

Directors' Statement and
Audited Consolidated Financial Statements

CONVEYOR HOLDINGS PTE. LTD.
Company Registration No.: 201224662W
AND ITS SUBSIDIARY

31 MARCH 2019



CONVEYOR HOLDINGS PTE. LTD.
(Company Registration No.: 201224662W)
AND ITS SUBSIDIARY

GENERAL INFORMATION

DIRECTOR

Gowri Saminathan Mrs Gowri Wade

SECRETARIES

Pathima Muneera Azmi
Cheng Lian Siang

REGISTERED OFFICE

9 Raffles Place
#27-00 Republic Plaza
Singapore 048619

AUDITORS

TKNP International
Public Accountants and
Chartered Accountants
Singapore

PRINCIPAL BANKERS

Oversea-Chinese Banking Corporation

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CONVEYOR HOLDINGS PTE. LTD.
(Company Registration No.: 201224662W)
AND ITS SUBSIDIARY

DIRECTORS' STATEMENT
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2019

The directors are pleased to present their statement to the members together with the audited consolidated financial statements of Conveyor Holdings Pte. Ltd. (the "Company") and its subsidiary (collectively the "Group") for the financial year ended 31 March 2019.

1. OPINION OF THE DIRECTORS

In the opinion of the directors,

- (i) the consolidated financial statements of the Group, the statement of financial position, statement of profit or loss and other comprehensive and statement of changes in equity of the Company are drawn up so as to give a true and fair view of the financial position of the Group and of the Company as at 31 March 2019 and the financial performance, changes in equity of the Group and of the Company and cash flows of the Group for the year ended on that date; and
- (ii) 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

Gowri Saminathan Mrs Gowri Wade is the sole director of the Company in office at the date of this statement.

3. ARRANGEMENTS TO ENABLE DIRECTORS TO ACQUIRE SHARES OR DEBENTURES

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

4. DIRECTORS' INTEREST IN SHARES OR DEBENTURES

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

5. SHARE OPTIONS

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

There were no shares issued during the financial year by virtue of the exercise of options to take up unissued shares of the Company or its subsidiary.

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

CONVEYOR HOLDINGS PTE. LTD.
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DIRECTORS' STATEMENT
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2019

6. AUDITORS

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

The Sole Director,


.....
Gowri Saminathan Mrs Gowri Wade
Sole Director

Date: 11 JUL 2019

CONVEYOR HOLDINGS PTE. LTD.
(Company Registration No.: 201224662W)
AND ITS SUBSIDIARY

INDEPENDENT AUDITORS' REPORT
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2019

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF CONVEYOR HOLDINGS PTE. LTD.

Report on the Audit of the Financial Statements

Opinion

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

In our opinion, the accompanying consolidated financial statements of the Group, the statement of financial position, the statement of profit or loss and other comprehensive and the statement of changes in equity of the Company 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 Group and of the Company as at 31 March 2019 and the financial performance, changes in equity of the Group and of the Company and cash flows of the Group for the year ended on that date.

Basis for Opinion

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

Material Uncertainty Related to Going Concern

The Group and the Company incurred a net loss of US\$230,476 (2018: US\$584,864) and US\$156,431 (2018: US\$185,971) respectively for financial year ended 31 March 2019 and, as at that date, the Group and the Company's current liabilities exceeded its current assets by US\$890,529 (2018: US\$676,989) and US\$970,934 (2018: US\$836,585) respectively.

The financial statements have been prepared on a going concern basis which contemplates the realisation of assets and the satisfaction of liabilities in the normal course of business. The ability of the Group to continue as a going concern for the next twelve months after the end of the reporting period is dependent on the ability of the Group to obtain financial support and additional funding from its holding company and the directors who are also shareholders of the holding company as well as the ability of the company to generate sufficient profits and positive net operating cash flows to satisfy working capital requirements.

These conditions indicate the existence of material uncertainties which may cast significant doubt on the Group and Company's ability to continue as a going concern which may affect the validity of the going concern assumption on which the accompanying financial statements are prepared. Our opinion is not modified in respect of this matter.

Other Information

Management is responsible for other information. The other information comprises the Directors' Statement set out on pages 1 to 2.

CONVEYOR HOLDINGS PTE. LTD.
(Company Registration No.: 201224662W)
AND ITS SUBSIDIARY

INDEPENDENT AUDITORS' REPORT
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2019

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF CONVEYOR HOLDINGS PTE. LTD.
(CONT'D)

Other Information (Cont'd)

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 Group'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 Group or to cease operations, or has no realistic alternative but to do so.

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

INDEPENDENT AUDITORS' REPORT
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2019

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF CONVEYOR HOLDINGS PTE. LTD.
(CONT'D)

Auditors' Responsibilities for the Audit of the Financial Statements (Cont'd)

- 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 Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group 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.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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.

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


TKNP International
Public Accountants and
Chartered Accountants
Singapore



Date: 11 JUL 2019

CONVEYOR HOLDINGS PTE. LTD.
(Company Registration No.: 201224662W)
AND ITS SUBSIDIARY

CONSOLIDATED AND SEPARATE STATEMENTS OF FINANCIAL POSITION
AS AT 31 MARCH 2019

	<u>Note</u>	<u>Group</u> <u>2019</u> <u>US\$</u>	<u>Group</u> <u>2018</u> <u>US\$</u>	<u>Company</u> <u>2019</u> <u>US\$</u>	<u>Company</u> <u>2018</u> <u>US\$</u>
<u>ASSETS</u>					
Non-current assets					
Plant and equipment	4	1,140	18,076	-	-
Investment in subsidiary	5	-	-	96	96
Loan to subsidiary	6	-	-	1,099,001	1,121,083
		<u>1,140</u>	<u>18,076</u>	<u>1,099,097</u>	<u>1,121,179</u>
Current assets					
Cash and cash equivalents	7	66,065	151,923	4,765	13,961
Trade and other receivables	8	750,567	781,390	4,236	97,089
Inventories	9	4,598	432,006	-	-
		<u>821,230</u>	<u>1,365,319</u>	<u>9,001</u>	<u>111,050</u>
Total assets		<u>822,370</u>	<u>1,383,395</u>	<u>1,108,098</u>	<u>1,232,229</u>
<u>LIABILITIES AND EQUITY</u>					
Current liabilities					
Loans from ultimate holding company	10	976,142	907,095	976,142	907,095
Trade and other payables	11	735,617	1,135,213	3,793	40,540
		<u>1,711,759</u>	<u>2,042,308</u>	<u>979,935</u>	<u>947,635</u>
Total liabilities		<u>1,711,759</u>	<u>2,042,308</u>	<u>979,935</u>	<u>947,635</u>
Equity attributable to owners of the Company					
Share capital	12	1,500,100	1,500,100	1,500,100	1,500,100
Translation reserve	13	162,784	86,971	-	-
Accumulated losses		(2,552,273)	(2,245,984)	(1,371,937)	(1,215,506)
		<u>(889,389)</u>	<u>(658,913)</u>	<u>128,163</u>	<u>284,594</u>
Total liabilities and equity		<u>822,370</u>	<u>1,383,395</u>	<u>1,108,098</u>	<u>1,232,229</u>

