



STAMFORD ASSOCIATES LLP

Chartered Accountants of Singapore

(UEN No: T07LL0683E)

INDEPENDENT AUDITORS' REPORT



TO THE MEMBERS OF SUMEET GLOBAL PTE. LTD.

(REGISTRATION NO. 201229343C)

FOR THE FINANCIAL YEAR ENDED 31st MARCH 2019

Disclaimer of Opinion

We were engaged to audit the financial statements of **Sumeet Global Pte. Ltd.** ("the Company") which comprise the statement of financial position as at 31st March 2019, and the statement of comprehensive income, statement of changes in equity and statement of cashflows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies as set out on pages 5 to 22.

We do not express an opinion on the accompanying financial statements of the Company. Because of the significance of the matters described in the Basis for disclaimer of Opinion section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

Basis for Disclaimer Opinion

We are unable to verify the recoverability and assess the valuation of trade receivables amounting to the extent of US\$12,920,367/- (2018: US\$10,795,486/-) included in trade and other receivables [Note 6]. Further, we refer to Financial Risk Management – Credit Risk [Note 21.2], where the management represented that the amount is fully recoverable and no impairment provision and adjustment is necessary. However, we could not obtain any sufficient appropriate audit evidence to perform any alternate audit procedures to assess and verify the valuation of the same. Hence, we are unable to express our opinion on the valuation of trade and other receivables [Note 6] to the extent of US\$12,920,367/- (2018: US\$10,795,486/-) as stated in the statement of financial position.

We are also unable to verify the existence, valuation and completeness of the bank overdraft balance of US\$7,810,017/- included in borrowings [Note 9] as we are unable to obtain direct balance confirmation from the bank. Further, the same is overdue and not yet paid to the bank. Hence, we are not able to and do not express our opinion on the existence, valuation and completeness of borrowings.

Further, we noted that the Company's operations, sales and purchase transactions were ceased in July 2018 and as such no subsequent transactions recorded till the date of signing of this report. Therefore, it indicates that the Company has severe going concern problem which may have pervasive effect on overall financial statements.

Due to the pervasive effects of all of the above on overall financial statements, we therefore are unable to assess the overall impact of the above in these financial statements prepared for the year ended 31st March 2019.

Emphasis of matter

We draw attention to Note 2.18 of these financial statements, the accompanying financial statements have been prepared assuming that the Company will continue as a going concern. The Company has a bank overdraft amounting to US\$7,810,017/- [Note 9] and is overdue for payment as at the date of statement of financial position, this raises substantial concern about the entity's ability to continue as a going concern if financial support is not forthcoming and as a result, the Company is unable to continue in operational existence for the foreseeable future, adjustments would have to be made to reflect the situation that the assets may need to be realized other than in the normal course of business and at amounts which could differ significantly from the amounts stated in the Statement of Financial Position. In addition, the Company may have to provide for future liabilities which may arise.

Other Information

Management is responsible for the other information. The other information comprises the Directors' Statement included in pages 1 to 2 but does not include the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information identified above 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 on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Directors for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Act and FRSS, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair financial statements and to maintain accountability of assets. In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so. The directors' responsibilities include overseeing the Company's financial reporting process.





INDEPENDENT AUDITORS' REPORT (CONT'D)

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

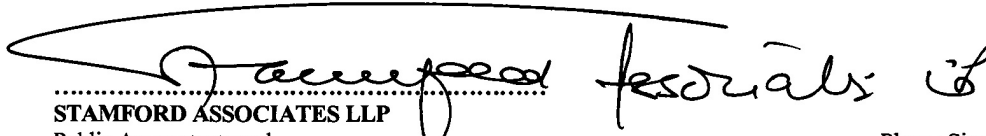
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

Report on Other Legal and Regulatory Requirements

In our opinion, the accounting and other records required by the Act to be kept by the Company have been properly kept in accordance with the provisions of the Act.

The engagement partner on the audit resulting in this independent auditor's report is Mr. Sanjay P. Mohnot.


STAMFORD ASSOCIATES LLP
Public Accountants and
Chartered Accountants, Singapore.

Place : Singapore
Date : 24 May 2019

STATEMENT OF FINANCIAL POSITION
AS AT 31ST MARCH 2019

	<u>Note</u>	<u>2019</u> <u>US\$</u>	<u>2018</u> <u>US\$</u>
ASSETS			
Non - Current assets		-	-
Current assets			
Cash and Cash Equivalents	5	-	1,556,074
Trade and other receivables	6	12,920,367	14,492,656
Contract asset	10	-	-
Total Current Assets		12,920,367	16,048,730
Total Assets		12,920,367	16,048,730
LIABILITIES			
Non - Current liabilities			
Deferred tax liability	18	-	-
Total Non - Current Liabilities		-	-
Current liabilities			
Trade and other payables	7	(4,412)	(2,061,094)
Amount due to related party	8	(588,574)	(608,037)
Bank borrowings	9	(7,810,017)	(8,810,231)
Contract liability	10	-	-
Provision for taxation	17	(16,282)	(16,282)
Total Current Liabilities		(8,419,285)	(11,495,644)
Total Liabilities		(8,419,285)	(11,495,644)
NET ASSETS		4,501,082	4,553,086
EQUITY & RESERVES			
<i>Capital and reserves attributable to equity holders of the Company</i>			
Share Capital	4	3,000,001	3,000,001
Accumulated Profits		1,501,081	1,553,085
TOTAL EQUITY & RESERVES		4,501,082	4,553,086

