

*Directors' Statement and
Audited Financial Statements*

CIAEL Singapore Pte. Ltd.
(Formerly known as CATL Singapore Pte. Ltd.)
(Co. Reg. No. 201818156E)

For the year ended 31 March 2022

CIAEL Singapore Pte. Ltd.
(Co. Reg. No. 201818156E)

General Information

Directors

Naveen Kapur
Shalini Kanwar Chand @ Shalini Chand

Secretaries

Pan Mi Keay
Wong Sien Ting

Independent Auditor

HLB Atrede LLP

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CIAEL Singapore Pte. Ltd.
(Co. Reg. No. 201818156E)

Directors' Statement

The directors are pleased to present their statement to the member together with the audited financial statements of CIAEL Singapore Pte. Ltd. (the "Company") for the financial year ended 31 March 2022.

1. OPINION OF THE DIRECTORS

In the opinion of the directors,

- (a) the accompanying financial statements are drawn up so as to give a true and fair view of the financial position of the Company as at 31 March 2022 and the financial performance, changes in equity and cash flows of the Company for the year ended on that date; 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.

2. DIRECTORS

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

Naveen Kapur
Shalini Kanwar Chand @ Shalini Chand

3. CHANGE OF COMPANY NAME

With effect from 21 October 2021, the Company changed its name from CATL Singapore Pte. Ltd. to CIAEL Singapore Pte. Ltd..

4. 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 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 or debentures of the Company or any other body corporate.

5. DIRECTORS' INTERESTS IN SHARES AND DEBENTURES

No director who held office at the end of the financial year had interests in shares, share options, warrants or debentures of the Company, or of related corporations, either at the date of incorporation or at the end of financial year.

6. 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.

CIAEL Singapore Pte. Ltd.
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Directors' Statement – continued

7. INDEPENDENT AUDITOR

The independent auditor, HLB Atrede LLP has expressed its willingness to accept re-appointment as auditor.


Naveen Kapur
Director

Singapore
5 May 2022


Shalini Kanwar Chand @ Shalini Chand
Director

**Independent Auditor's Report
to the member of CIAEL Singapore Pte. Ltd.**
(Co. Reg. No. 201818156E)

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of CIAEL Singapore Pte. Ltd. (the "Company"), which comprise the balance sheet as at 31 March 2022, and the statement of comprehensive income, statement of changes in equity and cash flow statement 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 1967 (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 March 2022 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 Directors' Statement but does not include the financial statements and our auditor's report thereon.

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

**Independent Auditor's Report
to the member of CIAEL Singapore Pte. Ltd. – continued**
(Co. Reg. No. 201818156E)

Other Information (continued)

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.

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 of 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.

**Independent Auditor's Report
to the member of CIAEL Singapore Pte. Ltd. – continued**
(Co. Reg. No. 201818156E)

Auditor's Responsibilities for the Audit of the Financial Statements (continued)

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 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.
- 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.

**Independent Auditor's Report
to the member of CIAEL Singapore Pte. Ltd. – continued
(Co. Reg. No. 201818156E)**

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.

A handwritten signature in blue ink, appearing to read 'J. B. Atrede'.

HLB Atrede LLP
Public Accountants and
Chartered Accountants

Singapore
5 May 2022

CIAEL Singapore Pte. Ltd.
(Co. Reg. No. 201818156E)

Balance Sheet as at 31 March 2022

	Note	2022 US\$	2021 US\$
Non-current assets			
Plant and equipment	4	2,414	2,519
Right-of-use assets	5	79,976	175,943
		<u>82,390</u>	<u>178,462</u>
Current assets			
Inventories	6	389,733	1,553,309
Other receivables	7	35,650	24,750
Amounts due from holding company	8	6,821,141	8,068,451
Cash and cash equivalents	9	207,866	190,983
		<u>7,454,390</u>	<u>9,837,493</u>
Current liabilities			
Trade payables	10	2,385,999	3,278,851
Other payables	11	41,267	34,017
Contract liabilities	12	403,687	1,607,675
Amounts due to holding company	13	1,670	1,670
Lease liabilities	14	84,859	97,123
Short term borrowings	15	4,273,794	4,459,645
Tax payable	16	–	36,864
		<u>7,191,276</u>	<u>9,515,845</u>
Net current assets		263,114	321,648
Non-current liability			
Lease liabilities	14	–	83,425
		<u>–</u>	<u>83,425</u>
Net assets		<u>345,504</u>	<u>416,685</u>
Equity attributable to owner of the Company			
Share capital	17	100,000	100,000
Accumulated profits		245,504	316,685
Total equity		<u>345,504</u>	<u>416,685</u>

The accompanying accounting policies and explanatory notes form an integral part of financial statements.

