WENERGY GLOBAL PTE. LTD.

Company Registration No. 201205015Z

Directors' Statement and Audited Financial Statements

For the financial year ended 31 December 2019

TIT WEI LEE & CO

Public Accountants and
Chartered Accountants

WEnergy Global Pte. Ltd.

Corporate Information

Directors

Shantilall Aatmanand Ramsundersingh
Oeshadevie Shardha Indrawatie Thakoerdin
Hartwig Johannes Heinrich Westphalen
Nepomuk Konrad Gabriel Maria Freiherr Von Ritter Zu Groenesteyn
Lau Yu
Shinichi Imai

Company Secretary

Chong Mi-Li Pamela

Registered Office

29 Media Circle
#04-18
Singapore 138565

Auditor

Tit Wei Lee & Co

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The Directors present this statement to the members together with the financial statements of the company for the financial year ended 31 December 2019.

Directors

The Directors of the company in office at the date of this statement are:-

Shantilall Aatmanand Ramsundersingh
Oeshadevie Shardha Indrawatie Thakoerdin
Hartwig Johannes Heinrich Westphalen
Nepomuk Konrad Gabriel Maria Freiherr Von Ritter Zu Groenesteyn
Lau Yu
Shinichi Imai (Appointed on 6 April 2020)

Arrangements to enable Directors to acquire benefits by means of acquisition of shares and debentures

Neither at the end of nor at anytime during the financial year, was the company a party to any arrangement whose object is to enable the Director of the company to acquire benefits by means of the acquisition of shares or debentures of the company or any other body corporate.

Directors' interests in shares and debentures

The following Directors, who held office at the end of the financial year, had according to the register of Directors' shareholdings required to be kept under Section 164 of the Companies Act, an interest in shares of the company as stated below:-

	Deemed interest		Direct interest	
Name of Director	**At beginning of the year**	**At end of the year**	**At beginning of the year**	**At end of the year**
Shantilall Aatmanand Ramsundersingh	983,373	983,373	-	-
Oeshadevie Shardha Indrawatie Thakoerdin	983,373	983,373	-	-
Nepomuk Konrad Gabriel Maria Freiherr Von Ritter Zu Groenesteyn	-	-	284,375	284,375
Hartwig Johannes Heinrich Westphalen	-	-	683,125	683,125

Options

There is presently no option scheme on unissued shares of the company.

Opinion of the Directors

In the opinion of the Directors of WEnergy Global Pte. Ltd.:

(a) the accompanying balance sheets, statements of comprehensive income, statements of changes in equity and cash flow statement, together with the notes thereto are drawn up so as to give a true and fair view of the financial position of the Economic Entity and the Company as at 31 December 2019 and of the financial performance, changes in equity of the Economic Entity and the Company and cash flows of the Economic Entity for the financial year ended 31 December 2019; 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.

The board of Directors authorized these financial statements for issue on the date of this statement.

On behalf of the Directors

Shantilall Aatmanand Ramsundersingh
Director

Nepomuk Konrad Gabriel Maria Freiherr Von Ritter Zu Groenesteyn
Director

10 June 2020

TIT WEI LEE & CO
Chartered Accountants Singapore

60 Paya Lebar Road
#11-29 Paya Lebar Square
Singapore 409051

Tel : 6299 4292
Fax : 6299 1615

Independent Auditor's Report to the Members of WEnergy Global Pte. Ltd.

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of WEnergy Global Pte Ltd (the Company) and its associate (the "Economic Entity"), which comprise the balance sheets as at 31 December 2019 of the Economic Entity and of the Company, statements of comprehensive income and statements of changes in equity of the Economic Entity and of the Company and cash flow statement of the Economic Entity 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 Economic Entity and of the Company as at 31 December 2019 and of the financial performance, changes in equity of the Economic Entity and of the Company and cash flows of the Economic Entity 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 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.

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

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Chartered Accountants Singapore

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Independent Auditor's Report to the Members of
WEnergy Global Pte. Ltd.

Report on the Audit of the Financial Statements (Cont'd)

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.

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.

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.

Tit Wei Lee & Co

Tit Wei Lee & Co
Public Accountants and
Chartered Accountants
Singapore

10 June 2020

WEnergy Global Pte. Ltd.

Statement of Comprehensive Income for the financial year ended 31 December 2019

		Economic Entity		Company	
	Note	2019 S$	2018 S$	2019 S$	2018 S$
Revenue					
Sale of goods and services		5,187,688	1,548,985	5,187,688	1,548,985
Other items of income					
Other income		7,995	25,387	7,995	25,387
Items of expense					
Purchases and changes in inventories		(3,025,797)	(191,798)	(3,025,797)	(191,798)
Employee benefits		(1,033,464)	(747,863)	(1,033,464)	(747,863)
Other expenses		(492,428)	(274,863)	(492,428)	(274,863)
Finance costs	3	(92,530)	(70,312)	(92,530)	(70,312)
Share of results of associates		(80,487)	(56,467)	-	-
Profit before taxation	4	470,977	233,069	551,464	289,536
Taxation	5	-	-	-	-
Net profit		470,977	233,069	551,464	289,536
Other comprehensive income					
Items that may be reclassified subsequently to profit and loss:					
Foreign currency translation		28,902	14,987	-	-
Total comprehensive income		499,879	248,056	551,464	289,536

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

WEnergy Global Pte. Ltd.