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

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

	Note	2019 US\$	2018 US\$
Revenue	11	7,407,471	25,235,012
Cost of Revenue	12	(7,254,547)	(24,524,264)
Gross profit		152,924	710,748
Other income	13	100,185	19,572
		253,109	730,320
Less:			
Key Personnel & Staff Cost		(12,358)	(49,181)
Administrative & Other Operating expenses		(32,697)	(53,717)
Other expenses		-	(158,000)
		(45,055)	(260,898)
Profit from operations	14	208,054	469,422
Less:			
Finance costs	15	(260,058)	(351,807)
(Loss) / Profit before tax		(52,004)	117,615
Income tax benefit / (Expense)	17	-	(24,273)
Deferred Tax	18	-	-
(Loss) / Profit from continuing operations		(52,004)	93,342
Profit / (loss) from discontinued operations		-	-
Total (Loss) / Income		(52,004)	93,342
<i>Other comprehensive income:</i>			
Items that may be reclassified subsequently to profit or loss		-	-
Items that will not be reclassified subsequently to profit or loss		-	-
Other comprehensive income, net of tax		-	-
Total Comprehensive (loss) / income		(52,004)	93,342

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

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

	Attributable to equity holders of the Company		
	<u>Share Capital</u> US\$	<u>Accumulated Profits</u> US\$	<u>Total Equity</u> US\$
Balance as at 1 st April 2017	3,000,001	1,459,743	4,459,744
Total comprehensive income	-	93,342	93,342
Balance as at 31 st March 2018	3,000,001	1,553,085	4,553,086
Total comprehensive (loss)	-	(52,004)	(52,004)
Balance as at 31st March 2019	3,000,001	1,501,081	4,501,082

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

STATEMENT OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31ST MARCH 2019

	Note	2019 US\$	2018 US\$
<i><u>Cash flows from operating activities</u></i>			
(Loss) / Profit before tax		(52,004)	117,615
Adjustments for:			
Bad debts written off (trade related)	14	-	158,000
Interest paid on trust receipt	15	158,956	95,412
Cash flows before changes in working capital		106,952	371,027
Change in working capital:			
Trade and other receivables	6	1,572,289	(1,251,907)
Trade and other payables	7	(2,056,682)	(8,173,872)
Amount due to holding company	8	(19,463)	445,508
		(503,856)	(8,980,271)
Cash from operations		(396,904)	(8,609,244)
Income tax paid	17	-	(60,244)
Net cash flows from operating activities		(396,904)	(8,669,488)
<i><u>Cash flows from investing activities</u></i>			
Net cash flows from investing activities		-	-
		(396,904)	(8,669,488)
<i><u>Cash flows from financing activities</u></i>			
Interest paid	15	(158,956)	(95,412)
Proceeds from borrowings	9	(1,000,214)	8,810,231
Fixed deposits pledged	5	1,500,000	-
Net cash flows from financing activities		340,830	8,714,819
Net (decrease) / increase in cash and cash equivalents		(56,074)	45,331
Cash and cash equivalents at beginning of the financial year		56,074	10,743
Cash and cash equivalents at the financial year end	5	-	56,074

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

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

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

1. General information

Sumeet Global Pte. Ltd. (the “Company”) is a company incorporated and domiciled in Singapore. The registered office and principal place of business is at 101 Cecil Street, #16-12 Tong Eng Building, Singapore 069533. The principal activities of the Company are relating to the business of general wholesale trade (including general importers and exporters) and Commission agents.

The immediate and ultimate holding company of the Company is Sumeet Industries Limited, a company incorporated in the Republic of India.

2. Significant Accounting Policies

2.1 Basis of preparation

These financial statements are prepared in accordance with Singapore Financial Reporting Standards (“FRS”) under the historical cost convention, except as disclosed in the accounting policies below. 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 certain critical accounting estimates and assumptions. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 3.

Interpretations and amendments to published standards effective in 2018

On 1st April 2018, the Company adopted the new or amended FRS and Interpretations of FRS (“INT FRS”) that are mandatory for application for the financial year. Changes to the Company’s accounting policies have been made as required, in accordance with the transitional provisions in the respective FRS and INT FRS. The adoption of these new or amended FRS and INT FRS did not result in substantial changes to the accounting policies of the Company and had no material effect on the amounts reported for the current or prior financial years.

2.2 Revenue recognition

Revenue is recognised when control of the goods has transferred to its customer, being when the products are delivered to the customer, the customer has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the customer’s acceptance of the products. Revenue is presented, net of goods and services tax, rebates and discounts. The Company assesses its role as an agent or principal for each transaction and in an agency arrangement the amounts collected on behalf of the principal are excluded from revenue. The Company recognises revenue when the amount of revenue and related cost can be reliably measured, it is probable that the collectability of the related receivables is reasonably assured and when the specific criteria for each of the Company’s activities are met.

(a) Sale of goods

Sale of goods revenue represents the invoiced value net of discounts during the financial year and is recognised when the entity has transferred to the buyer the significant risks and rewards of ownership of the goods.

(b) Interest income

Interest income, including income arising from fixed deposits and other financial instruments, is recognized using the effective interest method.

(c) Commission is recognized on an accrual basis.

Prior to 1st January 2018, the Company has recognised its revenue in line with FRS 18 – Revenue Recognition and the implementation of new FRS 115 – Revenue from contracts with customers will not have any significant impact on the amounts reported for the previous financial year.