CIAEL Singapore Pte. Ltd.
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Statement of Comprehensive Income for the financial year ended 31 March 2022

	Note	2022 US\$	2021 US\$
Revenue	18	13,022,107	18,961,650
Cost of sales		<u>(12,581,746)</u>	<u>(18,320,424)</u>
Gross profit		440,361	641,226
Other operating income	19	6,626	46,202
Administrative expenses		(512,462)	(420,018)
Other charges	20	(3,552)	(188)
Finance costs	21	<u>(32,784)</u>	<u>(56,076)</u>
(Loss)/profit before tax	22	(101,811)	211,146
Income tax credit/(expense)	23	<u>30,630</u>	<u>(36,044)</u>
(Loss)/profit for the year		(71,181)	175,102
Other comprehensive income		<u>-</u>	<u>-</u>
Total comprehensive (loss)/income for the year		<u>(71,181)</u>	<u>175,102</u>

Statement of Changes in Equity
Year ended 31 March 2022

	Share capital US\$	Accumulated profit US\$	Total US\$
Balance at 1 April 2020	100,000	141,583	241,583
Total comprehensive income for the year	<u>-</u>	<u>175,102</u>	<u>175,102</u>
Balance at 31 March 2021	100,000	316,685	416,685
Total comprehensive loss for the year	<u>-</u>	<u>(71,181)</u>	<u>(71,181)</u>
Balance at 31 March 2022	<u>100,000</u>	<u>245,504</u>	<u>345,504</u>

The accompanying accounting policies and explanatory notes form an integral part of financial statements.

Cash Flow Statement for the financial year ended 31 March 2022

	2022	2021
	US\$	US\$
CASH FLOWS FROM OPERATING ACTIVITIES		
(Loss)/profit before tax	(101,811)	211,146
Adjustments for:		
Bad debt written off	–	466
Depreciation – plant and equipment	1,374	1,638
Depreciation – right-of-use assets	95,967	103,442
Interest expense	32,784	56,076
Unrealised exchange (loss)/gain	3,104	(875)
Operating cash flows before working capital changes	<u>31,418</u>	<u>371,893</u>
Decrease in inventories	1,163,576	2,035,020
(Increase)/decrease in other receivables	(10,900)	7,048
Decrease/(increase) in amounts due from holding company	1,247,310	(5,364,213)
(Decrease)/increase in trade payables, other payables and contract liabilities	<u>(2,088,210)</u>	<u>1,363,905</u>
Cash generated from/(used in) operations	<u>343,194</u>	<u>(1,586,347)</u>
Tax paid	(6,234)	(1,513)
Net cash flows from/(used in) operating activities	<u>336,960</u>	<u>(1,587,860)</u>
CASH FLOWS FROM INVESTING ACTIVITY		
Purchase of plant and equipment	<u>(1,269)</u>	<u>(367)</u>
Net cash flows used in investing activity	<u>(1,269)</u>	<u>(367)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Interest paid on short term borrowings (Note 15)	(29,575)	(46,740)
Interest paid on lease liabilities (Note 15)	(4,589)	(7,696)
(Decrease)/increase in short term borrowings (Note 15)	(185,851)	1,783,264
Repayment of lease liabilities (Note 15)	<u>(98,793)</u>	<u>(98,823)</u>
Net cash flows (used in)/from financing activities	<u>(318,808)</u>	<u>1,630,005</u>
Net increase in cash and cash equivalents	16,883	41,778
Cash and cash equivalents at beginning of year	<u>190,983</u>	<u>149,205</u>
Cash and cash equivalents at end of year	<u>207,866</u>	<u>190,983</u>

The accompanying accounting policies and explanatory notes form an integral part of financial statements.

CIAEL Singapore Pte. Ltd.
(Co. Reg. No. 201818156E)

Notes to the Financial Statements – 31 March 2022

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

1. CORPORATE INFORMATION

The Company is a private company limited by shares incorporated and domiciled in Singapore.

The immediate holding company is Classic Industries and Exports Ltd, incorporated in India and its ultimate holding company is Sunray Properties & Investment Co. Pvt. Ltd., incorporated in India.

The registered office and principal place of business of the Company is located at 1 Paya Lebar Link, #04-01 Paya Lebar Quarter, Singapore 408533.

The principal activities of the Company are that of trading tyres and raw materials including rubber.

With effect from 21 October 2021, the Company changed its name from CATL Singapore Pte. Ltd. to CIAEL Singapore Pte. Ltd..

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) *Basis of preparation*

The financial statements have been prepared in accordance with Singapore Financial Reporting Standards (FRS).

The financial statements have been prepared on the historical cost basis except where otherwise described in the accounting policies below.

The financial statements are presented in United States Dollar (USD or US\$) and all values are rounded to the nearest one-dollar unless otherwise stated.