Balance Sheet as at 31 December 2019

		Economic Entity		Company	
	Note	2019 S$	2018 S$	2019 S$	2018 S$
Non-current assets					
Interest in associates	6	1,223,541	1,259,131	1,473,400	1,457,405
Other investment		6,683	6,683	6,683	6,683
Property, plant and equipment	7	282,747	6,691	282,747	6,691
Total non-current assets		1,512,971	1,272,505	1,762,830	1,470,779
Current assets					
Trade receivables	8	5,595	304,323	5,595	304,323
Other receivables	9	56,561	49,300	56,561	49,300
Other assets	10	232,370	943,589	232,370	943,589
Contract assets	11	52,516	-	52,516	-
Cash and bank balances	12	591,511	1,206,764	591,511	1,206,764
Total current assets		938,553	2,503,976	938,553	2,503,976
Current liabilities					
Trade payables	13	80,575	613,062	80,575	613,062
Other payables	14	86,959	43,803	86,959	43,803
Contract liabilities	15	-	1,152,162	-	1,152,162
Loans and borrowings	16	201,253	657,080	201,253	657,080
Lease liabilities	17	58,487	-	58,487	-
Total current liabilities		427,274	2,466,107	427,274	2,466,107
Net current assets		511,279	37,869	511,279	37,869
Non-current liabilities					
Loans and borrowings	16	(50,314)	(694,351)	(50,314)	(694,351)
Lease liabilities	17	(161,585)	-	(161,585)	-
Redeemable preference shares	18	(344,000)	(344,000)	(344,000)	(344,000)
Total non-current liabilities		(555,899)	(1,038,351)	(555,899)	(1,038,351)
Net assets		1,468,351	272,023	1,718,210	470,297
Share capital and reserves					
Share capital	19	5,118,233	4,409,746	5,118,233	4,409,746
Foreign currency translation reserve		32,559	3,657	-	-
Accumulated loss		(3,682,441)	(4,141,380)	(3,400,023)	(3,939,449)
Total equity		1,468,351	272,023	1,718,210	470,297

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

WEnergy Global Pte. Ltd.

Statement of Changes in Equity for the financial year ended 31 December 2019

Economic Entity

	Share capital [1]	Foreign currency translation reserve	Accumulated loss	Total equity
	S$	S$	S$	S$
2019				
Balance at 1 January 2019	4,409,746	3,657	(4,141,380)	272,023
Adoption of FRS 116	-	-	(12,038)	(12,038)
Issuance of shares	708,487	-	-	708,487
Net profit for the year	-	-	470,977	470,977
Other comprehensive income	-	28,902	-	28,902
Total comprehensive income for the year	-	28,902	470,977	499,879
Balance at 31 December 2019	5,118,233	32,559	(3,682,441)	1,468,351
2018				
Balance at 1 January 2018	4,409,746	(11,330)	(4,374,449)	23,967
Net profit for the year	-	-	233,069	233,069
Other comprehensive income	-	14,987	-	14,987
Total comprehensive income for the year		14,987	233,069	248,056
Balance at 31 December 2018	4,409,746	3,657	(4,141,380)	272,023

WEnergy Global Pte. Ltd.

Statement of Changes in Equity for the financial year ended 31 December 2019

Company

	Share capital [1]	Accumulated loss	Total equity
	S$	S$	S$
2019			
Balance at 1 January 2019	4,409,746	(3,939,449)	470,297
Adoption of FRS 116	-	(12,038)	(12,038)
Issuance of shares	708,487	-	708,487
Total comprehensive income for the year	-	551,464	551,464
Balance at 31 December 2019	5,118,233	(3,400,023)	1,718,210
2018			
Balance at 1 January 2018	4,409,746	(4,228,985)	180,761
Total comprehensive income for the year	-	289,536	289,536
Balance at 31 December 2018	4,409,746	(3,939,449)	470,297

(1) 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 accompanying accounting policies and explanatory notes form an integral part of the financial statements.

WEnergy Global Pte. Ltd.

Cash Flow Statement for the financial year ended 31 December 2019

	2019	2018
	S$	S$
Cash flow from operating activities :		
Profit before taxation	470,977	233,069
Adjustments for:		
Gain on termination of lease	(272)	-
Loss on disposal of property, plant and equipment	198	-
Interest income	(507)	(219)
Interest expense	92,530	70,312
Depreciation of property, plant and equipment	85,793	7,337
Foreign exchange (gain)/loss	(13,120)	10,974
Share of results of associate	80,487	56,467
Operating profit before changes in working capital	716,086	377,940
Work-in-progress	-	4,941
Trade receivables	298,728	279,851
Other receivables	(7,261)	(19,808)
Other assets	711,219	(930,626)
Contract assets	(52,516)	-
Trade payables	(532,487)	422,389
Contract liabilities	(1,152,162)	1,152,162
Other payables	61,748	(109,756)
Net cash generated from operations	43,355	1,177,093
Interest income	507	219
Net cash generated from operating activities	43,862	1,177,312
Cash flow from investing activities :		
Investment in associate	(15,995)	(1,204,415)
Other investment	-	(6,683)
Purchase of plant and equipment	(80,039)	(4,309)
Net cash outflows from investing activities	(96,034)	(1,215,407)
Cash flow from financing activities :		
Proceeds from issuance of shares	-	344,000
Proceeds from loans and borrowings	-	1,115,260
Repayment of loans and borrowings	(389,952)	(212,407)
Payment of principal portion of lease liabilities	(73,702)	-
Interest paid - lease liabilities	(5,396)	-
Interest paid - loans and borrowings	(51,444)	(82,736)
Interest paid - redeemable preference shares dividends	(42,587)	-
Net cash (outflows)/inflows from financing activities	(563,081)	1,164,117
Net changes in cash and bank balances	(615,253)	1,126,022
Cash and bank balances at beginning of year	1,206,764	80,742
Cash and bank balances at end of year	591,511	1,206,764

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

WEnergy Global Pte. Ltd.