2.3 Government grants

Grants from the government are recognized as a receivable at their fair value when there is reasonable assurance that the grant will be received and the Company will comply with all the attached conditions. Government grants receivable are recognized as income over the periods necessary to match them with the related costs which they are intended to compensate, on a systematic basis. Government grants relating to expenses are shown separately as other income. Government grants relating to assets are deducted against the carrying amount of the assets.

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

2. Significant Accounting Policies (Continued)

2.4 Property, plant and equipment

(a) Measurement

(i) Property, plant and equipment

Property, plant and equipment are initially recognised at cost and subsequently carried at cost less accumulated depreciation and accumulated impairment losses.

(ii) Component of costs

The cost of an item of plant and equipment initially recognized includes its purchase price and any cost that is 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. Cost also includes borrowing costs and any fair value gains or losses on qualifying cash flow hedges of property, plant and equipment that are transferred from the hedging reserve that are directly attributable to the acquisition.

(b) Depreciation

Depreciation of plant and equipment is calculated using the straight-line method to allocate their depreciable amounts over their estimated useful lives. The residual values, estimated useful lives and depreciation method of plant and equipment are reviewed, and adjusted as appropriate, at each statement of financial position date. The effects of any revision are recognized in profit or loss when the changes arise.

(c) Subsequent expenditure

Subsequent expenditure relating to property, plant and equipment that has already been recognised is added to the carrying amount of the asset only when it is probable that future economic benefits associated with the item will flow to the entity and the cost of the item can be measured reliably. All other repair and maintenance expenses are recognised in profit or loss when incurred.

(d) Disposal

On disposal of an item of property, plant and equipment, the difference between the disposal proceeds and its carrying amount is recognized in profit or loss within "Other gains/losses – net". Any amount in revaluation reserve relating to that item is transferred to retained profits directly.

2.5 Financial assets

The accounting for financial assets from 1 April 2018 is as follows:

(a) Classification and measurement

The Company classifies its financial assets in the following measurement categories:

- Amortised cost;
- Fair value through other comprehensive income (FVOCI); and
- Fair value through profit or loss (FVPL).

The classification depends on the Company's business model for managing the financial assets as well as the contractual terms of the cash flows of the financial asset. Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest. The Company reclassifies debt instruments when and only when its business model for managing those assets changes.

At initial recognition

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

2. Significant Accounting Policies (Continued)

2.5 Financial assets (continued)

(a) Classification and measurement (continued)

At subsequent measurement

(i) Debt instruments

Debt instruments mainly comprise of cash and cash equivalents, trade and other receivables, listed and unlisted debt securities. There are three subsequent measurement categories, depending on the Company's business model for managing the asset and the cash flow characteristics of the asset:

Amortised cost:

Debt instruments that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. A gain or loss on a debt instrument that is subsequently measured at amortised cost and is not part of a hedging relationship is recognised in profit or loss when the asset is derecognised or impaired. Interest income from these financial assets is included in interest income using the effective interest rate method.

FVOCI:

Debt instruments that are held for collection of contractual cash flows and for sale, and where the assets' cash flows represent solely payments of principal and interest, are classified as FVOCI. Movements in fair values are recognised in Other Comprehensive Income (OCI) and accumulated in fair value reserve, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses, which are recognised in profit and loss.

When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and presented in "other gains and losses". Interest income from these financial assets is recognised using the effective interest rate method and presented in "interest income".

FVPL:

Debt instruments that are held for trading as well as those that do not meet the criteria for classification as amortised cost or FVOCI are classified as FVPL. Movement in fair values and interest income is recognised in profit or loss in the period in which it arises and presented in "other gains and losses".

(ii) Equity investments

The Company subsequently measures all its equity investments at their fair values. Equity investments are classified as FVPL with movements in their fair values recognised in profit or loss in the period in which the changes arise and presented in "other gains and losses", except for those equity securities which are not held for trading. The Company has elected to recognise changes in fair value of equity securities not held for trading in other comprehensive income as these are strategic investments and the Company considers this to be more relevant. Movements in fair values of investments classified as FVOCI are presented as "fair value gains / losses" in Other Comprehensive Income. Dividends from equity investments are recognised in profit or loss as "dividend income".

(b) Impairment

The Company assesses on a forward-looking basis the expected credit loss associated with its debt financial assets carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk. For trade receivables, lease receivables and contract assets, the Company applies the simplified approach permitted by the SFRS 109, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

(c) Recognition & Derecognition

Regular way purchases and sales of financial assets are recognized on trade date – the date on which the Company commits to purchase or sell the asset. Financial assets are derecognized when the rights to receive cash flows from the financial assets have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership. On disposal of a financial asset, the difference between the carrying amount and the sale proceeds is recognized in profit or loss.

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

2. Significant accounting policies (continued)

2.5 Financial assets (continued)

(c) Recognition & Derecognition (continued)

Any amount previously recognized in other comprehensive income relating to that asset is reclassified to profit or loss. On disposal of an equity investment, the difference between the carrying amount and sales proceed is recognised in profit or loss if there was no election made to recognise fair value changes in other comprehensive income. If there was an election made, any difference between the carrying amount and sales proceed amount would be recognised in other comprehensive income and transferred to retained profits along with the amount previously recognised in other comprehensive income relating to that asset. Trade receivables that are factored out to banks and other financial institutions with recourse to the Company are not derecognised until the recourse period has expired and the risks and rewards of the receivables have been fully transferred. The corresponding cash received from the financial institutions is recorded as borrowings.

(d) Offsetting of financial instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously.

