



*Directors' Statement and  
Audited Financial Statements*

***R Systems Consulting Services Limited***  
*(Formerly known as ECnet Limited)*

***and its Subsidiaries***  
*(Co. Reg. No. 199609109E)*

*For the year ended 31 December 2020*

**R Systems Consulting Services Limited and its Subsidiaries**  
(Co. Reg. No. 199609109E)

**General Information**

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**Directors**

Sartaj Singh Rekhi  
Chan Kum Ming  
Teo Lye Choon

**Secretary**

Ng Chee Tiong

**Independent Auditor**

HLB Atrede LLP

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**Directors' Statement**

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The directors are pleased to present their statement to the members together with the audited consolidated financial statements of R Systems Consulting Services Limited (the "Company") and its subsidiaries (the "Group") and balance sheet and statement of changes in equity of the Company for financial year ended 31 December 2020.

**1. OPINION OF THE DIRECTORS**

In the opinion of the directors,

- (a) the consolidated financial statements of the Group and the balance sheets 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 December 2020 and the financial performance, changes in equity and cash flows of the Group and changes in equity of the Company for the year ended on that date; and
- (b) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

**2. DIRECTORS**

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

Sartaj Singh Rekhi  
Chan Kum Ming  
Teo Lye Choon

**3. CHANGE OF COMPANY NAME**

With effect from 9 October 2020, the Company changed its name from ECnet Limited to R Systems Consulting Services Limited.

**4. ARRANGEMENTS TO ENABLE DIRECTORS TO ACQUIRE SHARES AND DEBENTURES**

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

**Directors' Statement – continued**

**5. DIRECTORS' INTERESTS IN SHARES AND DEBENTURES**

The following directors, who held office at the end of the financial year, had, according to the register of directors' shareholdings, required to be kept under section 164 of the Singapore Companies Act, Chapter 50, an interest in shares and share options of the Company and related corporations as stated below:

Name of directors	Holding registered in names of directors		Holdings in which directors are deemed to have an interest	
	At beginning of year	At end of year	At beginning of year	At end of year
	<b>Ordinary shares</b>			
<i>The Company</i>				
Sartaj Singh Rekhi	–	–	91,870,697	91,870,697
	<b>Ordinary shares of Rs. 1 each</b>			
<i>The immediate and ultimate holding company</i>				
<i>– R Systems International Limited</i>				
Sartaj Singh Rekhi	19,260,269	18,860,269	8,828,489	8,828,489
Chan Kum Ming	8,000	8,000	–	–

Except as disclosed in this statement, no director who held office at the end of the financial year had interests in shares, share options, warrants or debentures of the Company, or of related corporations, either at the beginning of financial year or at the end of financial year.

**6. OPTIONS ON SHARES TO TAKE UP UNISSUED SHARES**

During the financial year, no option to take up unissued shares of the Company or any corporation in the Group was granted.

**7. OPTIONS EXERCISED**

During the financial year, there were no shares of the Company or any corporation in the Group issued by virtue of the exercise of options to take up unissued shares.

**8. UNISSUED SHARES UNDER OPTION**

At the end of the financial year, there were no unissued shares of the Company or any corporation in the Group under option.

**R Systems Consulting Services Limited and its Subsidiaries**  
(Co. Reg. No. 199609109E)

**Directors' Statement – continued**


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**9. INDEPENDENT AUDITOR**

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

On behalf of the board of directors,

  
Chan Kum Ming  
Director

  
Teo Lye Choon  
Director

20 January 2021

**Independent Auditor's Report  
to the members of R Systems Consulting Services Limited  
(Co. Reg. No. 199609109E)**

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

*Opinion*

We have audited the financial statements of R Systems Consulting Services Limited (“the Company”) and its subsidiaries (the “Group”), which comprise the balance sheets of the Group and of the Company as at 31 December 2020, and the statements of changes in equity of the Group and of the Company, consolidated statement of comprehensive income, and consolidated cash flow statement 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 balance sheet and 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 consolidated financial position of the Group and financial position of the Company as at 31 December 2020 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group and changes in equity of the Company for the year ended on that date.