The accounting policies adopted are consistent with those used in the previous financial year except in current financial year, the Company has adopted all applicable new and amended standards that are relevant to its operations and effective for the current financial year. The adoption of these standards did not have any material effect on the financial position or performance of the Company for the current or prior financial years.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(a) *Basis of preparation (continued)*

Standards issued but not yet effective

The Company has not adopted the following standards and interpretations that are potentially relevant to the Company that has been issued but not yet effective:

	(Effective for annual periods beginning on or after)
Annual Improvements to FRSs 2018 – 2021 – FRS 109: <i>Financial Instruments Illustrative Examples</i> accompanying FRS 116 <i>Leases</i>	1 January 2022
Amendment to FRS 1: <i>Classification of Liabilities as Current or Non-current</i>	1 January 2023
Amendments to FRS1 and FRS Practice Statement 2: <i>Disclosure of Accounting Policies</i>	1 January 2023

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

(b) *Functional and foreign currency*

The management has determined the currency of the primary economic environment in which the Company operates i.e. functional currency, to be USD.

Foreign currency transactions

Transactions in foreign currencies are measured in the functional currency 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 to the functional currency at the rate of exchange ruling at the end of the reporting period. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) *Plant and equipment*

All items of plant and equipment are initially recorded at cost. Subsequent to initial recognition, plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses. The cost of an item of plant and equipment is recognised as an asset if, and only if, it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably.

Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets as follows:

Computer	–	3 years
Office equipment	–	3 to 5 years

Fully depreciated assets are retained in the financial statements until they are no longer in use.

The carrying values of plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

The residual value, useful life 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 arising on derecognition of the asset is included in the profit or loss in the year the asset is derecognised.

(d) *Financial instruments*

(i) *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 profit or loss (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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) *Financial instruments (continued)*

(i) *Financial assets (continued)*

Subsequent measurement

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 amortisation process.

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.

(ii) *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 de-recognised 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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) *Impairment of financial assets*

The Company recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss and financial guarantee contracts. 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 required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

The Company considers a financial asset in default when contractual payments are 90 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.

(f) *Contract liabilities*

A contract liability is the obligation to transfer goods or services to a customer for which the Company has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Company transfers goods or services to the customer, a contract liability is recognised when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognised as revenue when the Company performs under the contract.

(g) *Impairment of non-financial assets*

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

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 to which the asset belongs.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(g) *Impairment of non-financial assets (continued)*

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.

(h) *Inventories*

Inventories are stated at the lower of cost and net realisable value. Costs incurred in bringing the inventories to their present location and condition are accounted for as follows:

- Trading goods – first-in-first-out basis.

Where 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.

The amount of any write-down of inventories to net realisable value and all losses of inventories shall be recognised as an expense in the period the write-down or loss occurs.

The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value, shall be recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurred.

When inventories are sold, the carrying amounts of those inventories are recognised as an expense in the period in which the related revenue is recognised.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

(i) *Cash and cash equivalents*

Cash and cash equivalents comprise cash on hand and at bank.

(j) *Trade and other payables*

Trade and other payables are non-interest bearing and trade payables are normally settled on 30 to 60 days' terms while other payables have an average term of six months.

(k) *Provisions*

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, and when it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and the amount of the obligation can be estimated reliably.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(k) *Provisions (continued)*

Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of economic resources will be required to settle the obligation, the provision is reversed.

If the effect of the time value of money is material, provisions are discounted using a current pre tax rate that reflects, where appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

(l) *Borrowing costs*

Borrowing cost consists of interest and other costs that an entity incurs in connection with the borrowing of funds. All borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss in the period in which they are incurred.

(m) *Employee benefits*

(i) *Defined contribution plans*

Defined contribution plans are post-employment benefit plans under which the Company pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

The Company makes contributions to the Central Provident Fund (“CPF”) scheme in Singapore, a defined contribution pension scheme. These contributions are recognised as an expense in the period in which the related service is performed.

(ii) *Employee leave entitlement*

Employee entitlements to annual leave are recognised as a liability when they accrue to employees. The estimated liability for leave is recognised for services rendered by employees up to the end of the reporting period.

(n) *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. Reassessment is only required when the terms and conditions of the contract are changed.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(n) *Leases (continued)*

(i) *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 representing the obligations to make lease payments and right-of-use assets representing the right to use the underlying leased assets.

▪ *Right-of-use assets*

The Company recognises right-of-use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets.

If ownership of the leased asset transfers to the Company at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset. The right-of-use assets are also subject to impairment.

▪ *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.

The initial measurement of lease liability is measured at the present value of the lease payments discounted using the implicit rate in the lease, if the rate can be readily determined. If that rate cannot be readily determined, the Company shall use its incremental borrowing rate.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(n) *Leases (continued)*

(i) *As lessee (continued)*

▪ *Lease liabilities (continued)*

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.

▪ *Short term and low value leases*

The Company applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (i.e. those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered to be low value. Lease payments on short-term leases and leases of low value assets are recognised as expense on a straight-line basis over the lease term.