Cash Flow Statement for the financial year ended 31 December 2019

Reconciliation of liabilities arising from financing activities

	Beginning of year	Financing cashflows	Other changes			End of year
			Interest expense	Foreign exchange movement	Other movement	
	S$	S$	S$	S$	S$	S$
2019						
Loans and borrowings	1,351,431	(418,965)	40,708	(13,120)	(708,487)	251,567
Other payables	43,803	(22,431)	3,839	-	61,748	86,959
Lease liabilities	120,426	(79,098)	5,396	-	173,348	220,072
Redeemable preference shares	344,000	(42,587)	42,587	-	-	344,000
2018						
Loans and borrowings	425,653	866,923	47,881	10,974	-	1,351,431
Other payables	177,934	(46,806)	22,431	-	(109,756)	43,803
Redeemable preference shares	-	344,000	-	-	-	344,000

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

1. Corporate information

WEnergy Global Pte. Ltd. ("The Company") is a limited liability company incorporated and domiciled in Singapore. The financial statements of the Company for the financial year ended 31 December 2019 were authorized for issue in accordance with a resolution of the directors on 10 June 2020.

The registered office of the Company is located at 29 Media Circle #04-18 Singapore 138565.

The principal activities of the Company are to carry on the business of the provision of services in energy systems and solutions, and general consultancy services.

2. Summary of significant accounting policies

2.1 *Basis of preparation*

The financial statements of the Company are presented in Singapore dollars (S$), which is also the Company's functional currency, and are prepared in accordance with Singapore Financial Reporting Standards on a historical cost basis, except as disclosed in the accounting policies below.

2.2 *Adoption of new and amended standards and interpretation*

The accounting policies adopted are consistent with those of the previous financial year except that in the 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 2019. Except for the adoption of *FRS 116 Leases* as described below, the adoption of these standards did not have any material effect on the financial performance or position of the Company.

FRS 116 Leases

Prior to the adoption of FRS 116, non-cancellable operating lease payments were not recognised as liabilities in the balance sheet. These payments were recognised as rental expenses over the lease term on a straight-line basis. The Company's accounting policy on leases after the adoption of FRS 116 is as disclosed in Note 2.10.

The Company adopted FRS 116 using the modified retrospective method of adoption with the date of initial application of 1 January 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initially applying the standard recognised at the date of initial application as an adjustment to the opening balance of retained earnings. The Company elected to use the transition practical expedient to not reassess whether a contract is, or contains a lease at 1 January 2019. Instead, the Company applied the standard only to contracts that were previously identified as leases applying FRS 17 and INT FRS 104 at the date of initial application.

2. Summary of significant accounting policies (Cont'd)

2.2 *Adoption of new and amended standards and interpretation (Cont'd)*

The Company also applied the available practical expedients wherein it:

- used a single discount rate to a portfolio of leases with reasonably similar characteristics;
- relied on its assessment of whether leases are onerous immediately before the date of initial application as an alternative to performing an impairment review;
- applied the short-term leases exemption to leases with lease term that ends within 12 months of the date of initial application;
- excluded the initial direct costs from the measurement of the right-of-use ("ROU") asset at the date of initial application; and
- used hindsight in determining the lease term where the contract contained options to extend or terminate the lease.

The effect of adoption of FRS 116 as at 1 January 2019 was as follows:

	Increase/(decrease)
	S$
Property, plant and equipment	108,388
Lease liabilities	120,426
Retained earnings	(12,038)

The Company has lease contracts for office space. Before the adoption of FRS 116, the Company classified each of its leases at the inception date as either a finance lease or an operating lease. The accounting policy prior to 1 January 2019 is disclosed in Note 2.10.

<u>Leases previously accounted for as operating leases</u>

The Company recognised ROU assets and lease liabilities for those leases previously classified as operating leases, except for short-term leases and leases of low-value assets. The ROU assets for the leases were recognised based on the carrying amount as if the standard had always been applied, using the incremental borrowing rate at the date of initial application. Lease liabilities were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of initial application. The difference between the carrying amounts of the ROU assets and lease liabilities as at 1 January 2019 is adjusted directly to opening retained profits. Comparative information is not restated.

An explanation of the differences between the operating lease commitments previously disclosed in the Company's financial statements as at 31 December 2018 and the lease liabilities recognised in the balance sheet as at 1 January 2019 are as follows :

	S$
Operating lease commitment disclosed as at 31 December 2018	127,159
Less: Discounting effect using weighted average incremental borrowing rate of 5%	(6,733)
Lease liabilities recognised as at 1 January 2019	120,426

2. Summary of significant accounting policies (Cont'd)

2.3 *FRS not yet adopted*

The Company has not applied any new FRS or interpretations that have been issued but are not yet effective for the current financial year. The Company expects that the adoption of the new FRS or interpretations that have been issued but not yet effective will not have any material impact on the financial statements in the period of initial application.

2.4 *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 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.

<u>Sale of goods</u>

The Company sells equipment relating to energy systems and solutions. Revenue is recognized when the goods are delivered to the customers (i.e. at a point in time).

<u>Rendering of services</u>

The Company provides technical and management consultancy services in energy systems and solutions. Revenue from rendering of technical and management consultancy services is recognized upon completion of deliverables as specified in the contract with customers.

2.5 Foreign currencies

Functional and presentation currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The financial statements of the Economic Entity and the Company are presented in S$, which is the Company's functional currency.

Transactions and balances

Transactions arising in foreign currencies during the year are translated at rates closely approximating those ruling on transaction dates. Foreign currency monetary assets and liabilities are translated into functional currency at exchange rates ruling at balance sheet 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 from the settlement of monetary items or on translating monetary items at the balance sheet date are recognised in the profit and loss.

2. Summary of significant accounting policies (Cont'd)

2.6 *Significant accounting estimates and judgements*

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet 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 discussed below.

Income taxes

Significant judgement is required in determining the capital allowances and deductibility of certain expenses during the estimation of the provision for income taxes. There are certain transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Company recognises liabilities for anticipated tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred income tax provisions in the period in which such determination is made.

