaries	314,975	361,650
Dividend received from subsidiaries	405,000	1,000,000
Repayment of loan to holding company	-	100,000
Loan from holding company	<u>-</u>	<u>102,670</u>
<b>Compensation of key management personnel: (Note 15)</b>		
Directors' remuneration	<u>57,119</u>	<u>19,101</u>

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020**

**20. BANK LOAN AND LEASE LIABILITY**

Reconciliation of movements of liabilities to cash flows arising from financing activities

	<u>1 January 2020</u>	<u>Cash flows</u>	<u>Non-cash changes</u>		<u>31 December 2020</u>
	US\$	US\$	Accretion of interests US\$	Other US\$	US\$
<b>Liabilities</b>					
Finance lease					
- current	15,453	(18,745)	3,292	16,108	16,108
- non-current	68,652	-	-	(16,108)	52,544
	<u>84,105</u>	<u>(18,745)</u>	<u>3,292</u>	<u>-</u>	<u>68,652</u>
Bank loan					
- current	1,078,000	(1,224,148)	146,148	1,078,000	1,078,000
- non-current	3,726,000	-	-	(1,078,000)	2,648,000
	<u>4,804,000</u>	<u>(1,224,148)</u>	<u>146,148</u>	<u>-</u>	<u>3,726,000</u>
	<u>4,888,105</u>	<u>(1,242,893)</u>	<u>149,440</u>	<u>-</u>	<u>3,794,652</u>
	<u>1 January 2019</u>	<u>Cash flows</u>	<u>Non-cash changes</u>		<u>31 December 2019</u>
	US\$	US\$	Accretion of interests US\$	Other US\$	US\$
<b>Liabilities</b>					
Finance lease					
- current	-	-	-	15,453	15,453
- non-current	-	-	-	68,652	68,652
	<u>-</u>	<u>-</u>	<u>-</u>	<u>84,105</u>	<u>84,105</u>
Loan from holding company	-	(2,670)	2,670	-	-
Bank loan					
- current	1,078,000	(1,350,388)	272,388	1,078,000	1,078,000
- non-current	4,804,000	-	-	(1,078,000)	3,726,000
	<u>5,882,000</u>	<u>(1,350,388)</u>	<u>272,388</u>	<u>-</u>	<u>4,804,000</u>
	<u>5,882,000</u>	<u>(1,353,058)</u>	<u>275,058</u>	<u>84,105</u>	<u>4,888,105</u>

**21. FINANCIAL RISK MANAGEMENT**

**Financial risk management objectives and policies**

The Company's activities expose it to a variety of financial risks from its operation. The key financial risks include market risk (including interest rate risk and foreign currency risk), liquidity risk and credit risk.

The Board of Directors reviews and agrees policies and procedures for the management of these risks, which are executed by the management team. It is, and has been throughout the current and previous financial year, the Company's policy that no trading in derivatives for speculative purposes shall be undertaken.

The following sections provide details regarding the Company's exposure to the above-mentioned financial risks and the objectives, policies and processes for the management of these risks.

There has been no change to the Company's exposure to these financial risks or the manner in which it manages and measures the risks.

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

21. FINANCIAL RISK MANAGEMENT (CON'T)

**Market risk**

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates will affect the Company's income. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

Foreign currency risk

The Company's foreign exchange risk results mainly from cash flows from transactions denominated in foreign currencies. At present, the Company does not have any formal policy for hedging against currency risk. The Company ensures that the net exposure is kept to an acceptable level by buying or selling foreign currencies at spot rates, where necessary, to address short term imbalances.

The Company has foreign currency exposures arising from transactions that are denominated in currencies other than the functional currency of the Company, which are Singapore dollar ("SGD").