(o) *Revenue*

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 good or service to the customer, which is when the customer obtains control of the good or service. 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.

▪ *Sales of goods*

Revenue from sale of goods is recognised at the point in time when control of the goods has transferred, being when the goods have been arrived at customer's specific location.

Notes to the Financial Statements – 31 March 2022

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(p) *Government grant*

Government grants are recognised when there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. Where the grant relates to an asset, the fair value is recognised as deferred capital grant on the balance sheet and is amortised to profit or loss over the expected useful life of the relevant asset by equal annual instalments.

Government grant shall be recognised in profit or loss on a systematic basis over the periods in which the entity recognises as expenses the related costs for which the grants are intended to compensate. Grants related to income may be presented as a credit in profit or loss, either separately or under a general heading such as “Other income”. Alternatively, they are deducted in reporting the related expenses.

(q) *Share capital*

Ordinary shares

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.

(r) *Taxes*

(i) *Current income tax*

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

Current income taxes are recognised in the profit or loss except to the extent that 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.

(ii) *Deferred tax*

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

Deferred tax liabilities are recognised for all temporary differences.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(r) *Taxes (continued)*

(ii) *Deferred tax (continued)*

Deferred tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured using 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 at the end of the reporting period.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity.

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

(iii) *Goods and services tax*

Revenue, expenses and assets are recognised net of the amount of goods and services tax ("GST") except:

- Where the goods and services tax incurred in a purchase of assets or services is not recoverable from the taxation authority, in which case the goods and services tax is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- Receivables and payables that are stated with the amount of goods and services tax included.

The net amount of goods and services tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the balance sheet.

Notes to the Financial Statements – 31 March 2022

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(s) *Related parties*

A related party is defined as follows:

- (a) A person or a close member of that person's family is related to the Company if that person:
 - (i) Has control or joint control over the Company;
 - (ii) Has significant influence over the 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 an entity 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).

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 revenue, expenses, assets, liabilities, and disclosure of contingent liabilities at the end of each reporting period. However, 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.

(i) *Judgement made in applying accounting policies*

In the process of applying the accounting policies, management has made the following judgements, apart from those involving estimations, which has the most significant effect on the amounts recognised in the financial statements:

▪ *Determination of lease term of contracts with extension options*

The Company determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Company has several lease contracts that include extension options. The Company applies judgement in evaluating whether it is reasonably certain whether or not to exercise the option to extend the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise the extension. After the commencement date, the Company reassesses the lease term whether there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to extend (e.g. construction of significant leasehold improvements or significant customisation to the leased assets).

The Company included the extension option in the lease term of leases of residential premise which is benefit in kind provided to director as the Company highly probably will exercise the option as long as the director is serving the Company.

(ii) *Estimates and assumptions*

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described 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 that are beyond the control of the Company. Such changes are reflected in the assumptions when they occur.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

(ii) *Estimates and assumptions (continued)*

▪ *Useful lives of plant and equipment*

The cost of plant and equipment is depreciated on a straight-line basis over the plant and equipment's estimated economic useful lives. Management estimates the useful lives of these plant and equipment to be within 3 to 5 years. These are common life expectancies applied in the industry. Changes in the expected level of usage and technological developments could impact the economic useful lives of these assets, therefore, future depreciation charges could be revised. The carrying amount of the plant and equipment at the end of each reporting period is disclosed in Note 4 to the financial statements.

▪ *Calculation of expected credit loss ("ECL")*

When measuring ECL, the Company uses reasonable and supportable forward-looking information, which is based on assumptions for the future movement of different economic drivers and how these drivers will affect each other.

Loss given default is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, taking into account cash flows from collateral and integral credit enhancements.

Probability of default constitutes a key input in measuring ECL. Probability of default is an estimate of the likelihood of default over a given time horizon, the calculation of which includes historical data, assumptions and expectations of future conditions.

▪ *Leases - estimating the incremental borrowing rate*

The Company cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate to measure lease liabilities. The incremental borrowing rate is the rate of interest that the Company would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The incremental borrowing rate therefore reflects what the Company 'would have to pay', which requires estimation when no observable rates are available or when they need to be adjusted to reflect the terms and conditions of the lease. The Company estimates the incremental borrowing rate using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates.

