

**VAMA TECHNOLOGIES PTE. LTD.**  
**(Incorporated in Singapore)**  
**ACRA Registration No: 201613944W**

**FINANCIAL STATEMENTS -31 MARCH 2019**

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**VAMA TECHNOLOGIES PTE. LTD.**  
(Incorporated in Singapore)

**DIRECTORS' STATEMENT**  
*For the financial year ended 31 March 2019*

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The directors are pleased to present their statement to the members together with the audited financial statements of Vama Technologies Pte. Ltd. (the "Company") for the financial year ended 31 March 2019.

**1. Opinion of the directors**

In the opinion of the directors,

(a) the financial statements of the Company are drawn up so as to give a true and fair view of the financial position of the Company as at 31 March 2019 and the financial performance, changes in equity and cash flows of the company for the year then ended;

(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: -

**VEGESNA ATCHYUTA RAMA RAJU**  
**BALARAMAN RAMESH**

**3. Arrangements to enable directors to acquire shares or debentures**

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

**4. Directors' interest in shares or debentures**

According to the register of directors' shareholdings, none of the directors holding office at the end of the financial period had any interest in the shares or debentures of the Company or its related corporations, except as follows:

Name of the director	Direct interest (no of shares)		Deemed interest (no of shares)	
	At the beginning of the financial year	At the end of the financial year	At the beginning of the financial year	At the end of the financial year
<b>VEGESNA ATCHYUTA RAMA RAJU</b> Ultimate holding company Ordinary shares in Vama Industries Limited	12,555,120	12,555,120	774,500	774,500

**VAMA TECHNOLOGIES PTE. LTD.**  
(Incorporated in Singapore)

**DIRECTORS' STATEMENT**  
*For the financial year ended 31 March 2019*

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**5. Options granted**

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.

**6. Auditor**

MGI N Rajan Associates has expressed its willingness to accept re-appointment.

The Board of Directors,



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**VEGESNA ATCHYUTA RAMA RAJU**  
Director

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**BALARAMAN RAMESH**  
Director

**DATE:**



**MGI N RAJAN ASSOCIATES**  
**PUBLIC ACCOUNTANTS AND**  
**CHARTERED ACCOUNTANTS SINGAPORE**

**INDEPENDENT AUDITOR'S REPORT**  
**FOR THE FINANCIAL YEAR ENDED 31 MARCH 2019**

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**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF VAMA TECHNOLOGIES PTE. LTD.**

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

**Qualified Opinion**

We have audited the financial statements of Vama Technologies Pte. Ltd. (the "Company"), which comprise the statement of financial position of the Company as at 31 March 2019, the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows of the Company for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, except for the effects of the matters described in the Basis for Qualified Opinion section of our report, the accompanying financial statements are properly drawn up in accordance with the provisions of the Companies Act, Chapter 50 (the Act) and Financial Reporting Standards in Singapore (FRSs) so as to give a true and fair view of the financial position of the Company as at 31 March 2019 and of the financial performance, changes in equity and cash flows of the Company for the year ended on that date.

**Basis for Qualified Opinion**

**Opening balances**

Our independent auditor's report dated 28 May 2018 contains a Disclaimer of Opinion on the financial statements for the financial year ended 31 March 2018. The extract of the basis for disclaimer of opinion is as follows:

**Basis for Disclaimer of Opinion**

"The Company's trade receivables include a sum of US\$ 516,813 due from two customers that have been long overdue at the year end. However the management is confident of recovery of the said amount in full if given time and no allowances for impairment were made. We were unable to obtain sufficient appropriate audit evidence to convince our-self for the recoverability of the said receivables. Hence, we are unable to determine the effect of any adjustment that may be required in relation to the recoverability of the said amount of trade receivables."

During the financial year, the Company has written off the above amount to profit or loss. However we are unable to determine whether the full amount or a portion amount should have been provided in the previous year.

In view of the matter described in the above paragraph, we were unable to determine whether the opening balances as at 1 April 2018 are fairly stated.

Since the opening balances as at 1 April 2018 are entered into the determination of the financial position of the Company as at 31 March 2019 and of the financial performance, changes in equity and cash flows of the Company for the financial year ended 31 March 2019, we were unable to determine whether adjustments, if any, might have been found to be necessary in respect of the Company's financial statements for the financial year ended 31 March 2019.

Our opinion on the current financial year's financial statements of the Company is also modified because of the possible effects of this matter disclosed above.

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G. Natarajan, P.S. Somasekharan, D. Govindaraj

MGI is a worldwide association of independent auditing, accounting and consulting firms.  
Each member firm undertakes no responsibility for the activities, work, opinions or service of the other member firms.