The Company's currency exposures to the SGD at the reporting date were as follows:

	<u>SGD</u> <u>US\$</u>
<b><u>2020</u></b>	
<u>Financial assets</u>	
Cash and cash equivalents	24,749
<u>Financial liabilities</u>	
Trade and other payables	(7,587)
Lease liability	<u>(68,652)</u> <u>(76,239)</u>
Net financial liabilities currency exposures	<u>(51,490)</u>

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

21. FINANCIAL RISK MANAGEMENT (CONT'D)

Market risk (cont'd)

Foreign currency risk (cont'd)

	<u>SGD</u> <u>US\$</u>
<b>2019</b>	
<u>Financial assets</u>	
Cash and cash equivalents	14,717
<u>Financial liabilities</u>	
Trade and other payables	(6,573)
Lease liability	(84,105)
	<u>(90,678)</u>
Net financial liabilities currency exposures	<u>(75,961)</u>

Sensitivity analysis for foreign currency risk

The following table demonstrates the sensitivity of the Company's profit after tax to a reasonably possible change in SGD against the USD by 5% (2019: 5%) with all other variables being held constant, including tax rate, and the effects arising from the net financial liability position will be as follows:

	<u>2020</u> <u>US\$</u>	<u>2019</u> <u>US\$</u>
<b><u>SGD against USD</u></b>		
- strengthened	(2,137)	(3,152)
- weakened	<u>2,137</u>	<u>3,152</u>

Interest rate risk

Interest rate risk is the risk that fair value or future cash flows of the Company's financial instruments will fluctuate because of changes in market interest rates. The Company's exposure to interest rate risk arises primarily from its bank loan.

The Company does not expect any significant effect on the Company's profit or loss arising from the effects of reasonably possible changes to interest rates on interest bearing financial instruments at the end of the financial year.

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

21. FINANCIAL RISK MANAGEMENT (CONT'D)

Market risk (cont'd)

*Interest rate risk (cont'd)*

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

	<u>2020</u>		<u>2019</u>	
	Effective rate %	US\$	Effective rate %	US\$
<b>Variable rate instruments</b>				
Bank loan	LIBOR+2.3%	3,726,000	LIBOR+2.3%	4,804,000
		<u>3,726,000</u>		<u>4,804,000</u>

At the reporting date, if the interest rates had been 50 (2019: 50) basis points higher/lower with all other variables hold constant, the Company's profit before tax would have been US\$18,630 (2019: US\$24,020) lower/higher, arising mainly as a result of higher/lower interest expenses on floating rate cash at bank and floating rate bank borrowings. The assumed movement in basis points for interest rate sensitivity analysis is based on the currently observable market environment.

The company has no exposure to interest rate risks as the interest rate on the finance leases are fixed at inception.

**Liquidity risk**

Liquidity risk is the risk that the Company will encounter difficulty in meeting financial obligations due to shortage of funds. In the management of liquidity risk, the Company's objective is to maintain continued funding from the holding company for the operations of the Company and to provide adequate funds for the Company to meet its obligations as and when they fall due. The Company also ensures availability of bank credit lines to address any short-term funding requirement.

The Company's surplus funds are also managed centrally by placing them with reputable financial institutions on varying maturities.

The table below summarises the maturity profile of the Company's financial assets and liabilities at the end of the financial year based on contractual undiscounted payments :

	<u>Carrying amount</u> US\$	<u>Contractual cash flows</u> US\$	<u>One year or less</u> US\$	<u>One to five years</u> US\$
<b>2020</b>				
<b><u>Financial assets</u></b>				
Trade and other receivables	125,429	125,429	125,429	-
Cash and cash equivalents	53,154	53,154	53,154	-
Total undiscounted financial assets	<u>178,583</u>	<u>178,583</u>	<u>178,583</u>	-
<b><u>Financial liabilities</u></b>				
Trade and other payables	44,802	44,802	44,802	-
Bank loan	3,726,000	3,999,180	1,231,584	2,767,596
Total undiscounted financial liabilities	<u>(3,770,802)</u>	<u>(4,043,982)</u>	<u>(1,276,386)</u>	<u>(2,767,596)</u>
Total net undiscounted financial liabilities	<u>(3,592,219)</u>	<u>(3,865,399)</u>	<u>(1,097,803)</u>	<u>(2,767,596)</u>