Notes to the Financial Statements – 31 March 2022

4. PLANT AND EQUIPMENT

	Computers US\$	Office equipment US\$	Total US\$
Cost:			
At 1 April 2020	2,136	4,166	6,302
Additions	–	367	367
At 31 March 2021 and 1 April 2021	2,136	4,533	6,669
Additions	1,032	237	1,269
At 31 March 2022	3,168	4,770	7,938
Accumulated depreciation:			
At 1 April 2020	1,216	1,296	2,512
Charge for the year	712	926	1,638
At 31 March 2021 and 1 April 2021	1,928	2,222	4,150
Charge for the year	437	937	1,374
At 31 March 2022	2,365	3,159	5,524
Net carrying amounts:			
At 31 March 2021	208	2,311	2,519
At 31 March 2022	803	1,611	2,414

5. RIGHT-OF-USE ASSETS

Leases (as a lessee)

	Office premise US\$	Residential premise US\$	Total US\$
Cost:			
At 1 April 2020	37,379	287,904	325,283
Lease expire	(37,379)	–	(37,379)
At 31 March 2022	–	287,904	287,904
Additions	–	–	–
At 31 March 2022	–	287,904	287,904
Accumulated depreciation:			
At 1 April 2020	29,904	15,994	45,898
Charge for the year	7,475	95,967	103,442
Lease expire	(37,379)	–	(37,379)
At 31 March 2021	–	111,961	111,961
Charge for the year	–	95,967	95,967
At 31 March 2022	–	207,928	207,928
Net carrying amount:			
At 31 March 2021	–	175,943	175,943
At 31 March 2022	–	79,976	79,976

Notes to the Financial Statements – 31 March 2022

5. RIGHT-OF-USE ASSETS (continued)

The Company leases several assets including office premises and residential apartments with lease term of 3 years (2021: 3 years). The Company's obligation under this lease is secured by the lessor's title to the leased assets. The Company is restricted from assigning and subleasing the leased assets.

The carrying amounts and maturity analysis of lease liabilities is presented in Note 14.

	2022 US\$	2021 US\$
(i) <u>Amounts recognised in profit or loss</u>		
Depreciation expense on right-of-use assets	95,967	103,442
Interest expense on lease liabilities	4,589	7,696
	<u>100,556</u>	<u>111,138</u>

(ii) Total cash outflow

The Company had total cash flow of US\$103,382 (2021: US\$106,519) for all the leases.

(iii) Extension option

The Company has several lease contracts that include extension options. These options are negotiated by management to provide flexibility in managing the leased-asset portfolio and align with the Company's business needs. Management exercise significant judgement in determining whether these extension options are reasonably certain to be exercised [Note 3(i)].

6. INVENTORIES

Goods-in-transit	<u>389,733</u>	<u>1,553,309</u>
Statement of comprehensive income:		
Inventories recognised as an expense in cost of sales	<u>12,581,746</u>	<u>18,320,424</u>

7. OTHER RECEIVABLES

Deposits	17,704	17,375
Prepayments	17,398	7,375
Other receivables	548	–
	<u>35,650</u>	<u>24,750</u>

Included in other receivables is an amount of US\$18,252 (2021: US\$17,375) denominated in Singapore Dollar.

Notes to the Financial Statements – 31 March 2022

8. AMOUNTS DUE FROM HOLDING COMPANY

The amounts due are trade related, unsecured, interest-free, repayable upon demand and to be settled in cash.

Included in amounts due from holding company is an amount of US\$22,740 (2021: US\$16,286) denominated in Euro.

The amounts due are pledged to a financial institution for the banking facility granted (Note 14).

9. CASH AND CASH EQUIVALENTS

Included in cash and cash equivalents is an amount of US\$19,000 (2021: US\$48,281) denominated in Singapore Dollar.

10. TRADE PAYABLES

Included in trade payables is an amount of US\$21,669 (2021: US\$Nil) denominated in Euro.

11. OTHER PAYABLES

	2022	2021
	US\$	US\$
Accrued liabilities	33,511	33,223
Sundry payables	7,756	794
	<u>41,267</u>	<u>34,017</u>

Included in other payables is an amount of US\$34,909 (2021: US\$26,447) denominated in Singapore Dollar.

12. CONTRACT LIABILITIES

Contract liabilities are relating to advance billing to customer for the sales of goods to be delivered. The revenue relating to the sales of goods is recognised upon the goods are received by customers.

13. AMOUNTS DUE TO HOLDING COMPANY

The amounts due are non-trade related, unsecured, interest-free, repayable upon demand and to be settled in cash.

Included in amounts due to holding company is an amount of US\$1,670 (2021: US\$1,670) denominated in Singapore Dollar.

Notes to the Financial Statements – 31 March 2022

14. LEASE LIABILITIES

	2022	2021
	US\$	US\$
Analysed as:		
Current	84,859	97,123
Non-current	–	83,425
	<u>84,859</u>	<u>180,548</u>
Maturity analysis:		
Year 1	86,152	101,635
Year 2	–	84,696
	<u>86,152</u>	<u>186,331</u>

Lease liability are denominated in Singapore Dollar at end of reporting period.

15. SHORT TERM BORROWINGS

Trade financing	<u>4,273,794</u>	<u>4,459,645</u>
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The borrowings bear interest rate ranging from 1.6198% to 2.0411% (2021: 1.4255% to 1.4525%) per annum. The trade financing is secured through exclusive charge on current assets (amounts due from holding company) (Note 8) and assignment of Raw Material Supply Agreement in favour of the Bank.