## **INDEPEDENT AUDITOR'S REPORT TO THE MEMBERS OF VAMA TECHNOLOGIES PTE. LTD.(Cont'd)**

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### *Material uncertainty relating to Going Concern*

We draw attention to Note no 2 to the financial statements with respect of the Company's ability to continue as going concern. As at 31 March 2019, the Company's total liabilities exceeded the total assets by US\$ 212,335. These factors indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern. The financial statements have been prepared on going concern basis as the holding company has given unconditional assurance of their continued financial support to the Company as and when required. Our opinion is not modified in respect of this matter.

### *Other Information*

Management is responsible for the other information. The other information comprises the Directors' Statement (set out on pages 2-3)

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.

### **Auditor's Responsibilities for the Audit of the Financial Statements**

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

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

## **INDEPEDENT AUDITOR'S REPORT TO THE MEMBERS OF VAMA TECHNOLOGIES PTE. LTD. (Cont'd)**

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### *Auditor's Responsibilities for the Audit of the Financial Statements (Cont'd)*

- 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.

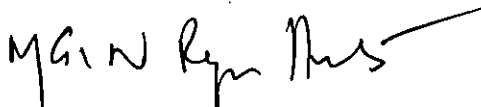
We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Our responsibility is to conduct an audit of the Company's financial statements in accordance with Singapore Standards on Auditing and to issue an auditor's report. However, because of the matters described in the Basis for Disclaimer of Opinion section of our report, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

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.

### **Report on other Legal and Regulatory Requirements**

In our opinion, except for the matters referred to in the Basis for Qualified Opinion paragraphs, 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.



**MGI N RAJAN ASSOCIATES  
PUBLIC ACCOUNTANTS AND  
CHARTERED ACCOUNTANTS**

Singapore

Date: **23 MAY 2019**

**STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2019**

<b>ASSETS</b>	<b>NOTE</b>	<b>2019 US\$</b>	<b>2018 US\$</b>
<b>NON CURRENT ASSETS</b>			
Trade receivables	7	37,496	
		<u>37,496</u>	-
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	6	10,476	22,303
Trade and other receivables	7	213,460	554,760
Inventories	8	121,903	-
		<u>345,839</u>	<u>577,063</u>
<b>TOTAL ASSETS</b>		<u><b>383,335</b></u>	<u><b>577,063</b></u>
<b>EQUITY AND LIABILITIES</b>			
<b>CURRENT LIABILITIES</b>			
Trade and other payables	9	396,533	33,950
Due to holding company	10	199,137	354,137
Taxation	5b	-	10,343
		<u>595,670</u>	<u>398,430</u>
<b>NET ASSETS</b>		<u><b>(212,335)</b></u>	<u><b>178,633</b></u>
<b>CAPITAL AND RESERVES</b>			
Share capital	11	6000	6,000
Retained Earnings		<u>(218,335)</u>	<u>172,633</u>
		<u><b>(212,335)</b></u>	<u><b>178,633</b></u>

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

**STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME  
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2019**

	NOTE	For the year ended 31.03.2019	For the year ended 31.03.2018 US\$
Revenue		2,339,904	5,527,287
Cost of sales		(2,194,751)	(5,343,547)
<b>Gross profit</b>		<b>145,153</b>	<b>183,740</b>
Other income		-	53
		<b>145,153</b>	<b>183,793</b>
Administrative and other expenses		(539,915)	(29,913)
<b>Profit before tax</b>	4	<b>(394,762)</b>	<b>153,880</b>
Taxation	5a	3,794	(10,343)
<b>Net (loss) / profit for the year</b>		<b>(390,968)</b>	<b>143,537</b>
Other comprehensive income		-	-
<b>(Loss) / Profit for the year representing total comprehensive income for the year</b>		<b>(390,968)</b>	<b>143,537</b>

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



**STATEMENT OF CHANGES IN EQUITY  
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2019**

	<b>Issued Capital</b>	<b>Retained Earnings</b>	<b>Total</b>
	<b>US\$</b>	<b>US\$</b>	<b>US\$</b>
<b>Balance as at 31 March 2017</b>	<b>6,000</b>	<b>304,096</b>	<b>310,096</b>
Issue of shares during the year	-	-	-
Dividend paid during the year	-	(275,000)	(275,000)
Total comprehensive income for the year	-	143,537	143,537
<b>Balance as at 31 March 2018</b>	<b>6,000</b>	<b>172,633</b>	<b>178,633</b>
Total comprehensive income for the year	-	(390,968)	(390,968)
<b>Balance as at 31 March 2019</b>	<b>6,000</b>	<b>(218,335)</b>	<b>(212,335)</b>