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

21. FINANCIAL RISK MANAGEMENT (CONT'D)

Liquidity risk (cont'd)

	<u>Carrying amount</u> US\$	<u>Contractual cash flows</u> US\$	<u>One year or less</u> US\$	<u>One to five years</u> US\$
<b>2019</b>				
<b>Financial assets</b>				
Trade and other receivables	174,818	174,818	174,818	-
Cash and cash equivalents	87,815	87,815	87,815	-
Total undiscounted financial assets	<u>262,633</u>	<u>262,633</u>	<u>262,633</u>	<u>-</u>
<b>Financial liabilities</b>				
Trade and other payables	107,356	107,356	107,356	-
Bank loan	4,804,000	5,293,288	1,294,108	3,999,180
Total undiscounted financial liabilities	<u>(4,911,356)</u>	<u>(5,400,644)</u>	<u>(1,401,464)</u>	<u>(3,999,180)</u>
Total net undiscounted financial liabilities	<u>(4,648,723)</u>	<u>(5,138,011)</u>	<u>(1,138,831)</u>	<u>(3,999,180)</u>

**Credit risk**

Credit risk refers to the risk that the counterparty will default on its contractual obligations resulting in a loss to the Company. The Company's exposure to credit risk arises primarily from trade receivables. For other financial assets, including cash and cash equivalents, the Company minimises credit risk by dealing exclusively with high credit rating counterparties.

The Company has adopted a policy of only dealing with creditworthy counterparties. The Company performs ongoing credit evaluation of its counterparties' financial position and generally do not require a collateral.

The Company considers the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period.

The Company has determined the default event on a financial asset to be when internal and/or external information indicates that the financial asset is unlikely to be received, which could include default of contractual payments due for more than 60 days or there is significant difficulty of the counterparty

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

21. FINANCIAL RISK MANAGEMENT (CONT'D)

Credit risk (Cont'd)

To minimise credit risk, the Company has developed and maintained the Company's credit risk grading to categorise exposures according to their degree of risk of default. The credit rating information is supplied by publicly available financial information and the Company's own trading records to rate its major customers. The Company considers available reasonable and supportive forward-looking information which includes the following indicators:

- Internal credit rating
- External credit rating
- Actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the debtor's ability to meet its obligations
- Actual or expected significant changes in the operating results of the debtor
- Significant increases in credit risk on other financial instruments of the same debtor
- Significant changes in the expected performance and behaviour of the debtor, including changes in the payment status of debtors in the group and changes in the operating results of the debtor.

Regardless of the analysis above, a significant increase in credit risk is presumed if a debtor is more than 30 days past due in making contractual payment.

The Company determined that its financial assets are credit-impaired when:

- There is significant difficulty of the debtor
- A breach of contract, such as a default or past due event
- It is becoming probable that the debtor will enter bankruptcy or other financial reorganisation.
- There is a disappearance of an active market for that financial asset because of financial difficulty

The Company categorises a receivable for potential write-off when a debtor fails to make contractual payments more than 120 days past due. Financial assets are written off when there is evidence indicating that the debtor is in severe financial difficulty and the debtor has no realistic prospect of recovery.