See accompanying notes to the financial statements

CONVEYOR HOLDINGS PTE. LTD.
(Company Registration No.: 201224662W)
AND ITS SUBSIDIARY

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

	<u>Note</u>	<u>Group</u> <u>2019</u> <u>US\$</u>	<u>Group</u> <u>2018</u> <u>US\$</u>	<u>Company</u> <u>2019</u> <u>US\$</u>	<u>Company</u> <u>2018</u> <u>US\$</u>
Revenue income	14	1,386,662	1,992,312	74,049	41,938
Costs and expenses					
Change in inventories		427,408	213,195	-	-
Purchases	9	646,505	1,591,160	-	-
Depreciation of plant and equipment	4	1,063	3,077	-	-
Employee benefits expenses	15	245,815	318,310	62,228	65,801
Other operating expenses	16	364,771	434,845	160,863	146,134
		<u>(1,685,562)</u>	<u>(2,560,587)</u>	<u>(223,091)</u>	<u>(211,935)</u>
Loss before tax		(298,900)	(568,275)	(149,042)	(169,997)
Income tax expense	17	(7,389)	(15,974)	(7,389)	(15,974)
Loss after tax		<u>(306,289)</u>	<u>(584,249)</u>	<u>(156,431)</u>	<u>(185,971)</u>
Other comprehensive income					
Foreign currency translation		75,813	(615)	-	-
Other comprehensive income for the year, net of tax		75,813	(615)	-	-
Total comprehensive (loss) for the year attributable to owners of the Company		<u>(230,476)</u>	<u>(584,864)</u>	<u>(156,431)</u>	<u>(185,971)</u>

See accompanying notes to the financial statements

CONVEYOR HOLDINGS PTE. LTD.
(Company Registration No.: 201224662W)
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CONSOLIDATED AND SEPARATE STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2019

	Note	Attributable to owners of the Company			Total US\$
		Share capital US\$	Translation reserve US\$	Accumulated losses US\$	
<u>Group</u>					
At 1 April 2017		500,100	87,586	(1,661,735)	(1,074,049)
Issuance of ordinary shares	12	1,000,000	-	-	1,000,000
Loss for the year		-	-	(584,249)	(584,249)
<u>Other comprehensive income</u>					
Foreign currency translation		-	(615)	-	(615)
At 31 March 2018		<u>1,500,100</u>	<u>86,971</u>	<u>(2,245,984)</u>	<u>(658,913)</u>
At 1 April 2018		1,500,100	86,971	(2,245,984)	(658,913)
Loss for the year		-	-	(306,289)	(306,289)
<u>Other comprehensive income</u>					
Foreign currency translation		-	75,813	-	75,813
At 31 March 2019		<u>1,500,100</u>	<u>162,784</u>	<u>(2,552,273)</u>	<u>(889,389)</u>
<u>Company</u>					
At 1 April 2017		500,100	(1,029,535)	(529,435)	
Issuance of ordinary shares	12	1,000,000	-	1,000,000	
(Loss) for the year, representing total comprehensive (loss) for the year		-	(185,971)	(185,971)	
At 31 March 2018		<u>1,500,100</u>	<u>(1,215,506)</u>	<u>284,594</u>	
At 1 April 2018		1,500,100	(1,215,506)	284,594	
(Loss) for the year, representing total comprehensive (loss) for the year		-	(156,431)	(156,431)	
At 31 March 2019		<u>1,500,100</u>	<u>(1,371,937)</u>	<u>128,163</u>	

See accompanying notes to the financial statements

CONVEYOR HOLDINGS PTE. LTD.
(Company Registration No.: 201224662W)
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CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2019

	Note	2019 US\$	Group 2018 US\$
Cash flows from operating activities			
Loss before tax		(298,900)	(568,275)
Adjustments for:			
Depreciation of plant and equipment	4	1,063	3,077
Exchange rate realignment		1,346	(136)
Interest income		(1,628)	(1,309)
Loss on disposal of plant and equipment	16	8,076	-
Currency translation difference arising on consolidation		75,813	(615)
Operating loss before working capital changes		<u>(214,230)</u>	<u>(567,258)</u>
Changes in working capital:			
Decrease/ (Increase) in trade and other receivables		30,823	(548,169)
Decrease in inventories		427,408	213,195
(Decrease) in trade and other payables		(330,549)	(328,198)
Increase in other assets		-	132,352
Cash (used in) from operations		<u>(86,548)</u>	<u>(1,098,078)</u>
Interest received		1,628	1,309
Income tax paid		<u>(7,389)</u>	<u>(15,974)</u>
Net cash (used in) operating activities		<u>(92,309)</u>	<u>(1,112,743)</u>
Cash flows from investing activity			
Proceed from disposal of plant and equipment		6,451	-
Net cash generated from investing activity		<u>6,451</u>	<u>-</u>
Cash flows from financing activities			
Issuance of ordinary shares		-	1,000,000
Proceeds from loans from ultimate holding company		-	101,312
(Repayments of) bank loans		-	(1,913)
Net cash generated from financing activities		<u>-</u>	<u>1,099,399</u>
Net (decrease) in cash and cash equivalents		<u>(85,858)</u>	<u>(13,344)</u>
Cash and cash equivalents at beginning of the year		<u>151,923</u>	<u>165,267</u>
Cash and cash equivalents at end of the year	7	<u>66,065</u>	<u>151,923</u>

See accompanying notes to the financial statements

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

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

1. CORPORATE INFORMATION

Conveyor Holdings Pte. Ltd. (the "Company") is a private company limited by shares which is incorporated and domiciled in Singapore. The ultimate holding company is International Conveyors Limited, which is incorporated in India.

The registered office is located at 9 Raffles Place #27-00 Republic Plaza Singapore 048619. The principal place of business of the Company is located at 8 Eu Tong Sen Street #20-97 The Central, Singapore 059818.

The principal activities of the Company are those of investment holding company. There have been no significant changes in the nature of these activities during the financial year. The principal activities of the subsidiary are set out in Note 5 to the financial statements.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1) BASIS OF PREPARATION

The financial statements of the Group, statement of financial position of the statement of profit or loss and other comprehensive and statement in equity of the Company have been drawn up in accordance with Financial Reporting Standards in Singapore (FRSs). The financial statements have been prepared on the historical cost basis except as disclosed in the accounting policies below.