*Basis for Opinion*

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

*Other Information*

Management is responsible for the other information. The other information comprises the Directors' Statement but does not include the financial statements and our auditor's report thereon.

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

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**Independent Auditor's Report**  
**to the members of R Systems Consulting Services Limited – continued**  
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*Other Information (continued)*

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 FRSSs, 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.

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

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

**Independent Auditor's Report**  
**to the members of R Systems Consulting Services Limited – continued**  
(Co. Reg. No. 199609109E)

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

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

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

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**Independent Auditor's Report**  
**to the members of R Systems Consulting Services Limited – continued**  
(Co. Reg. No. 199609109E)

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**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 of which we are the auditors have been properly kept in accordance with the provisions of the Act.

A handwritten signature in black ink, appearing to read 'Justine Lee'.

HLB Atrede LLP  
Public Accountants and  
Chartered Accountants

Singapore  
20 January 2021

**R Systems Consulting Services Limited and its Subsidiaries**  
(Co. Reg. No. 199609109E)

**Balance Sheets as at 31 December 2020**

	Note	Group		Company	
		2020	2019	2020	2019
		\$	\$	\$	\$
<b>Non-current assets</b>					
Plant and equipment	4	54,820	76,583	8,820	9,111
Right-of-use assets	5	177,195	492,378	114,467	310,695
Investment in subsidiaries	6	–	–	301,445	301,445
Other receivables	7	20,000	–	20,000	–
		<u>252,015</u>	<u>568,961</u>	<u>444,732</u>	<u>621,251</u>
<b>Current assets</b>					
Trade receivables	8	1,153,706	1,612,032	356,064	543,154
Other receivables	7	352,837	354,847	90,593	121,294
Contract assets	9	718,471	679,457	20,744	47,127
Amounts due from holding company	10	512	6,143	512	6,143
Amounts due from subsidiary companies	11	–	–	1,043,041	1,015,080
Amounts due from related companies	12	116,912	189,428	116,912	189,428
Cash and cash equivalents	13	3,230,171	2,165,674	1,152,744	653,200
		<u>5,572,609</u>	<u>5,007,581</u>	<u>2,780,610</u>	<u>2,575,426</u>
<b>Current liabilities</b>					
Trade payables	14	90,778	118,861	84,144	59,087
Other payables	15	613,500	525,473	231,858	191,750
Contract liabilities	16	256,720	344,218	239,080	335,705
Lease liabilities	17	173,532	356,158	118,744	195,307
Amounts due to a holding company	18	264,672	184,491	264,672	184,491
Tax payable		–	2,862	–	–
		<u>1,399,202</u>	<u>1,532,063</u>	<u>938,498</u>	<u>966,340</u>
<b>Net current assets</b>		4,173,407	3,475,518	1,842,112	1,609,086
<b>Non-current liabilities</b>					
Lease liabilities	17	<u>9,715</u>	<u>145,998</u>	<u>–</u>	<u>118,744</u>
<b>Net assets</b>		<u>4,415,707</u>	<u>3,898,481</u>	<u>2,286,844</u>	<u>2,111,593</u>
<b>Equity attributable to owners of the Company</b>					
Share capital	19	86,549,523	86,549,523	86,549,523	86,549,523
Foreign currency translation adjustment reserve	20	(202,395)	(118,308)	–	–
Accumulated losses		<u>(81,931,421)</u>	<u>(82,532,734)</u>	<u>(84,262,679)</u>	<u>(84,437,930)</u>
<b>Total equity</b>		<u>4,415,707</u>	<u>3,898,481</u>	<u>2,286,844</u>	<u>2,111,593</u>