2.6 Financial liabilities

Financial liabilities include trade payables, other amounts payable and interest-bearing loans. Financial liabilities are recognized on the statement of financial position when, and only when, the Company becomes a party to the contractual provisions of the financial instrument. Financial liabilities are initially recognized at fair value of consideration received less directly attributable transaction costs and subsequently measured at amortized cost using the effective interest rate method. Financial liabilities represent liabilities for goods and services provided to the Company prior to the end of the financial year which are unpaid. They are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). Otherwise, they are represented as non-current liabilities. Gains and losses are recognized in the income and expenditures statement when the liabilities are derecognized as well as through the amortization process. The liabilities are derecognized when the obligation under the liability is discharges or cancelled or expired.

2.7 Financial guarantees

Financial guarantee contracts are initially measured at fair value plus transaction costs and subsequently measured at the higher of:

- (a) premium received on initial recognition less the cumulative amount of income recognised in accordance with the principles of SFRS 115; and
- (b) the amount of expected loss computed using the impairment methodology under SFRS 109.

Prior to 1 April 2018, financial guarantees were subsequently measured at the higher of (a) and the expected amounts payable to the banks in the event it is probable that the Company will reimburse the banks.

2.8 Borrowings

Borrowings are presented as current liabilities unless the Company has an unconditional right to defer settlement for at least 12 months after the statement of financial position date, in which case they are presented as non-current liabilities. Borrowings are initially recognized at fair value (net of transaction costs) and subsequently carried at amortized cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognized in profit or loss over the period of the borrowings using the effective interest method.

2.9 Provisions

Provisions are recognised when the Company has a present obligation as a result of a past event, which is probable of resulting in a future outflow of economic benefits that can be measured reliably.

2.10 Related Parties

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions.

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

2. Significant accounting policies (continued)

2.11 Leases

(a) When the Company is the lessee:

(i) Lessee – Finance leases

Leases where the Company assumes substantially all risks and rewards incidental to ownership of the leased assets are classified as finance leases. The leased assets and the corresponding lease liabilities (net of finance charges) under finance leases are recognized on the statement of financial position as plant and equipment and borrowings respectively, at the inception of the leases based on the lower of the fair value of the leased assets and the present value of the minimum lease payments. Each lease payment is apportioned between the finance expense and the reduction of the outstanding lease liability. The finance expense is recognized in profit or loss on a basis that reflects a constant periodic rate of interest on the finance lease liability.

(ii) Lessee – Operating leases

Leases where substantially all risks and rewards incidental to ownership are retained by the lessors are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessors) are recognized in profit or loss on a straight-line basis over the period of the lease.

(b) When the Company is the lessor:

(i) Lessor – Finance leases

Leases where the Company has transferred substantially all risks and rewards incidental to ownership of the leased assets to the lessees, are classified as finance leases. The leased asset is derecognized and the present value of the lease receivable (net of initial direct costs for negotiating and arranging the lease) is recognized on the statement of financial position and included in "trade and other receivables". The difference between the gross receivable and the present value of the lease receivable is recognized as unearned finance income. Each lease payment received is applied against the gross investment in the finance lease receivable to reduce both the principal and the unearned finance income. The finance income is recognized in profit or loss on a basis that reflects a constant periodic rate of return on the net investment in the finance lease receivable. Initial direct costs incurred by the Company in negotiating and arranging finance leases are added to finance lease receivables and recognized as an expense in profit or loss over the lease term on the same basis as the lease income.

(i) Lessor – Operating leases

Leases of investment properties where the Company retains substantially all risks and rewards incidental to ownership are classified as operating leases. Rental income from operating leases (net of any incentives given to the lessees) is recognized in profit or loss on a straight-line basis over the lease term. Initial direct costs incurred by the Company in negotiating and arranging operating leases are added to the carrying amount of the leased assets and recognized as an expense in profit or loss over the lease term on the same basis as the lease income. Contingent rents are recognized as income in profit or loss when earned.

2.12 Income taxes

Current income tax for current and prior periods is recognized at the amount expected to be paid to or recovered from the tax authorities, using the tax rates and tax laws that have been enacted or substantively enacted by the statement of financial position date.

Deferred income tax is recognised for all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements except when the deferred income tax arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and affects neither accounting nor taxable profit or loss at the time of the transaction. A deferred income tax liability is recognised on temporary differences arising on investments in subsidiaries, associated companies and joint ventures, except where the Company is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. A deferred income tax asset is recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences and tax losses can be utilised.

Deferred income tax is measured:

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

2. Significant accounting policies (continued)

2.12 Income taxes (continued)

- (a) at the tax rates that are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted by the Statement of Financial Position date; and
- (b) based on the tax consequence that will follow from the manner in which the Company expects, at the balance sheet date, to recover or settle the carrying amounts of its assets and liabilities except for investment properties. Investment property measured at fair value is presumed to be recovered entirely through sale.

Current and deferred income taxes are recognised as income or expense in profit or loss, except to the extent that the tax arises from a business combination or a transaction which is recognised directly in equity. Deferred tax arising from a business combination is adjusted against goodwill on acquisition. The Company accounts for investment tax credits (for example, productivity and innovative credit) similar to accounting for other tax credits where deferred tax asset is recognised for unused tax credits to the extent that it is probable that future taxable profit will be available against which the unused tax credit can be utilised.

2.13 Employee Compensation

Employee benefits are recognized as an expense, unless the cost qualifies to be capitalized as an asset.