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

The preparation of financial statements in conformity with FRS requires management to exercise its judgement in the process of applying the company's accounting policies. It also requires the use of accounting estimates and assumptions. Although these estimates are based on management's best knowledge of current events and actions, actual results may ultimately differ from those estimates. The areas where estimates and assumptions are significant or critical to the financial statements are disclosed in Note 3.

2.1a) GOING CONCERN

The Group and the Company incurred a net loss of US\$230,476 (2018: US\$584,864) and US\$156,431 (2018: US\$185,971) respectively for financial year ended 31 March 2019 and, as at that date, the Group and the Company's current liabilities exceeded its current assets by US\$890,529 (2018: US\$676,989) and US\$970,934 (2018: US\$836,585) respectively.

Notwithstanding these, the directors of the Company are of the opinion that it is appropriate to prepare the financial statements on a going concern basis as the ultimate holding Company has agreed to provide the necessary financial support to enable the Company to pay its debts as and when they fall due. The financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts or the amounts and classification of liabilities that may be necessary if the going concern basis is found to be inappropriate.

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.2) ADOPTION OF NEW AND AMENDED STANDARDS AND INTERPRETATIONS

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

FRS 109 Financial Instruments

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

The Company applied FRS 109 retrospectively, with an initial application date of 1 April 2018. The Group and 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. The impact arising from FRS 109 adoption was included in the opening retained earnings and other components of equity at the date of initial application.

The nature of the adjustments are described below:

(a) Classification and measurement

Under FRS 109, debts 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 Group and 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 Group and the Company's business model was made as the date of initial application, 1 April 2018. The assessment of whether contractual cash flows on debts 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 Group and the Company. The following are the changes in the classification and measurement of the Group and the Company's financial assets:

- Trade and other receivables and loan to subsidiary 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 Group and the Company has not designated any financial liabilities at FVPL. There are no changes in classification and measurement for the Group and the Company's financial liabilities.

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.2) ADOPTION OF NEW AND AMENDED STANDARDS AND INTERPRETATIONS (CONT'D)

(a) Classification and measurement (Cont'd)

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

<u>Group</u> FRS 39 measurement category	US\$	<u>FRS 109 measurement category</u>		
		FVPL	FVOCI	Amortised cost
	US\$	US\$	US\$	US\$
<u>Loans and receivables</u>				
Trade and other receivables	781,390	-	-	781,390
		-	-	781,390

<u>Company</u> FRS 39 measurement category	US\$	<u>FRS 109 measurement category</u>		
		FVPL	FVOCI	Amortised cost
	US\$	US\$	US\$	US\$
<u>Loans and receivables</u>				
Loan to subsidiary	1,121,083	-	-	1,121,083
Trade and other receivables	97,089	-	-	97,089
		-	-	1,218,172

(b) Impairment

The adoption of FRS 109 has fundamentally changed the Group and 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 Group and the Company to recognise an allowance for ECLs for all debt instruments not held at FVPL.

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.

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.2) ADOPTION OF NEW AND AMENDED STANDARDS AND INTERPRETATIONS (CONT'D)

FRS 115 Revenue from Contracts with Customers (Cont'd)

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 Group and the Company adopted FRS 115 using the modified retrospective method of adoption with the date of initial application of 1 April 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 Group and 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.

2.3) STANDARDS ISSUED BUT NOT YET EFFECTIVE

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

Description	Effective for annual periods beginning on or after
FRS 116 Leases	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>	1 January 2019
Amendments to FRS 28 <i>Long-term interests in Associates and Joint Ventures</i>	1 January 2019
Annual Improvements to FRSs (March 2018)	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
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2019

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.3) STANDARDS ISSUED BUT NOT YET EFFECTIVE (CONT'D)

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 Group and 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 Group and 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 Group and 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) BASIS OF CONSOLIDATION AND BUSINESS COMBINATIONS

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at the end of the reporting period. The financial statements of the subsidiaries used in the preparation of the consolidated financial statements are prepared for the same reporting date as the Company. Consistent accounting policies are applied to like transactions and events in similar circumstances.

All intra-group balances, income and expenses and unrealised gains and losses resulting from intra-group transactions and dividends are eliminated in full.

Subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.4) BASIS OF CONSOLIDATION AND BUSINESS COMBINATIONS (CONT'D)

Losses within a subsidiary are attributed to the non-controlling interest even if that results in a deficit balance.

Business combinations

Business combinations are accounted for by applying the acquisition method. Identifiable assets acquired and liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. Acquisition-related costs are recognised as expenses in the periods in which the costs are incurred and the services are received.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is an asset or liability are recognised in profit or loss.

Non-controlling interest in the acquiree, that are present ownership interests and entitle their holders to a proportionate share of net assets of the acquiree are recognised on the acquisition date at either fair value, or the non-controlling interest's proportionate share of the acquiree's identifiable net assets.

Any excess of the sum of the fair value of the consideration transferred in the business combination, the amount of non-controlling interest in the acquiree (if any), and the fair value of the Group's previously held equity interest in the acquiree (if any), over the net fair value of the acquiree's identifiable assets and liabilities is recorded as goodwill. In instances where the latter amount exceeds the former, the excess is recognised as gain on bargain purchase in profit or loss on the acquisition date.

Subsidiaries

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

In the Company's separate financial statements, investment in subsidiary is accounted for at cost less any accumulated impairment losses.

2.5) FOREIGN CURRENCY

The financial statements are presented in United States dollar, which is also the Company's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

Transactions and balances

Transactions in foreign currencies are measured in the respective functional currencies of the Company and its subsidiaries and are recorded on initial recognition in the functional currencies 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 end of the reporting period. 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.

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.5) FOREIGN CURRENCY

Transactions and balances (Cont'd)

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

Consolidated financial statements

For consolidation purpose, the assets and liabilities of foreign operations are translated into US\$ at the rate of exchange ruling at the end of the reporting period and their profit or loss are translated at the exchange rates prevailing at the date of the transactions. The exchange differences arising on the translation are recognised in other comprehensive income. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in profit or loss.

In the case of a partial disposal without loss of control of a subsidiary that includes a foreign operation, the proportionate share of the cumulative amount of the exchange differences are re-attributed to non-controlling interest and are not recognised in profit or loss.

2.6) PLANT AND EQUIPMENT

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

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

	<u>Useful lives</u>
Equipment	3 years
Motor vehicle	8 years

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

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.7) IMPAIRMENT OF NON-FINANCIAL ASSETS

The Group and the Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, when an annual impairment testing for an asset is required the Group and 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.

2.8) FINANCIAL INSTRUMENTS

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

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

Subsequent measurement

Investments in debt instruments

Subsequent measurement of debt instruments depends on the Group and 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.

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.8) FINANCIAL INSTRUMENTS (CONT'D)

Financial assets (Cont'd)

Subsequent measurement (Cont'd)

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

Derecognition

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

Financial liabilities

Initial recognition and measurement

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

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

Subsequent measurement

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

Derecognition

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.8) FINANCIAL INSTRUMENTS (CONT'D)

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

Financial assets

Initial recognition and measurement

Financial assets are recognised when, and only when, the Group and 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 FVPL, 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 loan to subsidiary, trade and other receivables, and cash and cash equivalents. Cash and cash equivalents comprise cash at banks.