Critical judgements made in applying accounting policies

There are no significant judgements made in the preparation of the financial statements.

2.7 *Trade and Other payables*

Financial liabilities for trade and other payables, which are generally on 30 to 60 day terms, are initially recognized at fair value and subsequently measured at amortised cost using the effective interest method.

Gains and losses are recognized in the profit and loss when the liabilities are derecognised as well as through the amortisation process.

2.8 *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 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 and loss.

2. Summary of significant accounting policies (Cont'd)

2.8 *Financial assets (Cont'd)*

Initial recognition and measurement (Cont'd)

Trade and other receivables, which are generally on 30 to 60 day terms, are measured at the amount of consideration to which the Group 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 and other 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, 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 recognized in profit and loss when the assets are derecognised or impaired, and through the 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 and loss.

Impairment

The Company recognises an allowance for expected credit losses (ECLs) for all financial assets measured at amortised cost and 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.

Loss allowances of the Company are measured on either of the following bases:

- 12-month ECLs: these are ECLs that result from default events that are possible within the 12 months after the reporting date (or for a shorter period if the expected life of the instrument is less than 12 months); or
- Lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument or contract asset

2. Summary of significant accounting policies (Cont'd)

2.8 *Financial assets (Cont'd)*

Impairment (Cont'd)

General approach

The Company applies the general approach to provide for ECLs on all financial instruments. Under the general approach, the loss allowance is measured at an amount equal to 12-month ECLs at initial recognition.

At each reporting date, the Company assesses whether the credit risk of a financial instrument has increased significantly since initial recognition. When credit risk has increased significantly since initial recognition, loss allowance is measured at an amount equal to lifetime ECLs.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and informed credit assessment and includes forward-looking information.

If credit risk has not increased significantly since initial recognition or if the credit quality of the financial instruments improves such that there is no longer a significant increase in credit risk since initial recognition, loss allowance is measured at an amount equal to 12-month ECLs.

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.

2.9 *Impairment of non-financial assets*

Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Whenever the carrying amount of an asset exceeds its recoverable amount, an impairment loss is recognized in the profit and loss or treated as a revaluation decrease for assets carried at revalued amount to the extent that the impairment loss does not exceed the amount held in the revaluation surplus of the same asset.

Reversal of impairment losses recognized in prior years is recorded when there is an indication that the impairment losses recognized for the asset no longer exist or have decreased. The reversal is recorded in income or as a revaluation increase. However, the increased carrying amount of an asset due to a reversal of an impairment loss is recognized to the extent it does not exceed the carrying amount that would have been determined (net of depreciation) had no impairment loss been recognized for that asset in prior years.

2. Summary of significant accounting policies (Cont'd)

2.10 *Leases*

The accounting policy for leases from 1 January 2019 are as follows:

At the inception of the contract, the Company assesses if the contract contains a lease. A contract contains a lease if the contract convey 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.

• Right-of-use assets
The Company recognised a right-of-use asset and lease liability at the date which the underlying asset is available for use. Right-of-use assets are measured at cost which comprises the initial measurement of lease liabilities adjusted for any lease payments made at or before the commencement date and lease incentive received. Any initial direct costs that would not have been incurred if the lease had not been obtained are added to the carrying amount of the right-of-use assets. These right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term.

Right-of-use assets are presented within Property, plant and equipment (Note 7).

• Lease liabilities
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.

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.

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, with a corresponding adjustment to the right-of-use asset, or is recorded in profit and loss if the carrying amount of the right-of-use asset has been reduced to zero.

• Short term and low value leases
The Company has elected to not recognised right-of-use assets and lease liabilities for short-term leases that have lease terms of 12 months or less and leases of low value leases, except for sublease arrangements. Lease payments relating to these leases are expensed to profit and loss on a straight-line basis over the lease term.

2. Summary of significant accounting policies (Cont'd)

2.10 *Leases (Cont'd)*

The accounting policy for leases before 1 January 2019 are as follows:

Operating lease payments are recognised as an expense in the profit and loss on a straight-line basis over the lease term.

2.11 *Employee benefits*

Defined contribution plans

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

Employee leave entitlement

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for leave as a result of services rendered by employees up to balance sheet date.

Share-based compensation

The Company operates a cash-settled, share-based compensation plan. The fair value of the employee services received in exchange for the grant of shares is recognized as an expense with the recognition of a corresponding liability over the vesting period. Until the liability is settled, it is remeasured at each balance sheet date with changes in the fair value recognized in the profit and loss account.

2.12 *Interest bearing loans and borrowings*

All loans and borrowings are initially recognised at the fair value of the consideration received less directly attributable transaction costs.

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method. Gains and losses are recognised in the profit and loss when the liabilities are derecognised as well as through the amortisation process.

2.13 *Cash and cash equivalents*

Cash and cash equivalents are defined as cash and bank balances and fixed deposits that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value. These also include bank overdraft that form an integral part of the Company's cash management.

2.14 *Share capital*

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognized as a deduction from equity.

2. Summary of significant accounting policies (Cont'd)

2.15 *Taxation*

Current tax

Current 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.

Deferred tax

Deferred income tax is accounted for using the liability method on temporary differences at balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

The amount of taxation deferred on account of all temporary differences is reflected in the deferred taxation account. Deferred tax benefits are recognised, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, carry-forward of unused tax assets and unused tax losses can be utilized.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date 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 income tax asset to be utilized. Unrecognised deferred income tax assets are assessed at each balance sheet date and are recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantially enacted at the balance sheet date.

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

2.16 *Borrowing costs*

Borrowing costs are generally expensed as incurred. Borrowing costs are capitalised if they are directly attributable to the acquisition, construction or production of a qualifying asset. Capitalisation of borrowing costs commences when the activities to prepare the asset for its intended use or sale are in progress and the expenditures and borrowing costs are being incurred. Borrowing costs are capitalised until the assets are ready for their intended use. If the resulting carrying amount of the asset exceeds its recoverable amount, an impairment loss is recorded.