- (a) Defined contribution plans

Defined contribution plans are post-employment benefit plans under which the Company pays fixed contributions into separate entities such as the Central Provident Fund on a mandatory, contractual or voluntary basis. The Company has no further payment obligations once the contributions have been paid.

- (b) Termination benefits

Termination benefits are those benefits which are payable when employment is terminated before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Company recognized termination benefits when it is demonstrably committed at the earlier of the following dates:

- i) when the Company is terminating the employment of current employees according to a detailed formal plan without possibility of withdrawing the offer of those benefits; and
- ii) when the Company recognized costs for a restructuring that is within the scope of FRS 37 and involves the payment of termination benefits.

In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of the reporting period are discounted to their present value.

2.14 Currency Translation

- (a) Functional and presentation currency

Items included in the financial statements of each entity in the Company are measured using the currency of the primary economic environment in which the entity operates ("functional currency"). The financial statements are presented in United States Dollars, which is the functional currency of the Company.

- (b) Transactions and balances

Transactions in a currency other than the functional currency ("foreign currency") are translated into the functional currency using the exchange rates at the dates of the transactions. Currency translation differences resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at the closing rates at the statement of financial position date are recognized in profit or loss.

2.15 Cash and cash equivalents

For the purpose of presentation in the statement of cash flows, cash and cash equivalents include cash on hand, deposits with financial institutions which are subject to an insignificant risk of change in value. Bank overdrafts are presented as current borrowings on the statement of financial position. For cash subjected to restriction, assessment is made on the economic substance of the restriction and whether they meet the definition of cash and cash equivalents.

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

2. Significant accounting policies (continued)

2.16 Trade and other payables

Trade and other payables represent liabilities for goods and services provided to the Company prior to the end of financial year which are unpaid. They are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). Otherwise, they are presented as non-current liabilities. Trade and other payables are initially recognized at fair value, and subsequently carried at amortized cost using the effective interest method.

2.17 Share capital & dividends

Ordinary shares are classified as equity. Incremental costs directly attributable to the issuance of new equity instruments are taken to equity as a deduction, net of tax, from the proceeds. When an entity within the Company purchases the Company's ordinary shares ("treasury shares"), the carrying amount which includes the consideration paid and any directly attributable transaction cost is presented as a component within equity attributable to the Company's equity holders, until they are cancelled, sold or reissued.

Dividends to the Company's shareholders are recognized when the dividends are approved for payment.

2.18 Going concern

The financial statements have been prepared on a going concern basis based on holding company commitment to provide continued financial support for the Company's operations and in order to enable the company to meet its financial obligations as and when they arise and fall due.

3. Critical accounting estimates, assumptions and judgments

The presentation of financial statements in conforming with FRS requires the use of certain critical accounting estimates, assumptions and judgements in applying the accounting policies. These estimates, assumptions and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual results may differ from these estimates.

3.1 Critical accounting estimates and assumptions & Key Sources of estimation uncertainty

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have known significant risks of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are none. The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

(a) Uncertain tax positions

Significant assumptions are required in determining the deductibility of certain expenses during the estimation of the computation of income tax expense. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Company recognised liabilities for expected tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recognised, such differences will impact the income tax and deferred tax provision in the financial year in which such determination is made. At 31st March 2019, the carrying amounts of the Company's income tax payable and deferred tax liability are in the statements of financial position.

(b) Impairment of loans and receivables

Management reviews its loans and receivables for objective evidence of impairment at least quarterly. Significant financial difficulties of the debtor, the probability that the debtor will enter bankruptcy, and default or significant delay in payments are considered objective evidence that a receivable is impaired. In determining this, management has made judgments as to whether there is observable data indicating that there has been a significant change in the payment ability of the debtor, or whether there have been significant changes with adverse effect in the technological, market, economic or legal environment in which the debtor operates in. Where there is objective evidence of impairment, management has made judgments as to whether an impairment loss should be recorded as an expense. In determining this, management has used estimates based on historical loss experience for assets with similar credit risk characteristics. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between the estimated loss and actual loss experience.

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

3. Critical accounting estimates, assumptions and judgments (cont'd)

3.2 Critical judgments in applying the entity's accounting policies

The Company makes critical judgments concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The critical judgments that have known significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are none. In the process of applying the Company's accounting policy which is described in Note 2 above, management is of the opinion that there are no critical judgements involved, apart from involving estimations, that have a significant effect on the amounts recognised in the financial statements.

4. Share capital

<u>As at 31st March 2019</u>	<u>Issued Share Capital</u>	
	<u>Ordinary shares</u>	<u>Amount</u>
	<u>No.</u>	<u>US\$</u>
Beginning of the financial year	3,000,001	3,000,001
Shares issued	-	-
End of the financial year	3,000,001	3,000,001
 <u>As at 31st March 2018</u>		
Beginning of the financial year	3,000,001	3,000,001
Shares issued	-	-
End of the financial year	3,000,001	3,000,001

All issued ordinary shares are fully paid. There is no par value for these ordinary shares. Fully paid ordinary shares carry one vote per share and a right to receive dividends as and when declared by the Company. The Company is not exposed to any externally imposed capital requirements and there are no restrictions to issue shares. The holder of ordinary shares is entitled to receive dividend as declared from time to time and is entitled to one vote per share at meetings of the Company. All shares rank equally with regard to the Company's residual assets.