Derecognition

A financial asset is derecognised when 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, where applicable, any cumulative gain or loss that has been recognised in other comprehensive income) is recognised in profit or loss.

Financial liabilities

Initial recognition and measurement

Financial liabilities are recognised when, and only when, the Group and 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. Such financial liabilities comprise trade and other payables, loans from ultimate holding Company.

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.8) FINANCIAL INSTRUMENTS (CONT'D)

Financial liabilities (Cont'd)

Derecognition

A financial liability is derecognised 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 derecognition 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.

2.9) IMPAIRMENT OF FINANCIAL ASSETS

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

The Group and 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 Group and 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 Group and the Company applies a simplified approach in calculating ECLs. Therefore, the Group and the Company does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group and 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 Group and the Company considers a financial asset in default when contractual payments are 60 days past due. However, in certain cases, the Group and the Company may also consider a financial asset to be in default when internal or external information indicates that the Group and the Company is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group and the Company. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.9) IMPAIRMENT OF FINANCIAL ASSETS (CONT'D)

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

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

Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Group and 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 Group and 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 Group and 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.

2.10) CASH AND CASH EQUIVALENTS

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.11) INVENTORIES

Inventories are stated at the lower of cost and net realisable value (NRV). Cost is determined using the first-in, first-out (FIFO) method.

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

The cost of inventories comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

The costs of purchase of inventories comprise the purchase price, import duties and other taxes (other than those subsequently recoverable by the entity from the taxing authorities), and transport, handling and other costs directly attributable to the acquisition of finished goods, materials and services. Trade discounts, rebates and other similar items are deducted in determining the costs of purchase.

The costs of conversion of inventories include costs directly related to the units of production, such as direct labour. They also include a systematic allocation of fixed and variable production overheads that are incurred in converting materials into finished goods.

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

2.12) EMPLOYEE BENEFITS

Defined contribution plans

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

Employee leave entitlement

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

2.13) LEASES

Where the company is the lessee

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.

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.14) REVENUE

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 Group and 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 Group and 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.

Sale of goods

Revenue is recognised when the goods are delivered to the customer and all criteria for acceptance have been satisfied. The goods are often sold with a right of return.

The amount of revenue recognised is based on the transaction price, which comprises the contractual price, net of the estimated volume rebates and adjusted for expected returns.

Interest income

Interest income is recognised using the effective interest method.

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.

Sale of goods

Revenue is recognised upon the transfer of significant risk and rewards of ownership of the goods to the customer, which generally coincides with delivery and acceptance of the goods sold. 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.

Revenue comprises the fair value of the consideration received or receivable for the sale of goods net of goods and services tax, rebates and discounts.

Interest income

Interest income is recognised using the effective interest method.

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.15) TAXES

Current income tax

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

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

Deferred tax

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

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

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

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted by the reporting date and based on the tax consequence which will follow from the manner in which the Company expects, at financial year end, to recover or settle the carrying amounts of its assets and liabilities.

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.16) RELATED PARTY

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

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

The following are not necessarily related parties:

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

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

2.17) SHARE CAPITAL

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

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

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

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

3.1) JUDGEMENTS MADE IN APPLYING ACCOUNTING POLICIES

Determination of functional currency

In determining the functional currency of the Group and the Company, judgement is used by the Group and the Company to determine the currency of the primary economic environment in which the Group and 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 date are discussed below. The Group and 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 Group and the Company. Such changes are reflected in the assumptions when they occur.

Inventory valuation method

Inventory write-down is made based on the current market conditions, historical experience and selling goods of similar nature. It could change significantly as a result of changes in market conditions. A review is made periodically on inventories for excess inventories, obsolescence and declines in net realisable value and an allowance is recorded against the inventory balances for any such declines. The realisable value represents the best estimate of the recoverable amount and is based on the most reliable evidence available and inherently involves estimates regarding the future expected realisable value. The carrying amount of the Group's inventories as at 31 March 2019 was US\$4,598 (2018: US\$432,006).

Provision for expected credit losses of trade receivables

The Group and 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 Group and the Company's historical observed default rates. The Group and 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.

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

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

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

Provision for expected credit losses of trade receivables (Cont'd)

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 Group and 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 Group and the Company's trade receivables is disclosed in Note 20 to the financial statements.

The carrying amount of the Group trade receivables as at 31 March 2019 was US\$711,547 (2018:US\$ 613,454).

4. PLANT AND EQUIPMENT

<u>2019</u> <u>Group</u> <u>Cost</u>	<u>Equipment</u> <u>US\$</u>	<u>Motor vehicle</u> <u>US\$</u>	<u>Total</u> <u>US\$</u>
As at 1 April 2018	3,939	26,859	30,798
Disposals	-	(24,816)	(24,816)
Exchange difference	(300)	(2,043)	(2,343)
As at 31 March 2019	<u>3,639</u>	<u>-</u>	<u>3,639</u>
Accumulated depreciation			
As at 1 April 2018	2,144	10,578	12,722
Depreciation for the year	533	530	1,063
Disposals	-	(10,289)	(10,289)
Exchange difference	(178)	(819)	(997)
As at 31 March 2019	<u>(2,499)</u>	<u>-</u>	<u>(2,499)</u>
Carrying amount			
As at 31 March 2019	<u>1,140</u>	<u>-</u>	<u>1,140</u>
<u>2018</u> <u>Group</u> <u>Cost</u>			
As at 1 April 2017	3,917	26,709	30,626
Exchange difference	22	150	172
As at 31 March 2018	<u>3,939</u>	<u>26,859</u>	<u>30,798</u>
Accumulated depreciation			
As at 1 April 2017	1,402	8,207	9,609
Depreciation for the year	738	2,339	3,077
Exchange difference	4	32	36
As at 31 March 2018	<u>(2,144)</u>	<u>(10,578)</u>	<u>(12,722)</u>
Carrying amount			
As at 31 March 2018	<u>1,795</u>	<u>16,281</u>	<u>18,076</u>

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5. INVESTMENT IN SUBSIDIARY

	<u>2019</u> US\$	<u>Company</u> <u>2018</u> US\$
Unquoted shares, at cost	96	96

The following information relates to the subsidiary:

Name	Principal place of business	Principal activities	Proportion (%) of ownership interest	
			<u>2019</u>	<u>2018</u>
Held by the Company:				
* International Conveyors Australia Pty Ltd	Australia	Those of general trader	100	100

* Audited by a firm other than *TKNP International*.

Investment in subsidiary is accounted for at cost less impairment loss, if any.