The Company's current credit risk grading framework comprises the following categories:

Category	Definition of category	Basis for recognising expected credit loss (ECL)
I	Counterparty has a low risk of default and does not have any past due amounts.	12-month ECL
II	Amount is > 30 days past due or there has been a significant increase in credit risk since initial recognition	Lifetime ECL – not credit-impaired
III	Amount is > 60 days past due or there is evidence indicating the asset is credit-impaired (in default)	Lifetime ECL – credit-impaired
IV	There is evidence indicating that the debtor is in severe financial difficulty and the debtor has no realistic prospect of recovery	Amount is written off

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

21. FINANCIAL RISK MANAGEMENT (CONT'D)

Credit risk (Cont'd)

The table below details the credit quality of the Company's financial assets, as well as maximum exposure to credit risk rating categories:

	Note	Category	12-month or lifetime ECL	Gross carrying amount US\$	Loss allowance US\$	Net carrying amount US\$
<b>31 December 2020</b>						
Trade receivables	7	Note 1	Lifetime ECL	89,841	-	89,841
Other receivables	7	I	12-month ECL	35,588	-	35,588

	Note	Category	12-month or lifetime ECL	Gross carrying amount US\$	Loss allowance US\$	Net carrying amount US\$
<b>31 December 2019</b>						
Trade receivables	7	Note 1	Lifetime ECL	145,255	-	145,255
Other receivables	7	I	12-month ECL	29,563	-	29,563

Trade receivables (Note 1)

For trade receivables, the Company has applied the simplified approach in FRS 109 to measure the loss allowance at lifetime ECL. The Company determines the ECL by using a provision matrix, estimated based on historical credit loss experience based on the past due status of the debtors, adjusted as appropriate to reflect current conditions and estimates of future economic conditions. Accordingly, the Company measured the impairment loss allowance using 12-month ECL and determined that the ECL is insignificant.

	Trade receivables				
	Not past due US\$	Days past due			Total US\$
		<30 days US\$	31-60 days US\$	>60 days US\$	
<b>31 December 2020</b>					
ECL rate	-	-	-	-	
Estimated total gross carrying amount at default	89,841	-	-	-	89,841
ECL	-	-	-	-	-
					<u>89,841</u>
<b>31 December 2019</b>					
ECL rate	-	-	-	-	
Estimated total gross carrying amount at default	126,507	9,374	9,374	-	145,255
ECL	-	-	-	-	-
					<u>145,255</u>

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020**

**21. FINANCIAL RISK MANAGEMENT (CONT'D)**

**Credit risk (Cont'd)**

Exposure to credit risk

The Company has no significant concentration of credit risk other than those balances with subsidiaries comprising 78% (2019: 100%) of trade receivables. The Company has credit policies and procedures in place to minimise and mitigate its credit risk exposure.

**22. FAIR VALUE OF FINANCIAL INSTRUMENTS**

Fair value measurements that use inputs of different hierarchy levels are categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The following methods and assumptions are used to estimate the fair value of each class of financial instruments for which it is practicable to estimate that value.

*Cash and cash equivalents, other receivables and other payables*

The carrying amounts approximate their fair values due to short-term nature of these balances.

*Bank loan*

The carrying amounts of bank loan approximate their fair values as they are subject to interest rates close to market rate of interest for arrangements with financial institutions.

*Trade receivables and trade payables*

The carrying amounts of these receivables and trade payables approximate their fair values as they are subject to normal credit terms.

**23. FINANCIAL INSTRUMENTS BY CATEGORY**

At the reporting date, the aggregate carrying amounts of financial assets at amortised cost and financial liabilities at amortised cost were as follows:

	<u>2020</u> US\$	<u>2019</u> US\$
<b>Financial assets measured at amortised cost</b>		
Trade and other receivables	125,429	174,818
Cash and cash equivalents	53,154	87,815
Total financial assets measured at amortised cost	<u>178,583</u>	<u>262,633</u>
<b>Financial liabilities measured at amortised cost</b>		
Trade and other payables	44,802	107,356
Bank loan	3,726,000	4,804,000
Total financial liabilities measured at amortised cost	<u>3,770,802</u>	<u>4,911,356</u>

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020**

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**24. CAPITAL MANAGEMENT**

The primary objective of the Company's capital management is to ensure that it maintains a strong credit rating and net current asset position in order to support its business and maximise shareholder value. The capital structure of the Company comprises issued share capital and retained earnings.