2.17 *Redeemable preference share*

Redeemable preference share is classified as a liability if it is redeemable on a specific date or at the option of the shareholders or if dividend payments are not discretionary. Dividends thereon are recognized in the income statement as finance costs.

2. Summary of significant accounting policies (Cont'd)

2.18 *Property, plant & equipment and depreciation*

Property, plant and equipment are stated at cost less accumulated depreciation and impairment loss. Cost includes expenditure that is directly attributable to the acquisition of the asset.

Expenditure incurred after the property, plant and equipment have been put into operation, such as repairs and maintenance and overhaul costs, is normally charged to the income statement in the period in which the costs are incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of the property, plant and equipment beyond its originally assessed standard of performance, the expenditure is capitalised as an additional cost of property, plant and equipment.

Depreciation of property, plant and equipment is calculated on a straight-line method so as to write-off the cost of the property, plant and equipment over their estimated useful lives as follows:-

	Years
Property	2
Computers	1
Equipment	3
Renovation	3
Furniture and fittings	3

Gains or losses arising from the retirement or disposal of an asset are determined as the difference between the estimated net disposal proceeds and the carrying amount of the asset and are recognized in the income statement on the date of retirement or disposal.

Depreciation methods, useful lives and residual values are reviewed, and adjusted as appropriate, at each reporting date.

2.19 *Associate*

An associate is defined as an entity, not being a subsidiary, in which the Company has significant influence. This generally coincides with the Company having 20% or more of the voting power, or has representation on the board of directors.

Investment in associate is accounted for using the equity method. Under the equity method, the investment in associate is carried in the balance sheet at cost plus post-acquisition changes in the share of net assets of the associate. The share of the profit or loss of the associate is recognized in the profit and loss. Where there has been a change recognized directly in the equity of the associate, the Company recognizes its share of such changes. After application of the equity method, the Company determines whether it is necessary to recognize any impairment loss with respect to the Company's net investment in the associate. The equity accounted for from the date the Company obtains significant influence until the date the Company ceases to have significant influence over the associate.

2. Summary of significant accounting policies (Cont'd)

2.19 *Associate (Cont'd)*

Any excess of the Company's share of the net fair value of the associate's identifiable assets, liabilities and contingent liabilities over the cost of the investment is excluded from the carrying amount of the investment and is instead included as income in the determination of the Company's share of the associate's profit or loss in the period in which the investment is acquired.

When the Company's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Company does not recognize further losses, except to the extent that the Company has an obligation or has made payments on behalf of the associate.

The financial statements of the associates are prepared as of the same reporting date as the Company. Where necessary, adjustments are made to bring the accounting policies in line with those of the Company.

In the Company's separate financial statements, interest in the associates is carried at cost less impairment losses.

3. Finance costs

	Economic Entity and Company	
	2019	**2018**
	S$	**S$**
Interest - loans and borrowings	44,547	70,312
Interest - lease liabilities (Note 20)	5,396	-
Dividend – redeemable preference shares (Note 21)	42,587	-
	92,530	70,312

4. Profit before taxation

	Economic Entity and Company	
	2019	**2018**
	S$	**S$**
Profit before taxation is arrived at after charging the following:		
CPF contribution	46,341	44,473
Depreciation of property, plant and equipment	85,793	7,337
Director's remuneration:		
- Short term employment benefits	263,060	186,120
Gain on termination of lease	(272)	-
Loss on disposal of property, plant and equipment	198	-
Foreign exchange loss	23,007	5,022
Rental	-	59,437

The key management personnel comprise directors of the Company and the compensations are disclosed in the above note.

5. Taxation

A reconciliation of the statutory tax rates to the effective tax rates applicable to profit from operations of the Economic Entity and the Company for the year was as follows:

	Economic Entity and Company	
	2019	2018
	%	%
Statutory tax rate	17.0	17.0
Utilisation of tax losses, not recognized previously	(17.0)	(17.0)
	-	-

At balance sheet date, the Company has unutilised tax losses of approximately S$2,240,000 (2018: S$2,972,000). The unutilised tax losses are available for carry forward and set off against future taxable profits subject to the agreement with the Comptroller of Income Tax and compliance with the relevant provisions of the Income Tax Act. Deferred tax benefits in respect of the tax losses carried forward have not been recognised in the financial statements.

6. Interest in associates

	Economic Entity		Company	
	2019	2018	2019	2018
	S$	S$	S$	S$
Unquoted equity shares, at cost	1,473,400	1,457,405	1,473,400	1,457,405
Share of post acquisition reserves	(249,859)	(198,274)		
	1,223,541	1,259,131		

Details of the associates are as follows:

Name of company (Country of incorporation)	Principal activities	Effective equity interest held 2019 %	Effective equity interest held 2018 %
Sabang Renewable Energy Corps ("SREC") (Philippines)	Operation of solar power plant and supply and distribution of electricity	40@	40.0@
Culna Renewable Energy Corps ("CREC") (Philippines)	Operation of solar power plant and supply and distribution of electricity	30.0	30.0

@ Includes 0.016% equity interest held in trust for the Company by a director of the Company and a nominee individual, both of which have been appointed as the Company's representative in the board of directors of SREC.

6. Interest in associates (Cont'd)

The Company's commitment in respect of its share of the capital contribution in the CREC is approximately S$167,000 (Php 6,300,000) [2018: S$138,000 (Php 5,322,300)].