6. LOAN TO SUBSIDIARY

	<u>2019</u> US\$	<u>2018</u> US\$
Company		
Principal	991,946	1,069,723
Accrued interest	107,055	51,360
	<u>1,099,001</u>	<u>1,121,083</u>

The loan to subsidiary is non-trade in nature, unsecured, interest bearing at 7.25% (2018: 7.25%) per annum and is repayable on 18 October 2021 and 28 Nov 2022.

The loan to subsidiary is denominated in Australian dollar.

7. CASH AND CASH EQUIVALENTS

	<u>Group</u> <u>2019</u> US\$	<u>Group</u> <u>2018</u> US\$	<u>Company</u> <u>2019</u> US\$	<u>Company</u> <u>2018</u> US\$
Cash at banks	<u>66,065</u>	<u>151,923</u>	<u>4,765</u>	<u>13,961</u>

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7. CASH AND CASH EQUIVALENTS (CONT'D)

Cash and cash equivalents are denominated in the following currencies:

	<u>Group</u> <u>2019</u> US\$	<u>Group</u> <u>2018</u> US\$	<u>Company</u> <u>2019</u> US\$	<u>Company</u> <u>2018</u> US\$
Australian dollar	61,300	137,962	-	-
Singapore dollar	3,707	2,053	3,707	2,053
United States dollar	1,058	11,908	1,058	11,908
	<u>66,065</u>	<u>151,923</u>	<u>4,765</u>	<u>13,961</u>

8. TRADE AND OTHER RECEIVABLES

	<u>Group</u> <u>2019</u> US\$	<u>Group</u> <u>2018</u> US\$	<u>Company</u> <u>2019</u> US\$	<u>Company</u> <u>2018</u> US\$
<u>Trade receivables</u>				
Ultimate holding company	537,908	-	-	-
Third parties	173,639	613,454	-	-
	<u>711,547</u>	<u>613,454</u>	<u>-</u>	<u>-</u>
<u>Other receivables</u>				
Deposits	34,784	93,718	-	22,871
Sundry receivables	3,998	74,036	3,998	74,036
Prepayment	238	182	238	182
	<u>39,020</u>	<u>167,936</u>	<u>4,236</u>	<u>97,089</u>
Total trade and other receivables	<u>750,567</u>	<u>781,390</u>	<u>4,236</u>	<u>97,089</u>

Trade receivables are non-interest bearing and are generally on 30 days' terms.

Trade receivables that are past due but not impaired

The Group has trade receivables amounting to US\$ 435,577 (2018: US\$34,918) that are past due at the end of the reporting period but not impaired. These receivables are unsecured.

The ageing profile of trade receivables is as follows: -

	Group	
	2019 US\$	2018 US\$
Not past due	<u>275,970</u>	<u>578,536</u>
Past due but not impaired:		
1 to 30 days	421,382	-
31 to 60 days	65	33,326
More than 60 days	14,130	1,592
	<u>435,577</u>	<u>34,918</u>
	<u>711,547</u>	<u>613,454</u>

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8. TRADE AND OTHER RECEIVABLES (CONT'D)

Trade and other receivables are denominated in the following currencies:

	<u>Group</u> <u>2019</u> US\$	<u>Group</u> <u>2018</u> US\$	<u>Company</u> <u>2019</u> US\$	<u>Company</u> <u>2018</u> US\$
Australian dollar	746,331	684,301	-	-
Singapore dollar	382	23,068	382	23,068
United States dollar	3,854	74,021	3,854	74,021
	<u>750,567</u>	<u>781,390</u>	<u>4,236</u>	<u>97,089</u>

9. INVENTORIES

	<u>Group</u> <u>2019</u> US\$	<u>Group</u> <u>2018</u> US\$	<u>Company</u> <u>2019</u> US\$	<u>Company</u> <u>2018</u> US\$
Finished goods, at lower of cost and NRV	<u>4,598</u>	<u>432,006</u>	-	-
	<u>Group</u> <u>2019</u> US\$	<u>Group</u> <u>2018</u> US\$	<u>Company</u> <u>2019</u> US\$	<u>Company</u> <u>2018</u> US\$
Beginning of the year	432,006	645,201	-	-
Purchases	646,505	1,591,160	-	-
End of the year	<u>(4,598)</u>	<u>(432,006)</u>	-	-
	<u>1,073,913</u>	<u>1,804,355</u>	-	-

Inventories that were expensed off and included in cost of sales for the financial year ended 31 March 2019 amounted to US\$1,073,913 (2018: US\$1,804,355).

10. LOANS FROM ULTIMATE HOLDING COMPANY

	<u>Group</u> <u>2019</u> US\$	<u>Group</u> <u>2018</u> US\$	<u>Company</u> <u>2019</u> US\$	<u>Company</u> <u>2018</u> US\$
Loan 1	524,707	477,007	524,707	477,007
Loan 2	451,435	430,088	451,435	430,088
	<u>976,142</u>	<u>907,095</u>	<u>976,142</u>	<u>907,095</u>

Loan 1 is non-trade in nature, unsecured, interest bearing at 10% per annum and is repayable on demand.

Loan 2 is non-trade in nature, unsecured, interest bearing at 8.5% per annum and is repayable on demand.

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10. LOANS FROM ULTIMATE HOLDING COMPANY (CONT'D)

Loans from ultimate holding company are denominated in the following currencies:

	<u>Group</u> <u>2019</u> US\$	<u>Group</u> <u>2018</u> US\$	<u>Company</u> <u>2019</u> US\$	<u>Company</u> <u>2018</u> US\$
Singapore dollar	451,435	430,088	451,435	430,088
United States dollar	524,707	477,007	524,707	477,007
	<u>976,142</u>	<u>907,095</u>	<u>976,142</u>	<u>907,095</u>

11. TRADE AND OTHER PAYABLES

	<u>Group</u> <u>2019</u> US\$	<u>Group</u> <u>2018</u> US\$	<u>Company</u> <u>2019</u> US\$	<u>Company</u> <u>2018</u> US\$
<u>Trade payables</u>				
Ultimate holding company	564,286	823,838	-	-
Third parties	118,722	211,131	-	-
	<u>683,008</u>	<u>1,034,969</u>	<u>-</u>	<u>-</u>
<u>Other payables</u>				
Sundry creditors	52,609	100,244	3,793	40,540
	<u>52,609</u>	<u>100,244</u>	<u>3,793</u>	<u>40,540</u>
Total trade and other payables	<u>735,617</u>	<u>1,135,213</u>	<u>3,793</u>	<u>40,540</u>

Trade payables are non-interest bearing and normally settled on 60 days' terms.