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

**STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED 31 MARCH 2019**

	NOTE	2019	2018
		US\$	US\$
<b>Cash used in / flows from operating activities</b>			
(Loss) / Profit for the year before tax		(394,762)	153,880
<b>Changes in working capital :</b>			
Increase / (decrease) in inventories		(121,903)	4,383,027
Decrease / (increase) in trade receivables		303,804	1,720,935
(Increase) / increase in trade payables		362,583	(6,348,556)
<b>Cash generated from operations</b>		<b>149,722</b>	<b>(90,714)</b>
Tax (paid)		(6,549)	(31,303)
<b>Net cash generated from operating activities</b>		<b>143,173</b>	<b>(122,017)</b>
<b>Cash flows from financing activities</b>			
Loan from holding company		(155,000)	329,615
Dividend paid		-	(275,000)
<b>Net cash flows from financing activities</b>		<b>(155,000)</b>	<b>54,615</b>
Net increase in cash & cash equivalents		(11,827)	(67,402)
Cash & cash equivalents at the beginning of the year		22,303	89,705
<b>Cash &amp; cash equivalents at the end of the year</b>	<b>6</b>	<b>10,476</b>	<b>22,303</b>

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

**NOTES TO THE FINANCIAL STATEMENTS- 31 MARCH 2019**

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

**1. GENERAL INFORMATION**

Vama Technologies Pte. Ltd. (the "Company") is incorporated and domiciled in Singapore with its registered office and principal place of business at 10 Jalan Besar, # 10-03, Sim Lim Tower, Singapore- 208787.

The principal activity of the Company is that of providing information technology and computer service activities (eg disaster recovery services).

The immediate and ultimate holding company is Vama Industries Limited which is incorporated in India.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**2.1 Basis of preparation**

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

The financial statements are presented in United States Dollar, which is the Company's functional currency.

The financial statements have been prepared on a going concern basis as the Company's Holding Company has given the undertaking to continue financial support to the Company to meet its liabilities as and when they fall due.

The financial statements with respect of the Company's ability to continue as going concern. As at 31 March 2019, the Company's current liabilities exceeded the current assets by US\$ 249,831 (2018: US\$ 188,976). These factors indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern. The financial statements have been prepared on going concern basis as the holding company has given unconditional assurance of their continued financial support to the Company as and when required. Our opinion is not modified in respect of this matter.

The ability of the Company to continue as a going concern is dependent on the undertaking of its ultimate holding company, Vama Industries Limited, to provide continuing financial support to enable the Company to meet its liabilities as and when they fall due.

If the Company were unable to continue in operational existence for the foreseeable future, the Company may be unable to discharge its liabilities in the normal course of business and adjustments may have to be made to reflect the situation that the assets may need to be realised other than in the normal course of business and at amounts which could differ significantly from the amounts at which they are currently recorded in the statement of financial position. No such adjustments have been made to these financial statements.

**Adoption of new and revised standards**

The accounting policies adopted are consistent with those of the previous financial year except in the current financial year, the Company has adopted all the new and revised standards which are relevant to the Company and are effective for annual financial periods beginning on or after 1 January 2018. Except for the adoption of FRS 109 Financial instruments and FRS 115 Revenue from contracts with customers described below, the adoption of these standards did not have any material effect on the financial performance or position of the Company.

NOTES TO THE FINANCIAL STATEMENTS- 31 MARCH 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

**FRS 109 Financial Instruments**

FRS 109 replaces FRS 39 Financial Instruments: Recognition and Measurement for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement; impairment; and hedge accounting.

The Company applied FRS 109 retrospectively, with an initial application date of 1 January 2018. The Company has not restated comparative information which continues to be reported under FRS 39 and the disclosure requirements of FRS 107 Financial Instruments: Disclosures relating to items within the scope of FRS 39. There was no material impact arising from FRS 109 adoption and no adjustments were made in the opening retained earnings and other component of equity at the date of initial application.

**(a) Classification and measurement**

Under FRS 109, debt instruments are subsequently measured either at fair value through profit or loss (FVPL), amortised cost or fair value through other comprehensive income (FVOCI). The classification is based on two criteria: the Company's business model for managing the assets; and whether the instruments' contractual cash flows represent 'solely payments of principal and interest' on the principal amount outstanding.

The assessment of the Company's business model was made as of the date of initial application, 1 April 2018. The assessment of whether contractual cash flows on debt instruments solely comprised of principal and interest was made based on the facts and circumstances as at the initial recognition of the assets.

The classification and measurement requirements of FRS 109 did not have a significant impact to the Company. The Company continued measuring at fair value all financial assets previously held at fair value under FRS 39. The following are the changes in the classification and measurement of the Company's financial assets:

- Trade and other receivables classified as loans and receivables as at 31 March 2018 are held to collect contractual cash flows and give rise to cash flows representing solely payments of principal and interest. These were classified and measured as debt instruments at amortised cost beginning 1 April 2018.

The Company has not designated any financial liabilities at FVPL. There are no changes in classification and measurement for the Company's financial liabilities.