The activities of the associates are strategic to the Economic Entity's activities. The summarized financial information of the associates, based on the financial statements prepared in accordance with FRS and a reconciliation with the carrying amount of the investment in the financial statements, are as follows:

SREC	**2019 S$**	**2018 S$**
Summarized balance sheet		
Current assets	1,614,147	6,273,305
Non-current assets	10,168,987	1,542,750
Current liabilities	(968,841)	(965,280)
Non-current liabilities	(7,898,624)	(3,816,719)
Net assets	2,915,669	3,034,056
Proportion of Economic Entity ownership	40%	40%
Carrying amount of the investment	1,166,268	1,213,622
Summarized statement of comprehensive income		
Revenue	-	-
Loss after tax	(188,185)	(128,095)
Other comprehensive income	69,798	40,655
Total comprehensive income	(118,387)	(87,440)

CREC	**2019 S$**	**2018 S$**
Summarized balance sheet		
Current assets	327,924	28,268
Non-current assets	569,160	535,140
Current liabilities	(706,174)	(411,713)
Net assets	190,910	151,695
Proportion of Economic Entity ownership	30%	30%
Carrying amount of the investment	57,273	45,509
Summarized statement of comprehensive income		
Revenue	-	-
Loss after tax	(17,376)	(17,432)
Other comprehensive income	3,275	(4,251)
Total comprehensive loss	(14,101)	(21,683)

7. Property, plant and equipment

Economic Entity and Company	Computers S$	Equipment	Furniture & fittings S$	Renovation S$	Property S$	Total S$
Cost						
At 1.1.2018	23,731	17,884	5,895	-	-	47,510
Additions for 2018	3,863	-	446	-	-	4,309
Disposals for 2018	-	-	(850)	-	-	(850)
At 31.12.2018 and 1.1.2019	27,594	17,884	5,491	-	-	50,969
Adoption of FRS 116 (Note 2.2)	-	-	-	-	123,872	123,872
Additions for 2019	27,657	5,205	6,758	40,419	220,072	300,111
Disposals for 2019	(753)	(2,173)	(1,583)	-	(123,872)	(128,381)
At 31.12.2019	54,498	20,916	10,666	40,419	220,072	346,571
Accumulated depreciation						
At 1.1.2018	22,408	9,681	5,702	-	-	37,791
Charge for 2018	2,914	4,130	293	-	-	7,337
Disposals for 2018	-	-	(850)	-	-	(850)
At 31.12.2018 and 1.1.2019	25,322	13,811	5,145	-	-	44,278
Adoption of FRS 116 (Note 2.2)	-	-	-	-	15,484	15,484
Charge for 2019	16,908	4,188	336	2,425	61,936	85,793
Disposals for 2019	(753)	(2,173)	(1,385)	-	(77,420)	(81,731)
At 31.12.2019	41,477	15,826	4,096	2,425	-	63,824
Net book value						
At 31.12.2018	2,272	4,073	346	-	-	6,691
At 31.12.2019	13,021	5,090	6,570	37,994	220,072	282,747

Right-of-use of asset acquired under leasing arrangement are presented above. Details of such leased asset are disclosed in Note 20.

8. Trade receivables

	Economic Entity and Company	
	2019	2018
	S$	S$
Trade receivables are denominated in the following currencies:		
Singapore dollar	5,595	11,198
United States dollar	-	293,125
	5,595	304,323

9. Other receivables

	Economic Entity and Company	
	2019	2018
	S$	S$
Other receivables	7,883	29,674
Deposits	48,678	19,626
	56,561	49,300

10. Other assets

	Economic Entity and Company	
	2019	2018
	S$	S$
Prepayments	22,367	15,956
Advance payments to suppliers	-	927,633
Capital contribution to associate	210,003	-
	232,370	943,589

11. Contract assets

Contract assets relate to the Company's right to consideration for work completed but not yet billed at reporting date. Contract assets are transferred to receivables when the rights become unconditional.

12. Cash and bank balances

	Economic Entity and Company	
	2019	2018
	S$	S$
Cash and bank balances are denominated in the following currencies:		
Singapore dollar	52,510	5,830
Euro	3,504	8,734
United States dollar	535,497	1,192,200
	591,511	1,206,764

13. Trade payables

	Economic Entity and Company 2019 S$	2018 S$
Trade payables are denominated in the following currencies:		
Singapore dollar	28,017	4,827
Philippines Peso	27,133	1,746
Euro	-	85,940
United States dollar	25,425	520,549
	80,575	613,062

14. Other payables

	Economic Entity and Company 2019 S$	2018 S$
Other payables are denominated in the following currencies:		
Philippines Peso	9,131	251
Singapore dollar	73,989	21,121
Euro	3,839	8,262
United States dollar	-	14,169
	86,959	43,803

15. Contract liabilities

Contract liabilities relate to the Company's obligation to transfer goods or services to customers for which the Company has received advances from customers. Contract liabilities are recognized as revenue as the Company performs under the contract.

16. Loans and borrowings

	Economic Entity and Company 2019 S$	2018 S$
Term loans 1 [a]	251,567	520,600
Term loan 2 [b]	-	136,480
Convertible loan [c]	-	694,351
	251,567	1,351,431
Repayable:		
Within one year	201,253	657,080
Between two and five years	50,314	694,351
	251,567	1,351,431

16. Loans and borrowings (Cont'd)

(a) The term loans, which are denominated in Euro, are repayable by semi-annually installments over 3 years, and bear interest of 5.5% to 8.79% per annum. Although the term loans are repayable over 3 years, the term loans have been classified as current liabilities as stated in the loan agreements in financial year 2018. The term loans are loans from a Crowdfunding Platform that aims at facilitating and guiding their borrowers to grow their business in emerging markets. In order to provide professional guidance, the communications between the lender and borrower takes place on the basis of a set of key performance indicators (KPIs), defined as financial covenants in the loan agreement. The Crowdfunding Platform understands that their borrowers may show deviations in KPIs from time to time based on past performance, hence also analyzing KPIs that are describing business performance in the forthcoming quarters. During the financial year 2018, the lender did not find any reasons in the KPI reports to add or impose new conditions or terms to the agreement.