The Company manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Company may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Company is not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes during the financial year ended 31 December 2020 and 31 December 2019.

**25. NEW OR REVISED ACCOUNTING STANDARDS AND INTERPRETATIONS**

The Company has not adopted the following standards applicable to the Company that have been issued but not yet effective:

	<b>Effective for annual periods beginning on or after</b>
▪ Amendment to FRS 116 <i>Leases</i> : Covid-19-Related Rent Concessions	1 June 2020
▪ Amendments to FRS 109 <i>Financial Instruments</i> , FRS 39 <i>Financial Instruments: Recognition and Measurement</i> , FRS 107 <i>Financial Instruments: Disclosures</i> , FRS 104 <i>Insurance Contracts</i> , FRS 116 <i>Leases</i> : Interest Rate Benchmark Reform – Phase 2	1 January 2021
▪ Amendments to FRS 16 <i>Property, Plant and Equipment</i> : Proceeds before Intended Use	1 January 2022
▪ Amendments to FRS 37 <i>Provisions, Contingent Liabilities and Contingent Assets</i> : Onerous Contracts – Cost of Fulfilling a Contract	1 January 2022
▪ Annual Improvements to FRSs 2018-2020	1 January 2022
▪ Amendments to FRS 1 <i>Presentation of Financial Statements</i> : Classification of Liabilities as Current or Non-current	1 January 2023
▪ Amendments to FRS 110 <i>Consolidated Financial Statements</i> and FRS 28 <i>Investments in Associates and Joint Ventures</i> : Sales or Contribution of Assets between an Investor and its Associate or Joint Venture	Date to be determined

The directors expect the adoption of the standards above will have no material impact on the financial statements in the year of initial application.

**26. AUTHORISATION OF FINANCIAL STATEMENTS FOR ISSUE**

The financial statements of the Company for the financial year ended 31 December 2020 were authorised for issue in accordance with a resolution of the Board of Directors of the Company as at the date of the Director's Statement.

***THE FOLLOWING SCHEDULES DO NOT FORM PART OF THE STATUTORY FINANCIAL STATEMENTS***

**DETAILED STATEMENT OF PROFIT OR LOSS  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020**

	<u>2020</u> US\$	<u>2019</u> US\$
<b>Revenue income</b>		
Consultancy fees	800,000	350,000
Incentive fees	-	47,078
Management fees	200,000	200,000
Dividend received	405,000	1,000,000
	<u>1,405,000</u>	<u>1,597,078</u>
<b>Other income</b>		
Grant received - JSS	9,715	-
Grant received - MOM	521	-
Other income	5,701	-
	<u>15,937</u>	<u>-</u>
<b>Other operating expenses</b>		
Auditor's remuneration	10,408	9,854
Bank charges	6,650	4,762
Depreciation of plant and equipment	15,640	-
Decorative item charges	107	-
Delivery charges	86	-
Freight for import	199	-
Insurance	1,787	1,823
Legal and professional charges	35,737	44,664
Subscription expenses	628	638
Travelling expenses	4,345	4,108
Unrealised (gain)/loss on foreign exchange	(738)	1,614
Upkeep of motor vehicle	6,697	-
	<u>(81,546)</u>	<u>(67,463)</u>
<b>Employee benefits expense</b>		
Director's remuneration	57,119	19,101
Director's skill development levy	79	34
Staff's salaries and other costs	46,508	6,227
CPF contribution	5,656	935
Staff's skill development levy	124	15
	<u>(109,486)</u>	<u>(26,312)</u>
<b>Finance expenses</b>		
Finance charges	120,563	120,234
Interest on lease interest	3,292	-
Interest on bank loan	146,148	272,388
Interest on loan from holding company	-	2,670
Withholding tax	20,191	26,705
	<u>(290,194)</u>	<u>(421,997)</u>
<b>Profit before tax</b>	<u>939,711</u>	<u>1,081,306</u>

This statement is for management information only and does not form part of the financial statements of the Company.