A reconciliation of liabilities arising from financing activities is as follows:

	<u>2022</u>		<u>2021</u>	
	Lease liabilities	Short term borrowings	Lease liabilities	Short term borrowings
	US\$	US\$	US\$	US\$
Balance at 1 April	180,548	4,459,645	280,246	2,676,381
Changes from financing cash flows:				
– Repayments	(98,793)	(185,851)	(98,823)	–
– Cash inflow from trade financing	–	–	–	1,783,264
– Interest paid	(4,589)	(29,575)	(7,696)	(46,740)
Non-cash changes:				
– Foreign exchange	3,104	–	(875)	–
– Interest expense	4,589	28,195	7,696	48,380
– Reversal of accrued interest	–	1,380	–	(1,640)
Balance at 31 March	<u>84,859</u>	<u>4,273,794</u>	<u>180,548</u>	<u>4,459,645</u>

Notes to the Financial Statements – 31 March 2022

16. TAX PAYABLE

	2022	2021
	US\$	US\$
Balance at beginning of year	36,864	2,333
Current year's tax expense	–	36,864
Income tax paid	(6,234)	(1,513)
Overprovision of taxation in prior year	(30,630)	(820)
Balance at end of year	<u>–</u>	<u>36,864</u>

17. SHARE CAPITAL

	2022		2021	
	Number of shares	US\$	Number of shares	US\$
Issued and fully paid:				
Ordinary shares:	<u>100,000</u>	<u>100,000</u>	<u>100,000</u>	<u>100,000</u>

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

18. REVENUE

Revenue represents sales of goods in the normal course of business. The timing of revenue transferred is at the point in time.

19. OTHER OPERATING INCOME

	2022	2021
	US\$	US\$
Government grants:		
– Special employment credit	6,626	477
– Wage credit scheme	–	4,281
– Jobs Support Scheme *	–	40,778
– Rental rebate	–	666
	<u>6,626</u>	<u>46,202</u>

* Jobs Support Scheme is a government grant that provides wage support to the Company to help retain its local employees during this period of economic uncertainty due to COVID-19 Pandemic.

20. OTHER CHARGES

Bad debt written off	–	466
Foreign exchange adjustments, loss/(gain)	3,552	(278)
	<u>3,552</u>	<u>188</u>

Notes to the Financial Statements – 31 March 2022

21. FINANCE COSTS

	2022	2021
	US\$	US\$
Interest expenses on:		
– Lease liabilities	4,589	7,696
– Short-term borrowings	28,195	48,380
	<u>32,784</u>	<u>56,076</u>

22. (LOSS)/PROFIT BEFORE TAX

The (loss)/profit before tax is arrived at after charging:

Professional fees	35,279	3,790
Repair and maintenance	<u>8,612</u>	<u>2,458</u>

23. INCOME TAX (CREDIT)/EXPENSE

(i) *Major components of income tax (credit)/expense*

The major components of income tax (credit)/expense for the years ended 31 March 2022 and 2021 are:

Statement of comprehensive income:

Current tax	–	36,864
Overprovision in prior year	<u>(30,630)</u>	<u>(820)</u>
Current tax	<u>(30,630)</u>	<u>36,044</u>

(ii) *Relationship between tax expense and accounting (loss)/profit*

The reconciliation between the tax expense and the product of accounting profit/(loss) multiplied by the applicable tax rate for the years ended 31 March 2022 and 2021 are as follows:

(Loss)/profit before tax	<u>(101,811)</u>	<u>211,146</u>
Tax (benefit)/expense on (loss)/profit before tax at 17%	(17,308)	35,895
Adjustments:		
Non-taxable items	–	(6,933)
Tax exemptions	–	(6,610)
Overprovision in prior year	(30,630)	(820)
Overprovision in current year	–	30,877
Utilisation of deferred tax previously not recognised	17,308	(16,365)
Total tax (credit)/expense	<u>(30,630)</u>	<u>36,044</u>

Notes to the Financial Statements – 31 March 2022

24. DEFERRED TAXATION

	2022	2021
	US\$	US\$
Deferred tax assets:		
Differences in depreciation	(636)	(355)
Tax losses carry forward	(17,027)	–
Total deferred tax assets	<u>(17,663)</u>	<u>(355)</u>
Deferred taxation on temporary differences not recognised	17,663	355
Balance	<u>–</u>	<u>–</u>

The Company has unabsorbed tax losses of approximately US\$100,000 (2021: US\$Nil) that are available for offset against future taxable profits of the Company. The use of these tax losses is subject to the agreement with the Income Tax Authorities.