5. Cash and Cash Equivalents

	<u>2019</u>	<u>2018</u>
	<u>US\$</u>	<u>US\$</u>
Cash in hand	-	312
Cash at bank	-	55,762
Fixed Deposits	-	1,500,000
Total	-	1,556,074
Less: Fixed Deposits pledged to bank	-	(1,500,000)
Cash and cash equivalents per statement of cash flows	-	56,074

The above bank fixed deposits are pledged to banks as security against various credit facilities granted by the banks and trade creditors. The interest rate earned on the fixed deposit is 0.65 % per annum.

The cash and cash equivalents approximate its fair value as on the statement of financial position date and are denominated in the following currencies:

	<u>2019</u>	<u>2018</u>
	<u>US\$</u>	<u>US\$</u>
SGD & Others	-	312
United States Dollars	-	1,555,762
	-	1,556,074

6. Trade and other receivables

	<u>2019</u>	<u>2018</u>
	<u>US\$</u>	<u>US\$</u>
<u>Trade Receivables</u>	12,920,367	12,224,668
<u>Other Receivables</u>		
Advances	-	2,183,526
Accrued interest on fixed deposits	-	77,550
Income tax receivable	-	3,788
Rental deposit	-	3,124
	-	2,267,988
Total trade and other receivables	12,920,367	14,492,656

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

6. Trade and other receivables (cont'd)

Trade receivables credit period is 30 to 180 days. Trade and Other receivables approximate its fair value as on the statement of financial position date and are denominated in the following currencies:

	<u>2019</u> US\$	<u>2018</u> US\$
SGD & Others	-	6,912
United States Dollars	12,920,367	14,485,744
	<u>12,920,367</u>	<u>14,492,656</u>

7. Trade and other payables

	<u>2019</u> US\$	<u>2018</u> US\$
<u>Trade Payables</u>	-	645,540
<u>Other Payables</u>		
Accruals for operating expenses	4,412	4,795
Advances from customers	-	1,410,759
	<u>4,412</u>	<u>1,415,554</u>
Total trade and other payables	<u>4,412</u>	<u>2,061,094</u>

The credit period of trade payables is 30-180 days. Trade and Other payables approximate its fair value as on the statement of financial position date and are denominated in the following currencies:

	<u>2019</u> US\$	<u>2018</u> US\$
SGD & Others	4,412	4,795
United States Dollars	-	2,056,299
	<u>4,412</u>	<u>2,061,094</u>

8. Amount due to related parties

	<u>2019</u> US\$	<u>2018</u> US\$
Due to Holding Company (trade related)	<u>(588,574)</u>	<u>(608,037)</u>

Amount due to related parties is trade in nature and is payable under normal credit terms; approximate its fair value as on the statement of financial position date and is denominated in United States dollars

9. Bank borrowings

	<u>2019</u> US\$	<u>2018</u> US\$
Bills payable – Trust Receipts (Trade Finance)	-	2,049,013
Bills payable under usance LC	-	6,761,218
Bank overdraft	7,810,017	-
	<u>7,810,017</u>	<u>8,810,231</u>

Bank borrowings approximate its fair value as on the statement of financial position date and are denominated in United States Dollars.

10. Contract Liability / Asset

The company recognizes the contract liability and contract asset on unfulfilled performance obligation based on the terms and conditions of the contracts entered into with the customers & suppliers on case to case basis. However, there are no unfulfilled obligation in line with FRS 115 exists as at the date of statement of financial position.

11. Revenue

Recognized at a point in time

	<u>2019</u> US\$	<u>2018</u> US\$
Sale of goods	<u>7,407,471</u>	<u>25,235,012</u>

Sale of goods revenue represents the invoiced value net of discounts during the financial year and is recognised when the entity has transferred to the buyer the significant control of ownership of the goods. The revenue is recognized upon successful satisfaction of performance obligation as per 'FRS 115 – Revenue from contracts with customers.'

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

12. Cost of Revenue

	<u>2019</u> US\$	<u>2018</u> US\$
Purchase of goods	<u>7,254,547</u>	<u>24,524,264</u>

13. Other Income

	<u>2019</u> US\$	<u>2018</u> US\$
Discount received	75,859	89
Interest received	<u>24,326</u>	<u>19,483</u>
	<u>100,185</u>	<u>19,572</u>

14. Profit / (Loss) from operations

The profit / (loss) from operations is arrived after charging following *major* expenses:

	<u>2019</u> US\$	<u>2018</u> US\$
Bad debts written off (trade related)	-	158,000
Commission expense	-	10,778
Staff cost (note 16)	12,358	49,181
Professional charges	20,000	17,443
Rent expense	<u>7,973</u>	<u>19,315</u>

15. Finance expenses

	<u>2019</u> US\$	<u>2018</u> US\$
LC opening and commission	-	256,395
Interest on Trust Receipt / overdraft etc.	158,956	95,412
Bank charges	<u>101,102</u>	<u>-</u>
	<u>260,058</u>	<u>351,807</u>

16. Employee compensation

	<u>2019</u> US\$	<u>2018</u> US\$
Staff Salaries, bonus and allowances	12,358	49,181
Employer's contributions to defined contribution plans	<u>-</u>	<u>-</u>
	<u>12,358</u>	<u>49,181</u>

There was no key management personnel compensation paid during the current and previous financial years.