Trade and other payables are denominated in the following currencies:

	<u>Group</u> <u>2019</u> US\$	<u>Group</u> <u>2018</u> US\$	<u>Company</u> <u>2019</u> US\$	<u>Company</u> <u>2018</u> US\$
Australian dollar	731,824	1,094,673	-	-
Singapore dollar	3,793	40,540	3,793	40,540
	<u>735,617</u>	<u>1,135,213</u>	<u>3,793</u>	<u>40,540</u>

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12. SHARE CAPITAL

	<u>Group</u> <u>2019</u>	<u>Group</u> <u>2018</u>	<u>Company</u> <u>2019</u>	<u>Company</u> <u>2018</u>
<u>Issued and fully paid</u>	No. of shares		US\$	
At beginning of the financial year	1,500,100	500,100	1,500,100	500,100
Issuance of ordinary shares	-	1,000,000	-	1,000,000
At end of financial year	<u>1,500,100</u>	<u>1,500,100</u>	<u>1,500,100</u>	<u>1,500,100</u>

In the previous financial year, the Company issued 1,000,000 new ordinary shares for a total cash consideration of US\$1,000,000 and the proceeds were used as working capital.

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

13. TRANSLATION RESERVE

The translation reserve represents exchange difference arising from the translation of the financial statements of foreign operations whose functional currency are different from that the Group's presentation currency.

14. REVENUE INCOME

	<u>Group</u> <u>2019</u> <u>US\$</u>	<u>Group</u> <u>2018</u> <u>US\$</u>	<u>Company</u> <u>2019</u> <u>US\$</u>	<u>Company</u> <u>2018</u> <u>US\$</u>
Sale of goods	1,360,488	1,884,328	-	-
Interest income	1,628	1,309	73,894	41,613
Other income	24,546	106,675	155	325
	<u>1,386,662</u>	<u>1,992,312</u>	<u>74,049</u>	<u>41,938</u>

15. EMPLOYEE BENEFITS EXPENSES

	<u>Group</u> <u>2019</u> <u>US\$</u>	<u>Group</u> <u>2018</u> <u>US\$</u>	<u>Company</u> <u>2019</u> <u>US\$</u>	<u>Company</u> <u>2018</u> <u>US\$</u>
CPF contribution	9,197	9,362	9,197	9,363
Salaries	208,599	288,325	52,905	56,315
SDF fund	126	123	126	123
Employee expenses	27,893	20,500	-	-
	<u>245,815</u>	<u>318,310</u>	<u>62,228</u>	<u>65,801</u>

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16. OTHER OPERATING EXPENSES

Included in other operating expenses are the following:

	<u>Group</u> <u>2019</u> US\$	<u>Group</u> <u>2018</u> US\$	<u>Company</u> <u>2019</u> US\$	<u>Company</u> <u>2018</u> US\$
Foreign exchange loss	71,939	27,771	72,499	28,179
Bank charges	2,140	3,340	585	1,410
Legal and professional fees	-	2,166	-	2,166
Office rent	13,087	52,657	-	34,208
Consulting fees	116,718	185,417	-	-
Insurance	8,178	4,527	-	-
Interest expense	84,010	77,358	83,012	76,064
Loss on disposal of plant and equipment	8,076	-	-	-
Marketing expense	89	371	-	-
	<u>89</u>	<u>371</u>	<u>-</u>	<u>-</u>

17. INCOME TAX EXPENSE

Major components of income tax expense for the financial year ended 31 March 2019 and 2018 are as follows:

	<u>Group</u> <u>2019</u> US\$	<u>Group</u> <u>2018</u> US\$	<u>Company</u> <u>2019</u> US\$	<u>Company</u> <u>2018</u> US\$
Current income tax				
- Current year	-	-	-	-
- Under provision in prior year	-	1,162	-	1,162
Withholding tax	-	9,714	-	9,714
Interest foreign tax	7,389	5,098	7,389	5,098
	<u>7,389</u>	<u>15,974</u>	<u>7,389</u>	<u>15,974</u>

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17. INCOME TAX EXPENSE (CONT'D)

Relationship between tax expense and accounting profit

A reconciliation between tax expense and the product of accounting profit multiplied by the applicable corporate tax rate for the years ended 31 March 2019 and 2018 is as follows:

	<u>Group</u> <u>2019</u> US\$	<u>Group</u> <u>2018</u> US\$	<u>Company</u> <u>2019</u> US\$	<u>Company</u> <u>2018</u> US\$
Loss before tax	(298,900)	(568,275)	(149,042)	(169,997)
Income tax using the statutory tax rate of 17% (2018: 17%)	(50,813)	(96,607)	(25,337)	(28,899)
Adjustments:				
Deferred tax assets not recognised	12,888	60,702	-	-
Non-deductible expenses	37,925	35,905	25,337	28,899
Under provision of current income tax in prior year	-	1,162	-	1,162
Withholding tax	-	9,714	-	9,714
Interest foreign tax	7,389	5,098	7,389	5,098
	<u>7,389</u>	<u>15,974</u>	<u>7,389</u>	<u>15,974</u>

At 31 March 2019, the Group has unutilised tax losses of approximately US\$787,413 (2018: US\$ 711,596) available for set-off against future taxable income subject to compliance with the relevant tax legislation and agreement by tax authorities.

The potential tax benefit of approximately US\$133,860 (2018: US\$120,971) arising from utilised tax losses has not been recognised due to the uncertainty of its recoverability.

18. OPERATING LEASE COMMITMENTS

Where the Group and Company are lessee

The operating lease is for the rental of office in Australia for its subsidiary, International Conveyors Australia Pty. Ltd.

The future aggregate minimum lease payments under non-cancellable operating lease as at the end of the financial year are as follow:

	<u>Group</u> <u>2019</u> US\$	<u>Group</u> <u>2018</u> US\$	<u>Company</u> <u>2019</u> US\$	<u>Company</u> <u>2018</u> US\$
Within one year	-	137,226	-	137,226
Within two to five years	-	102,920	-	102,920
	<u>-</u>	<u>240,146</u>	<u>-</u>	<u>240,146</u>

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19. RELATED PARTIES TRANSACTIONS

In addition to the related party information disclosed elsewhere in the financial statements, the following transactions with related parties took place at terms agreed between the parties during the financial period:

	<u>Group</u> <u>2019</u> US\$	<u>Group</u> <u>2018</u> US\$	<u>Company</u> <u>2019</u> US\$	<u>Company</u> <u>2018</u> US\$
<u>Loans from:</u>				
Interest on loans from ultimate holding company	83,012	76,064	83,012	76,064
<u>Loans to:</u>				
Interest on loan to subsidiary company	-	-	73,894	41,938
<u>Expenses reimbursed:</u>				
Expenses reimbursed to director	-	29,093	-	-
Expenses reimbursed by ultimate holding company	-	77,257	-	-
<u>Purchases from:</u>				
Ultimate holding company	554,710	785,966	-	-
<u>Sales to:</u>				
Ultimate holding company	<u>552,957</u>	<u>-</u>	<u>-</u>	<u>-</u>

20. FINANCIAL RISK MANAGEMENT

The Group and 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 foreign currency risk.