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

**R Systems Consulting Services Limited and its Subsidiaries**  
(Co. Reg. No. 199609109E)

**Consolidated Statement of Comprehensive Income**  
**for the financial year ended 31 December 2020**

	Note	2020 \$	2019 \$
<b>Revenue</b>	21	12,279,432	12,017,287
Cost of revenue		<u>(9,319,358)</u>	<u>(9,477,167)</u>
Gross profit		2,960,074	2,540,120
Other operating income	22	533,980	513,309
Distribution costs		(838,356)	(893,330)
Administrative expenses		(2,047,515)	(1,980,864)
Other credits/(charges)	23	46,038	49,290
Finance cost	24	<u>(16,357)</u>	<u>(20,435)</u>
<b>Profit before tax</b>	25	637,864	208,090
Income tax expense	26	<u>(36,551)</u>	<u>(25,981)</u>
<b>Profit for the year</b>		601,313	182,109
<b>Other comprehensive income:</b>			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Foreign currency translation		<u>(83,187)</u>	<u>(14,756)</u>
<b>Other comprehensive loss for the year, net of tax</b>		<u>(83,187)</u>	<u>(14,756)</u>
<b>Total comprehensive income for the year</b>		<u><u>518,126</u></u>	<u><u>167,353</u></u>
<b>Profit attributable to:</b>			
Owners of the Company		<u><u>601,313</u></u>	<u><u>182,109</u></u>
<b>Total comprehensive income attributable to:</b>			
Owners of the Company		<u><u>518,126</u></u>	<u><u>167,353</u></u>

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

**R Systems Consulting Services Limited and its Subsidiaries**  
(Co. Reg. No. 199609109E)

**Statements of Changes in Equity for the financial year ended 31 December 2020**

	<b>Share capital</b> \$	<b>Foreign currency translation adjustment reserve</b> \$	<b>Accumulated losses</b> \$	<b>Total</b> \$
<b>Group</b>				
Balance at 1 January 2019	86,549,523	(103,552)	(82,714,843)	3,731,128
Total comprehensive income for the year	—	(14,756)	182,109	167,353
Balance at 31 December 2019	86,549,523	(118,308)	(82,532,734)	3,898,481
Total comprehensive income for the year	—	(84,087)	601,313	518,126
Balance at 31 December 2020	<u>86,549,523</u>	<u>(202,395)</u>	<u>(81,931,421)</u>	<u>4,416,607</u>
<b>Company</b>				
Balance at 1 January 2019	86,549,523	—	(83,562,735)	2,986,788
Total comprehensive loss for the year	—	—	(875,195)	(875,195)
Balance at 31 December 2019	86,549,523	—	(84,437,930)	2,111,593
Total comprehensive income for the year	—	—	175,251	175,251
Balance at 31 December 2020	<u>86,549,523</u>	<u>—</u>	<u>(84,262,679)</u>	<u>2,286,844</u>

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

**R Systems Consulting Services Limited and its Subsidiaries**  
(Co. Reg. No. 199609109E)

**Consolidated Cash Flow Statement for the financial year ended 31 December 2020**

	2020 \$	2019 \$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before tax	637,864	208,090
Adjustments for:		
Depreciation of plant and equipment	35,816	39,089
Depreciation of right-of-use assets	369,455	369,332
Interest income	(3,577)	(5,716)
Interest expenses	16,357	20,435
Allowance for expected credit losses	12,540	8,517
Bad debts written off	634	5,396
Reversal of allowance for impairment on trade receivables	(4,600)	(25,952)
Currency alignment	(84,531)	(14,476)
<b>Operating profit before working capital changes</b>	<u>979,958</u>	<u>604,715</u>
Increase in fixed deposits pledged	(16)	(14)
Decrease/(increase) in trade and other receivables, contract assets	392,717	(691,772)
(Decrease)/increase in trade and other payables, contract liabilities	(27,552)	15,916
Decrease in amounts due from related companies	55,662	44,889
Increase/(decrease) in amounts due to a holding company	96,040	(9,520)
<b>Cash generated from/(used in) operations</b>	<u>1,496,809</u>	<u>(35,786)</u>
Interest received	3,577	5,716
Tax paid	(39,496)	(25,308)
<b>Net cash flows from/(used in) operating activities</b>	<u>1,460,890</u>	<u>(55,378)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITY</b>		
Purchase of plant and equipment	(13,529)	(11,943)
<b>Net cash flows used in investing activity</b>	<u>(13,529)</u>	<u>(11,943)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Decrease in amount due from holding company	5,631	6,421
(Decrease)/increase in amounts due to a holding company	(15,859)	731
Decrease/(increase) in amounts due from related companies	16,854	(24,288)
Interest expenses	(16,357)	(20,435)
Repayment of principal lease liabilities	(373,149)	(369,358)
<b>Net cash flows used in financing activities</b>	<u>(382,880)</u>	<u>(406,929)</u>
Net increase/(decrease) in cash and cash equivalents	1,064,481	(474,250)
Cash and cash equivalents at beginning of year	<u>2,135,584</u>	<u>2,609,834</u>
<b>Cash and cash equivalents at end of year (Note 13)</b>	<u>3,200,065</u>	<u>2,135,584</u>