17. Taxation

	<u>2019</u> US\$	<u>2018</u> US\$
Balance at the beginning	16,282	52,253
Current year tax expense	-	16,282
Previous year (over)/ under provision	-	7,991
Income tax paid	<u>-</u>	<u>(60,244)</u>
Balance as at 31 st March	<u>16,282</u>	<u>16,282</u>

The reconciliation of the tax expense and the product of accounting profit multiplied by the applicable rate are as follows subject to the approval of Inland Revenue Authority of Singapore (IRAS): -

	<u>2019</u> US\$	<u>2018</u> US\$
(Loss)/ Profit before income tax	<u>(52,004)</u>	<u>117,615</u>
Tax calculated at tax rate of 17%	(8,841)	19,995
Effects of:		
- expenses not deductible for tax purposes	-	26,860
- Tax exemption and rebates	-	(30,573)
- Prior year's under/ (over) provision	-	7,991
- Tax benefit forfeited	<u>8,841</u>	<u>-</u>
Tax expense	<u>-</u>	<u>24,273</u>

18. Deferred taxation

There is neither any movement nor any balance in this account during the year and/or at the date of statement of financial position.

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

19. Significant related party transactions

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

	<u>2019</u> US\$	<u>2018</u> US\$
- Sales	2,518,220	75,840
- Purchases	36,387	933,513
- Amount due to Holding Company (Trade)	588,574	608,037
- Key management personnel compensation	-	-

20. Contingencies & commitments

20.1 Contingent liabilities

Contingent liabilities, of which the probability of settlement is not remote at the statement of financial position date, are as follows: -

	<u>2019</u> US\$	<u>2018</u> US\$
Letter of Credits	-	39,840

20.2 Capital commitments

Capital expenditures contracted for at the statement of financial position date but not recognized in the financial statements, are none.

20.3 Operating lease commitments – where the Company is a lessee

The future minimum lease payables under non-cancellable operating leases contracted for at the statement of financial position date but not recognized as liabilities, are none.

21. Financial risk management

Financial risk factors

The Company's activities expose it to market risk (including currency risk, interest rate risk, etc.), credit risk and liquidity risk. The Company's overall risk management strategy seeks to minimize any adverse effects from the unpredictability of financial markets on the Company's financial performance. The management continuously monitors the Company's risk management process to ensure that an appropriate balance between risk and control is achieved.

21.1 Market risk

(a) **Currency risk**

The Company has limited exposure to foreign currency risk as part of its normal business. The functional currency of the Company is in United States Dollars (USD). As such the Company's sales and purchase transacted in identical currencies are hedged naturally.

The Company's currency exposure based on the information provided to key management is as follows:

31st March 2019

	<u>SGD & Others</u> US\$	<u>Total</u> US\$
Financial assets		
Cash and cash equivalents	-	312
Trade & other receivables	-	6,912
	-	<u>7,224</u>
Financial liabilities		
Trade & other payables	4,412	4,795
Amount due to related parties	-	-
Bank borrowings	-	-
	<u>4,412</u>	<u>4,795</u>

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

21. Financial risk management (cont'd)

21.1 Market risk (cont'd)

(a) Currency risk (cont'd)

Foreign currency sensitivity

If the relevant foreign currency change against USD by 10%, with all other variables including tax rate being held constant, the effects arising from the financial asset/liability position will be as follows:-

If the foreign currency *strengthens* by 10% against the functional currency of the Company, statement of comprehensive income and other equity will increase/ (decrease) by:

	<u>Financial Assets</u>		<u>Financial Liabilities</u>	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
(net of tax @ 17%):	US\$	US\$	US\$	US\$
Profit/ (loss)	-	600	(366)	(398)
Other equity	-	-	-	-
	<u>-</u>	<u>600</u>	<u>(366)</u>	<u>(398)</u>

If the foreign currency *weakens* by 10% against the functional currency of the Company, statement of comprehensive income and other equity will increase/ (decrease) by equal but opposite effect.

(b) Interest rate risk

The interest rate risk exposure is mainly on financial assets and financial liabilities. These financial instruments are both at fixed rate and floating rates.

The following table analyses the breakdown of the financial assets and liabilities (excluding derivatives) by the type of interest rate:

	<u>2019</u>	<u>2018</u>
	US\$	US\$
<u>Financial assets:</u>		
Fixed rate (0.65 % p.a.)	-	1,500,000
Floating rate	-	-
	<u>-</u>	<u>1,500,000</u>
<u>Financial liabilities:</u>		
Fixed rate (refer note 9)	7,810,017	8,810,231
Floating rate	-	-
	<u>7,810,017</u>	<u>8,810,231</u>

Interest rate sensitivity

The interest rate risk and its sensitivity are not applicable for the Company as there is no floating rate interest bearing financial assets and liabilities exist as at the date of statement of financial position.

21.2 Credit risk

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Company. The major classes of financial assets of the Company are trade receivables. For trade receivables, the Company adopts the policy of dealing only with customers of appropriate credit standing and history, and obtaining sufficient collateral or buying credit insurance where appropriate to mitigate credit risk. For other financial assets, the Company adopts the policy of dealing only with high credit quality counterparties. Credit exposure to an individual customer is restricted by credit limit approved by the credit controller. Customers' payment profile and credit exposure are continuously monitored by the credit controller and reported to the management and Board of Directors. As the Company does not hold any collateral, the maximum exposure to credit risk for each class of financial instruments is the carrying amount of that class of financial instruments presented on the statement of financial position. The Company uses a provision matrix to measure the 12-month expected credit losses and/or lifetime expected credit loss allowance for trade receivables and contract assets. In measuring the expected credit losses, trade receivables and contract assets are grouped based on shared credit risk characteristics and days past due. In calculating the expected credit loss rates, the Company considers historical loss rates for each category of customers and adjusts to reflect current and forward-looking macro-economic factors affecting the ability of the customers to settle the receivables.