The directors review and agree 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 Group and the Company's policy that no trading in derivatives for speculative purposes shall be undertaken.

The following sections provide details regarding the Group and 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 Group and the Company's exposure to these financial risks or the manner in which it manages and measures the risks.

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20. FINANCIAL RISK MANAGEMENT (CONT'D)

Credit risk

Credit risk refers to the risk that the counterparty will default on its contractual obligations resulting in a loss to the Group and the Company. The Group and 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 Group and the Company has adopted a policy of only dealing with creditworthy counterparties. The Group and the Company performs ongoing credit evaluation of its counterparties' financial condition and generally do not require a collateral.

The Group and 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 Group and 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.

To minimise credit risk, the Group and the Company has developed and maintained the Group and 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 Group and the Company's own trading records to rate its major customers and other debtors. The Group and 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 meets its obligations
- Actual or expected significant changes in the operating results of the debtor
- Significant increases in credit risk on other financial instruments of the same debtor
- Significant changes in the expected performance and behaviour of the debtor, including changes in the payment status of debtors in the group and changes in the operating results of the debtor.

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

The Group and 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 Group and 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.

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20. FINANCIAL RISK MANAGEMENT (CONT'D)

Credit risk (Cont'd)

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

Category	Definition of category	Basis for recognising expected credit loss (ECL)
I	Counterparty has a low risk of default and does not have any past due amounts.	12-month ECL
II	Amount is > 30 days past due or there has been a significant increase in credit risk since initial recognition	Lifetime ECL – not credit-impaired
III	Amount is > 60 days past due or there has been a significant increase in credit risk since initial recognition	Lifetime ECL – not 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

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

	Note	Category	12-month or lifetime ECL
Trade receivables	8	Note 1	Lifetime ECL
Other receivables	8	I	12-month ECL
Loan to subsidiary	6	I	12-month ECL

Trade receivables (Note 1)

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

Exposure to credit risk

The Group and the Company has no significant concentration of credit risk. The Group and the Company has credit policies and procedures in place to minimise and mitigate its credit risk exposure.

Other receivables and loan to subsidiary

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

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20. FINANCIAL RISK MANAGEMENT (CONT'D)

Liquidity risk

Liquidity risk refers to the risk that the Group and the Company will encounter difficulties in meeting its short-term obligations due to shortage of funds. The Group and 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 Group and the Company finances its working capital requirements through funds generated from operations and loans from its ultimate holding company. The directors are satisfied that funds are available to finance the operations of the Group and the Company.

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

	<u>Carrying amount</u> US\$	<u>Contractual cash flows</u> US\$	<u>One year or less</u> US\$
<u>Group</u>			
<u>2019</u>			
<u>Financial assets</u>			
Cash and cash equivalents	66,065	66,065	66,065
Trade and other receivables	750,567	750,567	750,567
Total undiscounted financial assets	<u>816,632</u>	<u>816,632</u>	<u>816,632</u>
<u>Financial liabilities</u>			
Loans from ultimate holding company	976,142	1,066,985	1,066,985
Trade and other payables	735,617	735,617	735,617
Total undiscounted financial liabilities	<u>1,711,759</u>	<u>1,802,602</u>	<u>1,802,602</u>
Total net undiscounted financial liabilities	<u>(895,127)</u>	<u>(985,970)</u>	<u>(985,970)</u>
	<u>Carrying amount</u> US\$	<u>Contractual cash flows</u> US\$	<u>One year or less</u> US\$
<u>Group</u>			
<u>2018</u>			
<u>Financial assets</u>			
Cash and cash equivalents	151,923	151,923	151,923
Trade and other receivables	781,390	781,390	781,390
Total undiscounted financial assets	<u>933,313</u>	<u>933,313</u>	<u>933,313</u>
<u>Financial liabilities</u>			
Loans from ultimate holding company	907,095	992,221	992,221
Trade and other payables	1,135,213	1,135,213	1,135,213
Total undiscounted financial liabilities	<u>2,042,308</u>	<u>2,127,434</u>	<u>2,127,434</u>
Total net undiscounted financial liabilities	<u>(1,108,995)</u>	<u>(1,194,121)</u>	<u>(1,194,121)</u>

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20. FINANCIAL RISK MANAGEMENT (CONT'D)

Liquidity risk (Cont'd)

	<u>Carrying amount</u>	<u>Contractual cash flows</u>	<u>One year or less</u>	<u>One to five years</u>
	US\$	US\$	US\$	US\$
<u>Company</u>				
<u>2019</u>				
<u>Financial assets</u>				
Cash and cash equivalents	4,765	4,765	4,765	-
Loan to subsidiary	1,099,001	1,170,917	-	1,170,917
Trade and other receivables	4,236	4,236	4,236	-
Total undiscounted financial assets	<u>1,108,002</u>	<u>1,179,918</u>	<u>9,001</u>	<u>1,170,917</u>
<u>Financial liabilities</u>				
Loans from ultimate holding company	976,142	1,066,985	1,066,985	-
Trade and other payables	3,793	3,793	3,793	-
Total undiscounted financial liabilities	<u>979,935</u>	<u>1,070,778</u>	<u>1,070,778</u>	<u>-</u>
Total net undiscounted financial assets/(liabilities)	<u>128,067</u>	<u>109,140</u>	<u>(1,061,777)</u>	<u>1,170,917</u>
<u>2018</u>				
<u>Financial assets</u>				
Cash and cash equivalents	13,961	13,961	13,961	-
Loan to subsidiary	1,121,083	1,198,638	-	1,198,638
Trade and other receivables	97,089	97,089	97,089	-
Total undiscounted financial assets	<u>1,232,133</u>	<u>1,309,688</u>	<u>111,050</u>	<u>1,198,638</u>
<u>Financial liabilities</u>				
Loans from ultimate holding company	907,095	992,221	992,221	-
Trade and other payables	40,540	40,540	40,540	-
Total undiscounted financial liabilities	<u>947,635</u>	<u>1,032,761</u>	<u>1,032,761</u>	<u>-</u>
Total net undiscounted financial assets/(liabilities)	<u>284,498</u>	<u>276,927</u>	<u>(921,711)</u>	<u>1,198,638</u>

Foreign currency risk

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

CONVEYOR HOLDINGS PTE. LTD.
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NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FINANCIAL YEAR ENDED 31 MARCH 2019

20. FINANCIAL RISK MANAGEMENT (CONT'D)

Foreign currency risk (Cont'd)

The Group and the Company has transactional currency exposures arising from sales or purchases that are denominated in a currency other than the functional currency of the Group and the Company, primarily Australian dollar ("AUD") and Singapore dollar ("SGD").