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

**Notes to the Financial Statements – 31 December 2020**

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

**1. CORPORATE INFORMATION**

The Company is a public company limited by shares incorporated and domiciled in Singapore. The Company's immediate and ultimate holding is R Systems International Limited, a company incorporated in India and listed on the National Stock Exchange of India Limited and BSE Limited.

The registered office of the Company is located at 16 Jalan Kilang #04-01 Hoi Hup Building Singapore 159416.

The principal activities of the Company and its subsidiaries are those of providers of collaborative Internet-based supply chain solutions and management services, customers technical and administrative support services and information technology consultancy services. There have been no significant changes in the nature of these activities during the financial year.

The principal activities of the subsidiaries are disclosed in Note 6 to the financial statements.

With effect from 9 October 2020, the Company changed its name from ECnet Limited to R Systems Consulting Services Limited.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

(a) *Basis of preparation*

The consolidated financial statements of the Group, the balance sheet and statement of changes in equity of the Company have been prepared in accordance with Singapore Financial Reporting Standards ('FRS').

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 Singapore Dollar (SGD or \$) and all values are rounded to the nearest one-dollar unless otherwise stated.

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

Notes to the Financial Statements – 31 December 2020

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(a) *Basis of preparation (continued)*

The following standards and interpretations are effective for the annual period beginning on or after 1 January 2020:

	Effective date (Annual periods beginning on or after)
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 determine
Amendments to FRS 103: <i>Definition of a Business</i>	1 January 2020
Amendments to FRS 1 and FRS 8: <i>Definition of Material</i>	1 January 2020
Amendments to FRS 109, FRS 39 and FRS 107: <i>Interest Rate Benchmark Reform</i>	1 January 2020
Amendments to References to the Conceptual Framework in FRS Standards, illustrative examples, implementation guidance and FRS Practice Statements	1 January 2020
Revised Conceptual Framework	1 January 2020
Amendment to FRS 116: <i>Covid-19-Related Rent Concession</i>	1 June 2020

Amendments to FRS 1 and FRS 8: *Definition of Material*

The amendments provide a new definition of material that states, “information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.” The amendments clarify that materiality will depend on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users. These amendments had no impact on the financial statements of, nor is there expected to be any future impact to the Group.

Conceptual Framework for Financial Reporting

The Conceptual Framework is not a standard, and none of the concepts contained therein override the concepts or requirements in any standard. The purpose of the Conceptual Framework is to assist the Accounting Standards Council Singapore (ASC) in developing standards, to help preparers develop consistent accounting policies where there is no applicable standard in place and to assist all parties to understand and interpret the standards. This will affect those entities which developed their accounting policies based on the Conceptual Framework. The revised Conceptual Framework includes some new concepts, updated definitions and recognition criteria for assets and liabilities and clarifies some important concepts. These amendments had no impact on the consolidated financial statements of the Group.

Notes to the Financial Statements – 31 December 2020

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(a) *Basis of preparation (continued)*

Amendments to FRS 116: Covid-19 Related Rent Concessions

On 28 May 2020, the ASC issued *Covid-19-Related Rent Concessions - amendment to IFRS 16 Leases*.