In summary, upon the adoption of FRS 109, the Company had the following required or elected reclassifications as at 1 April 2018:

FRS 39 measurement category	US\$	FRS 109 measurement category		
		FVPL	FVOCI	Amortised cost
	US\$	US\$	US\$	US\$
<u>Loans and receivables</u>				
Trade receivables	550,376	-	-	550,376
Other receivables	4,384	-	-	4,384
	<b>554,760</b>	-	-	<b>554,760</b>

**(b) Impairment**

The adoption of FRS 109 has fundamentally changed the Company's accounting for impairment losses for financial assets by replacing FRS 39's incurred loss approach with a forward-looking expected credit loss (ECL) approach. FRS 109 requires the Company to recognise an allowance for ECLs for all debt instruments not held at FVPL.

Upon adoption of FRS 109, the Company assessed that there is no material allowance for credit losses required to be made as at 1 April 2018 on the trade & other receivables.

**NOTES TO THE FINANCIAL STATEMENTS- 31 MARCH 2019**

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**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**FRS 115 Revenue from Contracts with Customers**

FRS 115 supersedes FRS 11 Construction Contracts, FRS 18 Revenue and related interpretations and it applies, with limited exceptions, to all revenue arising from contracts with customers. FRS 115 establishes a five-step model to account for revenue arising from contracts with customers and requires that revenue be recognised at an amount that reflect the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

FRS 115 requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract. In addition, the standard requires extensive disclosures.

The Company adopted FRS 115 using the modified retrospective method of adoption with the date of initial application of 1 January 2018. Under this method, the standard can be applied either to all contracts at the date of initial application or only to contracts that are not completed at this date. The Company elected to apply the standard to all contracts as at 1 April 2018.

The cumulative effect of initially applying FRS 115 is recognised at the date of initial application as an adjustment to the opening balance of retained earnings. Therefore, the comparative information was not restated and continues to be reported under FRS 11, FRS 18 and related interpretations.

The Company assessed that the adoption of FRS 115 did not have a material impact on the Company and have no adjustments were made in the opening balance.

**2.3 STANDARDS ISSUED BUT NOT YET EFFECTIVE**

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

<b>Description</b>	<b>Effective for annual periods beginning on or after</b>
FRS 116 <i>Leases</i>	1 January 2019
INT FRS 123 <i>Uncertainty over Income Tax Treatments</i>	1 January 2019
Amendments to FRS 109 <i>Prepayment Features with Negative Compensation</i>	
Amendments to FRS 28 <i>Long-term Interests in Associates and Joint Ventures</i>	1 January 2019
Annual Improvements to FRSS	1 January 2019
Amendments to FRS 110 and FRS 28 <i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i>	Date to be determined

Except for FRS 116, the directors expect that the adoption of the other standards above will have no material impact on the financial statements in the year of initial application. The nature of the impending changes in accounting policy on adoption of FRS 116 are described below.

**NOTES TO THE FINANCIAL STATEMENTS- 31 MARCH 2019**

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**2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**2.3 STANDARDS ISSUED BUT NOT YET EFFECTIVE**

**FRS 116 Leases**

FRS 116 requires lessees to recognise most leases on the statement of financial position. The standard includes two recognition exemptions for lessees – leases of 'low value' assets and short-term leases. FRS 116 is effective for annual periods beginning on or after 1 January 2019. At commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e. the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e. the right-of-use asset). Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

The Company plans to adopt FRS 116 retrospectively with the cumulative effect of initially applying the standard as an adjustment to the opening retained earnings at the date of initial application, 1 January 2019.

On the adoption of FRS 116, the Company expects to choose, on a lease-by-lease basis, to measure the right-of-use asset at either:

- (i) its carrying amount as if FRS 116 had been applied since the commencement date, but discounted using the lessee's incremental borrowing rate as of 1 January 2019; or
- (ii) an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the statement of financial position immediately before 1 January 2019.

In addition, the Company plans to elect the following practical expedients:

- not to reassess whether a contract is, or contains a lease at the date of initial application and to apply FRS 116 to all contracts that were previously identified as leases;
- to apply the exemption not to recognise right-of-use asset and lease liabilities to leases for which the lease term ends within 12 months as of 1 January 2019; and
- to apply a single discount rate to a portfolio of leases with reasonably similar characteristics.

**2.4 Foreign currency transactions and balances**

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

**NOTES TO THE FINANCIAL STATEMENTS- 31 MARCH 2019**

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**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**2.5 Impairment of non-financial assets**

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

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

Impairment losses are recognised in profit or loss.

A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increase cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised previously. Such reversal is recognised in profit or loss.

**2.6 Financial instruments**

These accounting policies are applied on and after the initial application date of FRS 109, 1 January 2018:

**(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 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.

**NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MARCH 2019**

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**2.6 Financial instruments (Cont'd)**

**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 or loss when the assets are derecognised or impaired, and through the amortisation process.

***Investments in equity instruments***

On initial recognition of an investment in equity instrument that is not held for trading, the Company may irrevocably elect to present subsequent changes in fair value in other comprehensive income which will not be reclassified subsequently to profit or loss. Dividends from such investments are to be recognised in profit or loss when the Company's right to receive payments is established. For investments in equity instruments which the Company has not elected to present subsequent changes in fair value in other comprehensive income, changes in fair value are recognised in profit or loss.