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

	<u>AUD</u> US\$	<u>Group</u> <u>SGD</u> US\$	<u>Total</u> US\$
2019			
<u>Financial assets</u>			
Cash and cash equivalents	61,300	3,707	65,007
Trade and other receivables	746,331	382	746,713
	<u>807,631</u>	<u>4,089</u>	<u>811,720</u>
<u>Financial liabilities</u>			
Loans from ultimate holding company	-	451,435	451,435
Trade and other payables	731,824	3,793	735,617
	<u>(731,824)</u>	<u>(455,228)</u>	<u>(1,187,052)</u>
Currency exposures	<u>75,807</u>	<u>(451,139)</u>	<u>(375,332)</u>
2018			
<u>Financial assets</u>			
Cash and cash equivalents	137,962	2,053	140,015
Trade and other receivables	684,301	23,068	707,369
	<u>822,263</u>	<u>25,121</u>	<u>847,384</u>
<u>Financial liabilities</u>			
Loans from ultimate holding company	-	430,088	430,088
Trade and other payables	1,094,673	40,540	1,135,213
	<u>(1,094,673)</u>	<u>(470,628)</u>	<u>(1,565,301)</u>
Currency exposures	<u>(272,410)</u>	<u>(445,507)</u>	<u>(717,917)</u>

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NOTES TO THE FINANCIAL STATEMENTS
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20. FINANCIAL RISK MANAGEMENT (CONT'D)

Foreign currency risk (Cont'd)

	<u>AUD</u> US\$	<u>Company</u> <u>SGD</u> US\$	<u>Total</u> US\$
<u>2019</u>			
<u>Financial assets</u>			
Cash and cash equivalents	-	3,707	3,707
Trade and other receivables	-	382	382
Loan to subsidiary	1,099,001	-	1,099,001
	<u>1,099,001</u>	<u>4,089</u>	<u>1,103,090</u>
<u>Financial liabilities</u>			
Trade and other payables	-	3,793	3,793
Loans from ultimate holding company	-	451,435	451,435
	<u>-</u>	<u>(455,228)</u>	<u>(455,228)</u>
Currency exposures	<u>1,099,001</u>	<u>(451,139)</u>	<u>647,862</u>
<u>2018</u>			
<u>Financial assets</u>			
Cash and cash equivalents	-	2,053	2,053
Trade and other receivables	-	23,068	23,068
Loan to subsidiary	1,121,083	-	1,121,083
	<u>1,121,083</u>	<u>25,121</u>	<u>1,146,204</u>
<u>Financial liabilities</u>			
Trade and other payables	-	40,540	40,540
Loans from ultimate holding company	-	430,088	430,088
	<u>-</u>	<u>(470,628)</u>	<u>(470,628)</u>
Currency exposures	<u>1,121,083</u>	<u>(445,507)</u>	<u>675,576</u>

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

20. FINANCIAL RISK MANAGEMENT (CONT'D)

Foreign currency risk (Cont'd)

A 5% strengthening of United States dollar against the foreign currencies denominated balances as at the reporting date would decrease profit or loss by the amounts shown below. This analysis assumes that all other variables remain constant.

	Group	
	Profit or loss (after tax)	
	2019	2018
	US\$	US\$
Singapore Dollar	(18,722)	(18,489)
Australian Dollar	3,146	(11,305)
	<hr/>	<hr/>

	Company	
	Profit or loss (after tax)	
	2019	2018
	US\$	US\$
Singapore Dollar	(18,722)	(18,489)
Australian Dollar	45,609	46,525
	<hr/>	<hr/>

A 5% weakening of United States dollar against the above currencies would have had equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remain constant.

21. FAIR VALUE OF ASSETS AND LIABILITIES

The fair value of a financial instrument is the amount at which the instrument could be exchanged or settled between knowledgeable and willing parties in an arm's length transaction, other than in a forced or liquidation sale.

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

Cash and cash equivalents, other receivables, other payables

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

Unquoted investments

For investment in subsidiary, it is not practicable to determine the fair values because of the lack of quoted market prices and the assumptions used in valuation models to value these investments cannot be reasonably determined. Investment in subsidiary is therefore, stated at cost.

Trade receivables and trade payables

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

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

21. FAIR VALUE OF ASSETS AND LIABILITIES (CONT'D)

Loan from the ultimate holding company and loan to subsidiary

The carrying amount of loan from the ultimate holding company and loan to subsidiary approximate their fair values as they are subject to interest rates close to market rate of interests for similar arrangements with financial institutions.

22. FINANCIAL INSTRUMENTS BY CATEGORY

At the reporting date, the aggregate carrying amounts of financial instruments were as follows:

	<u>Group</u> <u>2019</u> US\$	<u>Group</u> <u>2018</u> US\$	<u>Company</u> <u>2019</u> US\$	<u>Company</u> <u>2018</u> US\$
Finance assets measured at amortised cost				
Loan to subsidiary	-	-	1,099,001	1,121,083
Cash and cash equivalents	66,065	151,923	4,765	13,961
Trade and other receivables	750,329	781,208	3,998	96,907
	<u>816,394</u>	<u>933,131</u>	<u>1,107,764</u>	<u>1,231,951</u>
Financial liabilities measured at amortised cost				
Loans from ultimate holding company	976,142	907,095	976,142	907,095
Trade and other payables	735,617	1,135,213	3,793	40,540
	<u>1,711,759</u>	<u>2,042,308</u>	<u>979,935</u>	<u>947,635</u>

23. CAPITAL MANAGEMENT

The primary objective of the Group and 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 Group and the Company comprises issued share capital and retained earnings.

The Group and 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 Group and the Company may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Group and the Company is not subject to any externally imposed capital requirements. No changes were made to the objectives, policies or processes during the financial years ended 31 March 2019 and 31 March 2018.

24. AUTHORISATION OF FINANCIAL STATEMENTS FOR ISSUE

The consolidated financial statements of the Group, the statement of financial position, the statement of profit or loss and other comprehensive income and statement of change in equity of the Company for the year ended 31 March 2019 were authorised for issue in accordance with a resolution of the Board of Directors of the Company as at the date of the Directors' statement.

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

CONVEYOR HOLDINGS PTE. LTD.
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DETAILED STATEMENT OF PROFIT OR LOSS
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2019

	<u>2019</u> <u>US\$</u>	<u>2018</u> <u>US\$</u>
Revenue income		
Interest income	73,894	41,613
Other income	155	325
	<u>74,049</u>	<u>41,938</u>
Costs and expenses		
Employee benefits expenses	62,228	65,801
Foreign exchange loss	72,499	28,179
Audit fee	3,768	3,817
Bank charges	585	1,410
Legal and professional fees	-	2,166
Interest expense	83,012	76,064
Office rent	-	34,208
Subscription fee	261	290
Telecommunication cost	375	-
Transportation	306	-
Medical expenses	57	-
	<u>(223,091)</u>	<u>(211,935)</u>
Loss before tax	<u>(149,042)</u>	<u>(169,997)</u>