The amendments provide relief to lessees from applying FRS 116 guidance on lease modification accounting for rent concessions arising as a direct consequence of the Covid-19 pandemic. As a practical expedient, a lessee may elect not to assess whether a Covid-19 related rent concession from a lessor is a lease modification. A lessee that makes this election accounts for any change in lease payments resulting from the Covid-19 related rent concession the same way it would account for the change under FRS 116, if the change were not a lease modification.

*Standards issued but not yet effective*

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

	Effective date (Annual periods beginning on or after)
Amendments to FRS109, FRS 39, FRS 107, FRS104, FRS 116: <i>Interest rate benchmark reform- phase 2</i>	1 January 2021
Amendments to FRS 103: <i>Reference to the Conceptual Framework</i>	1 January 2022
Amendments to FRS 16: <i>Property, Plant and Equipment</i> <i>Proceeds before Intended Use</i>	1 January 2022
Amendments to FRS 37: <i>Onerous Contracts</i> <i>Cost of Fulfilling a Contract</i>	1 January 2022
Annual Improvements to FRSs 2018 – 2020 FRS 101: <i>First-time Adoption of Financial Reporting Standards</i> FRS 109: <i>Financial Instruments Illustrative Examples</i> <i>accompanying FRS 116 Leases</i> FRS 41: <i>Agriculture</i>	1 January 2022
FRS 117: <i>Insurance Contracts</i>	1 January 2023
Amendment to FRS 1: <i>Classification of Liabilities as Current</i> <i>or Non-current</i>	1 January 2023

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



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

(b) *Basis of consolidation and business combination*

(i) *Basis of consolidation*

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.

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

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- Derecognises the assets (including goodwill) and liabilities of the subsidiary at their carrying amounts at the date when control is lost;
- Derecognises the carrying amount of any non-controlling interest;
- Derecognises the cumulative translation differences recorded in equity;
- Recognises the fair value of the consideration received;
- Recognises the fair value of any investment retained;
- Recognises any surplus or deficit in profit or loss;
- Re-classifies the Group's share of components previously recognised in other comprehensive income to profit or loss or retained earnings, as appropriate.

(ii) *Business combinations and goodwill*

Business combinations are accounted for by applying the acquisition method. When the acquired set of activities and assets meets the definition of a business and control is transferred to the Group. In determining whether a particular set of activities and assets is a business, the Group assesses whether the set of assets and activities acquired includes, at a minimum, an input and substantive process and whether the acquired set has the ability to produce output. 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.

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

(b) *Basis of consolidation and business combinations (continued)*

(ii) *Business combinations and goodwill (continued)*

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 deemed to be an asset or liability, will be recognised in profit or loss.

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.

Goodwill is initially measured at cost and subsequently is measured at cost less any accumulated impairment losses. The goodwill is tested for impairment annually.

(c) *Foreign currency*

The financial statements are presented in Singapore Dollars, 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.

(i) *Transactions and balances*

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

Exchange differences arising on the settlement of monetary items or on translating monetary items at the end of the reporting period are recognised in profit or loss except for exchange differences arising on monetary items that form part of the Group's net investment in foreign operations, which are recognised initially in other comprehensive income and accumulated under foreign currency translation reserve in equity. The foreign currency translation reserve is reclassified from equity to profit or loss of the Group on disposal of the foreign operation.

**Notes to the Financial Statements – 31 December 2020**

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

(c) *Foreign currency (continued)*

(ii) *Consolidated financial statements*

For consolidation purpose, the assets and liabilities of foreign operations are translated into SGD 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. For partial disposals of associates or jointly controlled entities that are foreign operations, the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

(d) *Plant and equipment*

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

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

Computer equipment	–	3 years
Computer software	–	3 to 5 years
Furniture and fitting	–	5 years
Leasehold improvement	–	5 years
Office equipment	–	3 years

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

For acquisition and disposals of plant and equipment, depreciation is provided in the month of acquisition and no depreciation is provided in the month of disposal.

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

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

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

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

(e) *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 has the ability to affect those returns through its power over the investee.