**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.



**NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MARCH 2019**

**Derecognition**

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

These accounting policies are applied before the initial application date of FRS 109, 1 January 2018:

**(a) Financial assets**

**Initial recognition and measurement**

Financial assets 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 assets at initial recognition.

When financial assets are recognised initially, they are measured at fair value, plus, in the case of financial assets not at fair value through profit or loss, directly attributable transaction costs.

**Subsequent measurement**

**Loans and receivables**

Non-derivative financial assets with fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method, less impairment. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, and through the amortisation process.

Loans and receivables comprise trade and other receivables, and cash and cash equivalents.

Cash and cash equivalents comprise cash at bank and bank deposit.

**Derecognition**

A financial asset is derecognised when the contractual right to receive cash flows from the asset has expired. On de-recognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received (and, where applicable, any cumulative gain or loss that has been recognised in other comprehensive income) is recognised in profit or loss.

**b) Financial liabilities**

**Initial recognition and measurement**

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

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

**Subsequent measurement**

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

Such financial liabilities comprise trade and other payables, and bank borrowings.

**NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MARCH 2019**

**b) Financial liabilities (Cont'd)**

**De-recognition**

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

**2.7 IMPAIRMENT OF FINANCIAL ASSETS**

These accounting policies are applied on and after the initial application date of FRS 109, 1 January 2018:

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

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

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

The Company considers a financial asset in default when contractual payments are 180 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.

These accounting policies are applied before the initial application date of FRS 109, 1 January 2018:

The Company assesses at each reporting date whether there is any objective evidence that a financial asset is impaired.

**NOTES TO THE FINANCIAL STATEMENTS- 31 MARCH 2019**

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**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**2.7 IMPAIRMENT OF FINANCIAL ASSETS (Cont'd)**

**Financial assets carried at amortised cost**

For financial assets carried at amortised cost, the Company first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Company determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss on financial assets carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate.

If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account. The impairment loss is recognised in profit or loss.

When the asset becomes uncollectible, the carrying amount of impaired financial asset is reduced directly or if an amount was charged to the allowance account, the amounts charged to the allowance account are written off against the carrying amount of the financial asset.

To determine whether there is objective evidence that an impairment loss on financial assets has been incurred, the Company considers factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed to the extent that the carrying amount of the asset does not exceed its amortised cost at the reversal date. The amount of reversal is recognised in profit or loss.

**2.8 Cash and cash equivalents**

Cash and cash equivalents comprise cash at banks and on hand and are subject to an insignificant risk of changes in value. These also include bank overdrafts that form an integral part of the Company's cash management.

**NOTES TO THE FINANCIAL STATEMENTS- 31 MARCH 2019**

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**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**2.9 Provisions**

**General**

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, 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.

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.

**Warranty provisions**

Provisions for warranty-related costs are recognised when the product is sold or service provided. Initial recognition is based on historical experience. The initial estimate of warranty-related costs is revised annually.

**2.10 Inventory**

Inventories are stated at the lower of cost and net realisable value. Cost is determined on a first-in first-out basis.

**2.11 Revenue recognition**

These accounting policies are applied on and after the initial application date of FRS 115, 1 January 2018:

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.

**a) Sale of goods**

Revenue is recognised when the goods are delivered to the customer and all criteria for acceptance have been satisfied.

The amount of revenue recognised is based on the transaction price, which comprises the contractual price.

**NOTES TO THE FINANCIAL STATEMENTS- 31 MARCH 2019**

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**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

These accounting policies are applied before the initial application date of FRS 115, 1 January 2018:

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured, regardless of when the payment is made. Revenue is measured at the fair value of consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty.

**(a) Sale of goods**

Revenue from sale of machinery and parts is recognised upon the transfer of significant risks and rewards of ownership of the goods to the customer. Revenue is not recognised to the extent where there are significant uncertainties regarding recovery of the consideration due, associated costs or the possible return of goods.

**2.12 Tax**

**a) 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 authority. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date.

**b) Deferred tax**

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

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

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

**NOTES TO THE FINANCIAL STATEMENTS- 31 MARCH 2019**

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**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**c) Goods and services tax**

Revenues, expenses and assets are recognised net of the amount of sales tax except:

- Where the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the sales 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 sales tax included.

The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

**2.13 Related party**

A party is considered to be related to the Company if:-

- a) The party directly or indirectly through one or more intermediaries,
  - i) controls, is controlled by, or is under common control with, the Company;
  - ii) has an interest in the Company that gives it significant influence over the Company
  - iii) has joint control over the Company;
- b) The party is an associate;
- c) The party is a jointly-controlled entity;
- d) The party is a member of the key management personnel of the Company or its parent;
- e) The party is a close member of the family of any individual referred to in a) or d); or
- f) The party is an entity that is controlled, jointly controlled or significantly influenced by or for which significant voting power in such entity resides with, directly or indirectly referred to in d) or e); or
- g) The party is a post-employment benefit plan for the benefit of the employees of the Company, or of any entity that is a related party of the Company.