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

21. Financial risk management (cont'd)

21.2 Credit risk (cont'd)

Trade receivables and contract assets are written off when there is no reasonable expectation of recovery, such as a debtor failing to engage in a repayment plan with the Company. Where receivables are written off, the company continues to engage in enforcement activity to attempt to recover the receivables due. Where recoveries are made, these are recognised in profit or loss. Trade receivables that are neither past due nor impaired are substantially companies with a good collection track record with the Company.

The Company's credit risk exposure in relation to trade receivables under SFRS 109 as at *31 March 2019* are set out in the provision matrix as follows:

Description	0 - 60 days	61-120 days	121 - 180 days	181 days & above	TOTAL
	US\$	US\$	US\$	US\$	US\$
Ageing for previous year 2018 (A)	3,154,459	920,694	6,506,570	1,642,945	12,224,668
Bad debts / provision during 2018 (B)	-	-	-	-	-
Credit loss % (C)=(B/A)	-	-	-	-	-
Ageing for current year 2019 (D)	-	-	-	12,920,366	12,920,366
Credit loss expected in current year {(D x C) or actual provision, whichever is higher}	-	-	-	-	-

The credit risk for trade receivables based on the information provided to key management is as follows:-

	<u>2019</u> US\$	<u>2018</u> US\$
<u>By Geographical Areas: -</u>		
Singapore		-
Others	12,920,366	12,224,668
	<u>12,920,366</u>	<u>12,224,668</u>
<u>By Types of Customers: -</u>		
Related parties	11,666,871	-
Non – related parties	1,253,495	12,224,668
	<u>12,920,366</u>	<u>12,224,668</u>

The Company's top three customer sales during the financial year are as follows:-

	<u>2019</u> US\$	<u>2018</u> US\$
Top Customer 1	2,518,220	9,223,255
Top Customer 2	2,074,880	9,028,837
Top Customer 3	<u>1,807,976</u>	<u>2,946,636</u>

21.3 Liquidity risk

Prudent liquidity risk management includes maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities, and the ability to close out market positions at a short notice. The table below analyses non-derivative financial liabilities of the Company into relevant maturity groupings based on the remaining period from the statement of financial position date to the contractual maturity date (contractual and undiscounted cash flows):-

<u>31st March 2019</u>	Maturity < 1 year	Maturity 2 - 5 years	Total	Applicable Interest Rate
<u>Financial Liabilities</u>	US\$	US\$	US\$	
Borrowings	7,810,017	-	7,810,017	Refer note 10
Amount due to related party	588,574	-	588,574	NIL
Trade and other payables	4,412	-	4,412	NIL
Total	<u>8,403,003</u>	<u>-</u>	<u>8,403,003</u>	

Management monitors rolling forecasts of the liquidity reserve (comprises undrawn borrowing facility and cash and cash equivalents) of the Company on the basis of expected cash flow. This is generally carried out at local level in the operating companies of the Company in accordance with the practice and limits set by the Company.

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

21. Financial risk management (cont'd)

21.3 Liquidity risk (cont'd)

These limits vary by location to take into account the liquidity of the market in which the entity operates. In addition, the Company's liquidity management policy involves projecting cash flows in major currencies and considering the level of liquid assets necessary to meet these, monitoring liquidity ratios and maintaining debt financing plans.

21.4 Capital risk

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern and to maintain an optimal capital structure so as to maximize shareholder value. In order to maintain or achieve an optimal capital structure, the Company may adjust the amount of dividend payment, return capital to shareholders, issue new shares, buy back issued shares, obtain new borrowings or sell assets to reduce borrowings. Management monitors capital based on a gearing ratio. The gearing ratio is calculated as net debt divided by total capital. Net debt is calculated as borrowings plus trade and other payables less cash and cash equivalents. Total capital is calculated as total equity plus net debt.

	<u>2019</u>	<u>2018</u>
	US\$	US\$
Net debt	8,403,003	9,923,288
Total equity	4,501,082	4,553,086
Total capital	<u>12,904,085</u>	<u>14,476,374</u>
Gearing ratio (%)	<u>65.12%</u>	<u>68.55%</u>

The Borrowers leverage ratio is calculated as total liability of the Company divided by tangible net worth of the Company.

	<u>2019</u>	<u>2018</u>
	US\$	US\$
Total liability	8,419,285	11,495,644
Tangible net worth	4,501,082	4,553,086
Leverage ratio (times)	<u>1.87 times</u>	<u>2.52 times</u>

21.5 Fair value measurements

The following table presents assets and liabilities measured at fair value and classified by level of the following fair value measurement hierarchy:

- (a) Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1);
- (b) Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices) (Level 2); and
- (c) Inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3).

The fair value measurements are not applicable as there are no financial assets or liabilities of the type level 1, 2 and 3 above exists for the Company as at the date of statement of financial position.

22. New or revised accounting standards and interpretations

Below are the mandatory standards, amendments and interpretations to existing standards that have been published, and are relevant for the Company's accounting periods beginning on or after 1 April 2019 and which the Company has not early adopted:

SFRS(I) INT 23	Uncertainty Over Income Tax Treatments (effective for annual periods beginning on or after 1 January 2019)
FRS 116	Leases (effective for annual periods beginning on or after 1 st January 2019)

23. Authorisation of financial statements

These financial statements of the Company as at 31st March 2019 and for the financial year then ended were authorized and approved for issuance in accordance with a resolution of the Board of Directors of **Sumeet Global Pte. Ltd.** on 24 May 2019.