In financial year 2019, the Company is in compliance with the financial covenants clauses in the loan agreement.

(b) The term loan from a corporate shareholder, which is denominated in USD, bears interest at 12.5% per annum and is repayable after the end of the term of 1 year.

(c) The convertible loan which is denominated in USD, is repayable after the end of the term of 4 year and bears interest of 3% per annum. The convertible loan can be converted into ordinary shares of the Company, when triggered by certain events, at a price as stated in the convertible loan agreement. During the financial year 2019, convertible loan amounting to S$708,487 (USD517,370) was converted to 50,624 ordinary shares of the Company.

17. Lease liabilities

	Economic Entity and Company	
	2019	2018
	S$	S$
Payable :		
Within one year	58,487	-
Between two and five years	161,585	-
	220,072	-

18. Redeemable preference shares

During the financial year ended 31 December 2018, the Company issued 25,671 Class A preference shares at an issue price of Euro 8.375 (approximately S$13.40) per Class A preference share for an aggregate consideration of Euro 215,000 (S$344,000).

Class A preference share has been classified as a liability as it is redeemable at the option of the preference shareholder, via a put option. The principal terms of the Class A preference shares are set out in Note 19.

19. Share capital

	Economic Entity and Company	
	2019	**2018**
	S$	**S$**
Issued and fully paid with no par value:-		
Ordinary shares		
At beginning of financial year 2,984,642 (2018: 2,984,642) ordinary S$ shares	4,409,746	4,409,746
Issued during the financial year 50,624^ (2018: Nil) ordinary S$ shares	708,487	-
At end of financial year 3,035,266 (2018: 2,984,642) ordinary S$ shares	5,118,233	4,409,746
Class A Preference shares		
At beginning of financial year 25,671 (2018: Nil) preference EUR$ shares	344,000	-
Issued during the financial year Nil (2018: 25,671*) preference EUR$ shares	-	344,000
At end of financial year 25,671 (2018: 25,671) preference EUR$ shares	344,000	344,000

^ In financial year 2019, the Company issued 50,624 ordinary shares at US$10.22 per share for a consideration of S$708,487 for the conversion of convertible loan amounting to S$708,487 (USD517,370).

Class A Preference Shares

*In financial year 2018, the Company issued 25,671 Class A preference shares at an issue price of Euro 8.375 (approximately S$13.40) per Class A preference share for an aggregate consideration of Euro 215,000 (S$344,000). Class A preference share has been classified as a liability as it is redeemable at the option of the preference shareholder, via a put option.

19. Share capital (Cont'd)

Class A Preference Shares (Cont'd)

The principal terms of the Class A preference shares are as follows:

- Class A preference shareholder shall receive documents related to AGM and be invited to AGM, but is not entitled to voting rights;
- Class A preference shareholder is entitled to receive a annual fixed dividend of Euro 1.10 per share. Dividend is cumulative and accrues and accumulates regardless of whether dividends are declared by the Company; and
- Class A preference shareholder has a put option, which entitles the preference shareholder to sell the preference share back to the Company at the issue price of Euro 8.375. Class A preference shareholder has the right to exercise this put option after 5 years of share subscription, but not later than 7 years.

Employee Share Ownership Scheme ("ESOP")

Under the ESOP, certain employees are awarded fully paid ESOP shares. These ESOP shares are not allotted or issued, but employees are entitled to economic benefits related to the ESOP shares, including the settlement of employee entitlement of ESOP shares for cash, subject to the terms and conditions of the ESOP.

The number of ESOP shares awarded is as follows:

	Number of ESOP shares	
	2019	**2018**
Balance at beginning of financial year	31,342	47,729
Granted	27,958	-
Released	-	(16,387)
Balance at end of financial year	59,300	31,342

The carrying amount of liability recognized in the Company's balance sheet relating to the ESOP at 31 December 2019 is S$39,437.

20. Leases

The Company has lease contract for office space and there is no externally imposed covenant on this lease arrangement. There is no extension option included in the lease contract.

(a) Carrying amounts of ROU assets classified within property, plant and equipment

	Economic Entity and Company	
	31.12.2019	**1.1.2019**
	S$	**S$**
Property	220,072	108,388

20. Leases (Cont'd)

(b) Amounts recognised in profit and loss

	Economic Entity and Company 2019 S$
Depreciation of ROU assets	61,936
Interest expense - lease liabilities (Note 3)	5,396
Gain on termination of lease	(272)

(c) Total cash outflow for all the leases in 2019 was S$79,098.

(d) Addition of ROU assets during the financial year 2019 was S$220,072.

21. Dividends

	Economic Entity and Company	
	2019 S$	2018 S$
Declared and paid during the year:		
- Dividend of S$1.659 (Euro 1.1) [2018: S$Nil] per redeemable preference share	42,587	-

22. Operating lease commitments

As at 31 December 2018, the future minimum lease payables under non-cancellable operating leases contracted for but not recognised as liabilities, are as follows:

	Economic Entity and Company 2018 S$
Within one year	72,662
After one year but not more than five years	54,497

The above lease does not contain any escalation clauses and does not provide for contingent rent. Lease terms do not contain restrictions on the Company activities concerning dividends, additional debt or entering into other leasing agreements. The lease contains renewal option at rental rates to be based on negotiations and prevailing market rates.

As disclosed in Note 2.2, the Company has adopted FRS 116 on 1 January 2019. These lease payments have been recognised as ROU assets and lease liabilities on the balance sheet as at 31 December 2019, except for short-term and low value leases

23. Related party transactions

For the purposes of these financial statements, parties are considered to be related to the Company if the Company has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Company and the party are subject to common control or common significant influence. Related parties may be individuals or other entities.