**2.14 Operating leases as lessee**

Finance leases which transfer to the Company substantially all the risks and rewards incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments. Any initial direct costs are also added to the amount capitalised. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged to profit or loss. Contingent rents, if any, are charged as expenses in the periods in which they are incurred.

Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset and the lease term, if there is no reasonable certainty that the Company will obtain ownership by the end of the lease term.

Operating lease payments are recognised as an expense in profit or loss on a straight-line basis over the lease term. The aggregate benefit of incentives provided by the lessor is recognised as a reduction of rental expense over the lease term on a straight-line basis.

**2.13 Share capital**

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

**NOTES TO THE FINANCIAL STATEMENTS- 31 MARCH 2019**

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**3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES**

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

**3.1 Judgments made in applying accounting policies**

**Determination of functional currency**

In determining the functional currency of the Company, judgment is used by the Company to determine the currency of the primary economic environment in which the Company operates. Consideration factors include the currency that mainly influences sales prices of goods and services and the currency of the country whose competitive forces and regulations mainly determines the sales prices of its goods and services.

**3.2 Key sources of estimation uncertainty**

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period are discussed below. The Company based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Company. Such changes are reflected in the assumptions when they occur.

**a) Provision for expected credit losses of trade and other receivables**

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

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

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Company's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future. The information about the ECLs on the Company's trade receivables is disclosed in Note 7.

The carrying amount of the Company's trade and other receivables as at 31 March 2019 was US\$250,956 (31 March 2018: US\$554,760)

NOTES TO THE FINANCIAL STATEMENTS- 31 MARCH 2019

4. Profit before tax

	For the year ended 31/03/2019 US\$	For the year ended 31/03/2018 US\$
Profit is arrived after charging:		
Cost of inventory sold	2,038,792	5,092,899
Consulting charges	116,995	142,570
Freight charges	20,579	108,078

5. Taxation

	For the year ended 31/03/2019 US\$	For the year ended 31/03/2018 US\$
Current year provision	-	10,343
Over provision	3,794	-
	<u>3,794</u>	<u>10,343</u>

Taxation (Cont'd)

The tax expense on the results of the financial year varies from the amount of income tax determined by applying the Singapore statutory rate of income tax on Company's profit as a result of the following:

a.) Tax expense	For the year ended 31/03/2019 US\$	For the year ended 31/03/2018 US\$
(Loss) / Profit before taxation	<u>(394,762)</u>	<u>153,880</u>
Tax @ statutory rate of 17%	(67,110)	26,160
Over provision in prior years	3,794	-
Tax effect on non-taxable income	-	-
Deferred tax asset not recognised	67,110	-
Singapore statutory stepped income exemption	-	(13,395)
Rebate	-	(2,553)
Others	-	131
Tax expense	<u>3,794</u>	<u>10,343</u>

b.) Movement in current income tax liabilities

	2019 US\$	2018 US\$
Balance at the beginning of the year	10,343	31,303
Income tax paid	(10,343)	(31,303)
Current tax expense	-	10,343
Balance at the year end	<u>-</u>	<u>10,343</u>



NOTES TO THE FINANCIAL STATEMENTS- 31 MARCH 2019

6. CASH & CASH EQUIVALENTS

	2019 US\$	2018 US\$
Cash at banks	10,476	22,303
	<u>10,476</u>	<u>22,303</u>

7. TRADE AND OTHER RECEIVABLES

	2019 US\$	2018 US\$
<b>Trade receivables:</b>		
<b>Non-Current</b>		
Trade receivables	37,496	-
<b>Current</b>		
Trade debtors	155,168	550,376
<b>Trade advance:</b>		
Trade advance	53,908	-
<b>Other receivables:</b>		
Deposit	4,384	4,384
<b>Total trade and other receivables</b>	<u>250,956</u>	<u>554,760</u>

Trade receivables are non-interest bearing and are generally on 60-90 days' terms.

There is no other class of financial assets that is past due and/or impaired except for trade receivables.

**Receivables that are past due but not impaired**

The trade receivables amounting to 2019: Nil (2018: US\$550,376) that are past due at the balance sheet date but not impaired. These receivables are unsecured and the analysis of their aging at the balance sheet date is as follows:-

Trade receivables past due:

	2019 US\$	2018 US\$
Lesser than 30 days	-	-
30 – 60 days	-	-
60 – 90 days	-	-
More than 90 days	-	550,376
	<u>-</u>	<u>550,376</u>

8. INVENTORIES

	2019 US\$	2018 US\$
<b>Statement of financial position:</b>		
Finished goods held for sale	121,903	-
<b>Statement of profit and loss:</b>		
Inventories recognized as an expense in cost of sales	2,038,792	5,092,899

NOTES TO THE FINANCIAL STATEMENTS- 31 MARCH 2019

9. TRADE AND OTHER PAYABLES

	2019 US\$	2018 US\$
<b>Trade payables:</b>		
Due to holding company	116,995	-
Trade creditors	272,803	28,042
	<u>389,798</u>	<u>28,042</u>
<b>Other payables:</b>		
Accruals	6,735	5,908
	<u>396,533</u>	<u>33,950</u>

10. DUE TO HOLDING COMPANY

This non-trade amount is unsecured, interest- free with no fixed repayment terms.