25. EMPLOYEE BENEFITS

Employee benefits expenses (including directors):		
Salaries and bonuses	295,026	233,274
Central provident fund contributions	26,497	25,311
Benefit in kind	117,539	107,670
	<u>439,062</u>	<u>366,255</u>

26. RELATED PARTY DISCLOSURES

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

(i) *Significant related party transactions*

Holding company

Sales	<u>13,022,107</u>	<u>18,961,650</u>
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(ii) *Compensation of key management personnel*

Key management personnel of the Company are those persons having the authority and responsibility for planning, directing and controlling the activities, directly or indirectly, of the Company. The directors of the Company and the general management of the Company are considered as key management personnel of the Company.

Short term employee benefits (including benefit in kind)	<u>311,467</u>	<u>261,110</u>
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27. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Company is exposed to financial risks arising from its operations and the use of financial instruments. The key financial risks include interest rate risk, foreign currency risk, credit risk and liquidity risk. The Company's risk management policies focus on the unpredictability of financial markets and seek to, where appropriate, minimise potential adverse effects on the financial performance of the Company. The Company does not have any written financial risk management policies and guidelines and 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.

The following sections provide details regarding the Company's exposure to the financial risks associated with financial instruments held in the ordinary course of business and the objectives, policies and processes for the management of these risks.

(i) *Interest rate risk*

Interest rate risk is the risk that the fair value or future cash flows of the Company and 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 their short term borrowings, interest-bearing loans given to related parties, investments in debt securities and cash and cash equivalent.

The Company's policy is to manage its interest cost using a mix of fixed and variable rate debts as well as by rolling over its borrowings on a short-term basis.

Sensitivity analysis for interest rate risk

Movements in interest rates will have an impact on the Company's loans and borrowings. A change of 75 basis points (bp) in interest rates at the reporting date would change equity and profit before tax by US\$32,053 (2021: US\$33,447). This analysis assumes that all other variables remain constant.

(ii) *Foreign currency risk*

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. Currency risk arises when transactions are denominated in foreign currencies.

The Company has transactional currency exposures arising from expenses that are denominated in a currency other than the functional currency. The foreign currencies in which these transactions are denominated are mainly Singapore Dollar (SGD) and Euro (EUR). The Company's other receivables and other payables balances at the end of the reporting period have similar exposures. The Company also hold cash and cash equivalents denominated in foreign currencies for working capital purposes.

However, the Company does not use any financial derivatives such as foreign currency forward contracts, foreign currency options or swaps for hedging purposes.

26. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(ii) *Foreign currency risk (continued)*

Sensitivity analysis for foreign currency risk

The following table demonstrates the sensitivity of the Company's (loss)/profit before tax to a reasonably possible change in the SGD and EUR, with all other variables held constant.

	(Loss)/profit before tax	
	2022	2021
	US\$	US\$
SGD		
– strengthened 1% (2021: 1%)	(842)	(1,430)
– weakened 1% (2021: 1%)	842	1,430
EUR		
– strengthened 1% (2021: 5%)	227	814
– weakened 1% (2021: 5%)	<u>(227)</u>	<u>(814)</u>

(iii) *Credit risk*

Credit risk is the risk of loss that may arise on outstanding financial instruments should a counterparty default on its obligations. The Company's exposure to credit risk arises primarily from trade and other receivables. Guidelines on credit terms provided to trade customers are established and continually monitored. For cash and cash equivalents, the Company minimises credit risk by dealing exclusively with reputable and well-established local and foreign banks, and companies with high credit ratings and no history of defaults.

The Company's objective is to seek continual revenue growth while minimising losses incurred due to increased credit risk exposures. Credit policies with guidelines on credit terms and limits set the basis for risk control. New customers are subject to credit evaluation while the Company continues to monitor existing customers, especially those with repayment issues. In addition, appropriate allowances are made for probable losses when necessary for identified debtors.

The Company does not hold any collateral or other credit enhancements to cover its credit risks associated with its financial assets.

In order to minimise credit risk, the Company has developed and maintain the Company's credit risk gradings to categorise exposures according to their degree of risk of default. The credit rating information is supplied by independent rating agencies where available and, if not available, the Company uses other publicly available financial information and the Company's own trading records to rate its major customers and other debtors. The Company's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties.

Notes to the Financial Statements – 31 March 2022

26. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(iii) Credit risk (continued)

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

Category	Description	Basis for recognising expected credit losses (ECL)
Performing	The counterparty has a low risk of default and does not have any past-due amounts.	12-month ECL
Doubtful	Amount is >30 days past due or there has been a significant increase in credit risk since initial recognition.	Lifetime ECL – not credit-impaired
In default	Amount is >90 days past due or there is evidence indicating the asset is credit-impaired.	Lifetime ECL – credit-impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and has no realistic prospect of recovery.	Amount is written off

The tables below detail the credit quality of the Company's financial assets and other items, as well as maximum exposure to credit risk by credit risk rating grades:

	Note	External credit rating	Category	12-month or lifetime ECL	Gross carrying amount US\$	Loss allowance US\$	Net carrying amount US\$
2022							
Other receivables	7	N.A.	Performing	12m ECL	18,252	–	18,252
Amounts due from holding company	8	N.A.	Performing	12m ECL	6,821,141	–	6,821,141
						–	
2021							
Other receivables	7	N.A.	Performing	12m ECL	17,375	–	17,375
Amounts due from holding company	8	N.A.	Performing	12m ECL	8,068,451	–	8,068,451
						–	

No expected credit loss been provided for amounts due from holding company as majority of the amounts due is trade in natures and the holding company always settled the debts within the credit term given.

26. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(iii) *Credit risk (continued)*

Exposure to credit risk

At the end of the reporting period, the Company's maximum exposure to credit risk is represented by the carrying amount of each class of financial assets recognised in the balance sheet. No other financial assets carry a significant exposure to credit risk.

Credit risk concentration profile

The Company has no significant concentration of credit risk. The maximum exposures to credit risk in relation to each class of recognised financial assets other than derivatives is represented by the carrying amount of each financial assets as indicated in the balance sheet.

(iv) *Liquidity risk*

Liquidity risk is the risk that the Company will encounter difficulty in meeting financial obligations due to shortage of funds. The Company's exposure to liquidity risk arises primarily from possible mismatches of the maturities of financial assets and liabilities. The Company objective is to maintain a balance between continuity of funding and flexibility through the use of standby credit facilities.

Analysis of financial instruments by remaining contractual maturities

The table below analyses the maturity profile of the Company's financial liabilities at the end of reporting period, based on contractual undiscounted repayment obligations.

	Total US\$	Within one year US\$	Within two to five years US\$
2022			
Trade payables	2,385,999	2,385,999	–
Other payables	41,267	41,267	–
Amounts due to holding company	1,670	1,670	–
Lease liabilities	86,152	86,152	–
Short term borrowings	4,273,794	4,273,794	–
	<u>6,788,882</u>	<u>6,788,882</u>	<u>–</u>
2021			
Trade payables	3,278,851	3,278,851	–
Other payables	34,017	34,017	–
Amounts due to holding company	1,670	1,670	–
Lease liabilities	186,331	101,635	84,696
Short term borrowings	4,459,645	4,459,645	–
	<u>7,960,514</u>	<u>7,875,818</u>	<u>84,696</u>

Notes to the Financial Statements – 31 March 2022

28. CLASSIFICATION OF FINANCIAL ASSETS AND LIABILITIES

The following table summarises the carrying amount of financial assets and liabilities recorded at the end of the reporting period by FRS 109 categories.

	2022 US\$	2021 US\$
<i>Financial assets at amortised cost</i>		
Other receivables	18,252	17,375
Amounts due from holding company	6,821,141	8,068,451
Cash and cash equivalents	207,866	190,983
	<u>7,047,259</u>	<u>8,276,809</u>
<i>Financial liabilities at amortised cost</i>		
Trade payables	2,385,999	3,278,851
Other payables	41,267	34,017
Amounts due to holding company	1,670	1,670
Short term borrowings	4,273,794	4,459,645
	<u>6,702,730</u>	<u>7,774,183</u>

29. FAIR VALUE OF ASSETS AND LIABILITIES

The fair value of an asset or a liability is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The carrying amount of financial assets and liabilities are reasonable approximation of 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.

However, the Company does not anticipate that the carrying amounts recorded at the end of the reporting period would be significantly different from the values that would eventually be received or settled.

At the end of the reporting period, the Company does not have any other asset or liability carried at fair value.

30. CAPITAL MANAGEMENT

The primary objective of the Company's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximise shareholder value.

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. No changes were made in the objectives, policies or processes during the years ended 31 March 2022 and 2021. The Company monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. The Company is not subjected to externally imposed capital requirements.

Notes to the Financial Statements – 31 March 2022

29. CAPITAL MANAGEMENT (continued)

The Company will continue to be guided by prudent financial policies of which gearing is an important aspect.

	2022	2021
	US\$	US\$
Trade and other payables	2,427,266	3,312,868
Amounts due to holding company	1,670	1,670
Short term borrowings	4,273,794	4,459,645
Lease liabilities	84,859	180,548
Less: Cash and cash equivalents	<u>(207,866)</u>	<u>(190,983)</u>
Net debt	<u>6,579,723</u>	<u>7,763,748</u>
Equity attributable to the owner of the Company	<u>345,504</u>	<u>416,685</u>
Total capital	<u>345,504</u>	<u>416,685</u>
Capital and net debt	<u>6,925,227</u>	<u>8,180,433</u>
Gearing ratio	<u>95%</u>	<u>95%</u>

31. AUTHORISATION OF FINANCIAL STATEMENTS

The financial statements for the year ended 31 March 2022 were authorised for issue in accordance with a resolution of the directors on 5 May 2022.