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

	Economic Entity and Company	
	2019	**2018**
	S$	**S$**
Sale of goods and services to associate	(2,493,177)	(1,211,212)
Interest expense - term loan from a corporate shareholder	2,825	14,169

24. Financial instruments

(a) *Categories of financial instruments*

The following table sets out the financial instruments as at balance sheet date:

	Economic Entity and Company	
	2019	**2018**
	S$	**S$**
<u>Financial assets</u>		
Amortised cost:		
Trade receivables	5,595	304,323
Other receivables	56,561	49,300
Cash and bank balances	591,511	1,206,764
	653,667	1,560,387
<u>Financial liabilities</u>		
Amortised cost:		
Trade payables	80,575	613,062
Other payables	86,959	43,803
Loans and borrowings	251,567	1,351,431
Lease liabilities	220,072	-
Redeemable preference shares	344,000	344,000
	983,173	2,352,296

24. Financial instruments

(b) *Financial risk management objectives and policies*

The Company is exposed to financial risks arising from its operations and the use of financial instruments. The main risks arising from the Company's financial instruments are liquidity risk, credit risk and foreign exchange risk. The Company's overall policy with managing risk associated with financial instruments is to minimize potential adverse effects on the financial performance of the Company. The board members review and agree policies for 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 risk. The following sections provide details regarding the Company's exposure to the financial risks and the objectives, policies and processes for the management of these risks.

(c) *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 and other receivables and cash and bank balances.

The Company's objective is to seek continual business growth while minimising losses incurred due to increased credit exposure. Credit risk is managed through the application of credit evaluation and monitoring procedures. 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 balance sheet date.

The Company determined that its financial assets are credit-impaired when:
- There is significant difficulty of the debtor.
- Breach of contract, such as default or past due event.
- It is becoming probable that the debtor will enter bankruptcy or other financial reorganization.

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.

24. Financial instruments (Cont'd)

(c) *Credit risk (Cont'd)*

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

Category	Definition of category	Basis for recognising expected credit loss (ECL)
Performing	Counterparty has a low risk of default and a strong capacity to meet contractual cash flows	12-month ECL
Under-performing	Amount is >30 days past due or there has been a significant increase in credit risk since initial recognition	Lifetime ECL – not credit-impaired
Non-performing	Amount is >90 days past due or there is evidence indicating the asset is credit-impaired (in default)	Lifetime ECL – credit-impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the debtor has no realistic prospect of recovery	Asset is written off

For trade and other receivables, the Company assessed the latest performance and financial position of the counterparties, adjusted for the future outlook of the industry in which the counterparties operate in, and concluded that there has been no significant increase in the credit risk since the initial recognition of the financial assets. Accordingly, the Company measured the impairment loss allowance using 12-month ECL and determined that the ECL is insignificant.

At balance sheet date, the Company has no significant concentration of credit risk.

For banks and financial institutions, the Company mitigates its credit risks by transacting only with counterparties who are rated "A" and above by independent rating agencies.

(d) *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 mismatches of the maturities of financial assets and liabilities.

The objective of liquidity management is to ensure that the Company has sufficient funds to meet its contractual and financial obligations. To manage liquidity risk, the Company's policy is to monitor its net operating cash flows and to maintain an adequate level of cash and cash equivalents to meet its working capital requirement.

The table below summarizes the maturity profile of the Economic Entity's and the Company's financial liabilities at the balance sheet date based on contractual undiscounted payments.

24. Financial instruments (Cont'd)

(d) *Liquidity risk (Cont'd)*

	Economic Entity and Company	
	2019	**2018**
	S$	**S$**
Less than one year:		
Trade payables	80,575	613,062
Other payables	86,959	43,803
Loans and borrowings	214,458	691,418
Lease liabilities	68,970	-
Redeemable preference shares	42,622	44,102
	493,584	1,392,385
Between two and five years:		
Loans and borrowings	51,697	764,288
Lease liabilities	172,765	-
Redeemable preference shares	452,387	512,195
	676,849	1,276,483

(e) *Foreign currency risk*

The Company has transactional currency exposures arising from sales or purchases that are denominated in a currency other than the functional currency. The Company's trade receivables and payables balances at the balance sheet date have similar exposures. The Company also holds cash and cash equivalents denominated in foreign currencies for working capital purpose and has loans and borrowings denominated in foreign currencies.

The carrying amounts of monetary assets and liabilities denominated in currencies other than the functional currency, as at the balance sheet date, are disclosed in the respective notes to the financial statements.

The Company manages its foreign exchange exposure by matching revenue and costs in the relevant currencies to create a natural hedge, whenever possible. Foreign currency exposures are monitored on an ongoing basis.

(f) *Fair value of financial instruments*

The carrying amounts of financial assets and liabilities included in the financial statements approximate their fair values due to the relatively short term maturity of these financial instruments.

25. Capital management

The primary objective of the Company when managing capital is to safeguard the entity's ability as a going concern and to maintain an optimal capital structure so as to maximize shareholder value.

The Company monitors capital by reviewing the level of total assets and total liabilities. The review of the Company's capital management policy and objective is conducted by the board of directors. As part of the review, the Company makes use of the annual budgeting process and takes into consideration the projected profitability, projected operating cash flow and projected capital expenditure. To maintain or adjust the capital structure, the Company may take certain actions like adjusting the amount of dividend payment and issuing new shares. The Company's approach to capital management remains unchanged from the previous period.

The Company has complied with externally imposed capital requirements for the financial year ended 31 December 2019.

The Economic Entity's and the Company's total assets and total liabilities as at 31 December 2019 and 31 December 2018 were as follows:

	Economic Entity		**Company**	
	2019	**2018**	**2019**	**2018**
	S$	**S$**	**S$**	**S$**
Total assets	2,451,524	3,776,481	2,701,383	3,974,755
Total liabilities	983,173	3,504,458	983,173	3,504,458