11. SHARE CAPITAL

The Company's share capital comprise fully paid-up 8,680 ordinary shares with no par value, amounting to a total of US\$6,000. 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 restrictions. The ordinary shares have no par value.

12. REVENUE

	2019 US\$	2018 US\$
<b>Disaggregation of revenue</b>		
Sale of computer servers	2,339,904	5,527,287
	<u>2,339,904</u>	<u>5,527,287</u>
<u>Timing of transfer of good or service</u>		
At a point in time	2,339,904	5,527,287
Over time	-	-
	<u>2,339,904</u>	<u>5,527,287</u>

12. CAPITAL MANAGEMENT

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

The Company manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Company may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Company is not subject to any externally imposed capital requirements.

The Company monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including trade and other payables as shown in the statement of financial position) less cash and cash equivalents. Total capital is calculated as total equity, as shown in the statement of financial position, plus net debts.

	2019 US\$	2018 US\$
Net debt	585,194	365,784
Total equity	(218,335)	178,633
<b>Total capital</b>	<u>366,859</u>	<u>544,417</u>
<b>Gearing ratio</b>	<b>159.51%</b>	<b>67.18%</b>

NOTES TO THE FINANCIAL STATEMENTS- 31 MARCH 2019

13. FINANCIAL RISK MANAGEMENT

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

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

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

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

**Capital risk**

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders and to maximise return to stakeholders by managing an optimal pricing policy. The Company manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the capital requirement of the business. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new ordinary shares, issue new preference share, or sell assets to reduce borrowings.

**Liquidity risk**

Liquidity risk refers to the risk that the Company will encounter difficulties in meeting its short-term 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. It is managed by matching the payment and receipt cycles. The Company finances its working capital through funds from holding company.

*Analysis of financial instruments by remaining contractual maturities*

The table below summarises the maturity profile of the Company's financial assets and liabilities at the reporting date based on contractual undiscounted repayment obligations.

	Less than 1 year US\$	Between 1 And 2 years US\$	Between 2 And 5 years US\$
<b>At 31 March 2019</b>			
<u>Financial assets</u>			
Trade receivables - third parties	192,664	-	-
Other receivables	4,384	-	-
Cash and cash equivalents	10,476	-	-
<b>Total undiscounted financial assets</b>	<b>207,524</b>	<b>-</b>	<b>-</b>
<u>Financial liabilities</u>			
Trade payables-third parties	272,803	-	-
Trade payables-related party	116,995	-	-
Accrued expenses	6,735	-	-
Due to holding company	199,137	-	-
<b>Total undiscounted financial liabilities</b>	<b>595,670</b>	<b>-</b>	<b>-</b>
<b>Total net undiscounted financial (liabilities) / assets</b>	<b>388,146</b>	<b>-</b>	<b>-</b>

**NOTES TO THE FINANCIAL STATEMENTS- 31 MARCH 2019**

**13. FINANCIAL RISK MANAGEMENT (Cont'd)**

**At 31 March 2018**

<u>Financial assets</u>			
Trade receivables — third parties	550,376	-	-
Other receivables	4,384		
Cash and cash equivalents	22,303		
<b>Total undiscounted financial assets</b>	<b>577,063</b>	<b>-</b>	<b>-</b>
<u>Financial liabilities</u>			
Trade and other payables	28,042	-	-
Accrued expenses	5,908		
Due to holding company	354,137	-	-
<b>Total undiscounted financial liabilities</b>	<b>388,087</b>		
Total net undiscounted financial assets / (liabilities)	<b>188,976</b>	<b>-</b>	<b>-</b>

**Market price risk**

Market risk is the risk that changes in market prices, such as interest rates, foreign exchange rates and other price risk that affects the Company's profit. The objective of market risk management risk is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk. The Company does not hold any investment in financial instruments with uncertain price movements. The market price risk is therefore insignificant.

**Interest rate risk**

The Company does not have any loans or debt obligations which are affected by changes in interest rates. The Company has sufficient liquidity and adopts a conservative approach in interest risk management by avoiding interest bearing borrowings and relying on its own financial liquidity and non-interest bearing creditors.

**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 loan to the holding company. For other financial assets (including investment securities and cash), the Company minimises credit risk by dealing exclusively with high credit rating counterparties.

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

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

The Company has determined the default event on a financial asset to be when internal and/or external information indicates that the financial asset is unlikely to be received, which could include default of contractual payments due for more than 60 days, default of interest due for more than 30 days or there is significant difficulty of the counterparty.

**NOTES TO THE FINANCIAL STATEMENTS- 31 MARCH 2019**

**13. FINANCIAL RISK MANAGEMENT (Cont'd)**

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

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

Regardless of the analysis above, a significant increase in credit risk is presumed if a debtor is past due beyond the credit period and based on the history of the payments received in making contractual payment.

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

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

The Company categorises a receivable for potential write-off when a debtor fails to make contractual payments more than 365 days past due. Financial assets are written off when there is evidence indicating that the debtor is in severe financial difficulty and the debtor has no realistic prospect of recovery.

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

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

NOTES TO THE FINANCIAL STATEMENTS- 31 MARCH 2019

13. FINANCIAL RISK MANAGEMENT (Cont'd)

Credit risk (Continued)

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

	Note	Category	12-month or lifetime ECL	Gross carrying amount US\$	Loss allowance US\$	Net carrying amount US\$
31 March 2019						
Trade receivables	7	Note 1	Lifetime ECL (simplified)	192,664	-	192,664
Other receivables	7	1	12-month ECL	4,384	-	4,384
				<b>197,048</b>		<b>197,048</b>
1 April 2018						
Trade receivables	7	Note 1	Lifetime ECL (simplified)	550,376	-	550,376
Other receivables	7	1	12-month ECL	4,384	-	4,384
				<b>554,760</b>		<b>554,760</b>

**Trade receivables (Note1)**

For trade receivables, the Company has applied the simplified approach in FRS 109 to measure the loss allowance at lifetime ECL. The Company determines the ECL by using a provision matrix, estimated based on historical credit loss experience based on the past due status of the debtors, adjusted as appropriate to reflect current conditions and estimates of future economic conditions. The Company has not provided any lifetime expected credit losses ("ECL") for trade receivables as based on the Company's historical trend and forward looking analysis, the ECL loss is not material.

**Fair value instruments by category**

The carrying amount of the different categories of financial instruments is as follows:-

	2019 US\$	2018 US\$
<b><u>Financial assets measured at amortised cost</u></b>		
Trade and other receivables	197,048	554,760
Cash and cash equivalents	10,476	22,303
	<b>207,524</b>	<b>577,063</b>
<b><u>Financial liabilities measured at amortised cost</u></b>		
Trade and other payables	396,533	33,950
Amount due to holding company	199,137	354,137
	<b>595,670</b>	<b>388,087</b>

**NOTES TO THE FINANCIAL STATEMENTS- 31 MARCH 2019**

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**14. RELATED PARTY DISCLOSURES**

In addition to the related party information disclosed elsewhere in the financial statements, the following are related parties trading transactions during the financial year ended 31 March 2019 and were at terms and rates agreed between the parties:-

	<b>2019</b>	<b>2018</b>
	<b>US\$</b>	<b>US\$</b>
Consulting charges paid to holding company	116,995	142,570
Payments to holding company	155,000	-
Loan received from holding company	199,137	354,137
Dividend paid to holding company	-	275,000
	<u>316,132</u>	<u>772,511</u>

**15. DIVIDEND**

The Company paid final dividend of US\$ 31.68 per share totaling to US\$ 275,000 for the year ended 31.03.2017 in the previous year on total shares outstanding on that date. The dividend paid has been accounted for in the shareholders' funds as an appropriation of "accumulated profits" in the previous financial year.

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*(This does not form part of audited financial statements)*

**DETAILED STATEMENT OF COMPREHENSIVE INCOME  
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2019**

	2019 US\$	2018 US\$
<b>Revenue</b>		
Sales	2,339,904	5,527,287
<b>Less: Cost of sales</b>		
Opening stock	-	(4,383,027)
Purchases	(2,160,695)	(709,872)
Closing stock	121,903	-
	<b>(2,038,792)</b>	<b>(5,092,899)</b>
<b>Less: Direct expenses</b>		
Consulting charges	(116,995)	(142,570)
Custom clearing charges	(9,350)	-
Fees and taxes	(9,035)	-
Freight Charges	(20,579)	(108,078)
<b>Gross profit</b>	<b>145,153</b>	<b>183,740</b>
<b>Other income</b>		
Exchange gain	-	53
	-	53
<b>Less: Expenditure</b>		
Audit Fees	(8,271)	(5,867)
Bank charges	(6,562)	(15,728)
Bad debts written off	(516,813)	-
Insurance	(560)	-
Professional charges	(6,428)	(6,428)
Secretarial fee	(732)	(762)
Taxation Fee	(549)	(1,128)
	<b>(539,915)</b>	<b>(29,913)</b>
<b>Net (loss) / profit before tax</b>	<b>(394,762)</b>	<b>153,880</b>