In the Company's separate financial statements, investments in subsidiaries are accounted for at cost less impairment losses.

(f) *Financial instruments*

(i) *Financial assets*

*Initial recognition and measurement*

Financial assets are recognised when, and only when the entity becomes party to the contractual provisions of the instruments.

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

Trade receivables are measured at the amount of consideration to which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third party, if the trade 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 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, fair value through other comprehensive income (FVOCI) and FVPL. The three measurement categories for classification of debt instruments are:

▪ *Amortised cost*

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

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

(f) *Financial instruments (continued)*

(i) *Financial assets (continued)*

*Investments in equity instruments*

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

*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 any cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

(ii) *Financial liabilities*

*Initial recognition and measurement*

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

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

*Subsequent measurement*

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

*Derecognition*

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

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

(f) *Financial instruments (continued)*

(iii) *Offsetting of financial instruments*

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

(g) *Impairment of financial assets*

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

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

For trade receivables and contract assets, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group 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 considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

(h) *Impairment of non-financial assets*

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

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

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

For the purpose of impairment testing, the recoverable amount (i.e. the higher of the fair value less cost to sell and the value-in-use) is determined on an individual asset basis unless the asset does not generate cash inflows that are largely independent of those from other assets. If this is the case, the recoverable amount is determined for the cash generating unit to which the asset belongs.

The difference between the carrying amount and recoverable amount is recognised as an impairment loss in profit or loss, unless the asset is carried at revalued amount, in which case, such impairment loss is treated as a revaluation decrease.

**(i) *Contract balances***

*Contract assets*

A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Group performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognised for the earned consideration that is conditional.

*Contract liabilities*

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

**(j) *Cash and cash equivalents***

Cash and cash equivalents comprise cash on hand and at bank, demand deposits and short-term that are readily convertible to known amount of cash and which are subject to an insignificant risk of change in value.

**(k) *Trade and other payables***

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

**(l) *Government grant***

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with.

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

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

(m) *Provisions*

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

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

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

(n) *Employee benefits*

(i) *Defined contribution plans*

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

The defined contribution pension scheme are recognised as an expense in the period in which the related service is performed.

(ii) *Employee leave entitlement*

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

(o) *Leases*

The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Reassessment is only required when the terms and conditions of the contract are changed.



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

(o) *Leases (continued)*

(i) *As lessee*

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities representing the obligations to make lease payments and right-of-use assets representing the right to use the underlying leased assets.

▪ *Right-of-use assets*

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

Office premises	2 - 3 years
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If ownership of the leased asset transfers to the Group at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

▪ *Lease liabilities*

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating the lease, if the lease term reflects the Group exercising the option to terminate.

Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

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

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

(o) *Leases (continued)*

(i) *As lessee (continued)*

▪ *Lease liabilities (continued)*

After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g. changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

▪ *Short term and low value leases*

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

(p) *Revenue*

Revenue is measured based on the consideration to which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties.

Revenue is recognised when the Group 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.

(i) *IT Professional services*

The Group provides business IT implementation and integration services, and support services under fixed-price and variable price contracts. Revenue from providing services is recognised in the accounting period in which the services are rendered. For fixed-price contracts, revenue is recognised based on the actual service provided to the end of the reporting period as a proportion of the estimated total man days service performed to be provided because the customer receives and uses the benefits simultaneously. This is determined based on the actual man days service performed relative to the total expected man days services.

**Notes to the Financial Statements – 31 December 2020**

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

(p) *Revenue (continued)*

(i) *IT Professional services (continued)*

Estimates of revenues, costs or extent of progress toward completion are revised if circumstances change. Any resulting increases or decreases in estimated revenues or costs are reflected in profit or loss in the period in which the circumstances that give rise to the revision become known by management.

Some contracts include multiple deliverables, such as the sale of hardware, implementation supporting services. However, the implementation and support service are simple and could be performed by another party. It is therefore accounted for as a separate performance obligation. Where the contracts include multiple performance obligations, the transaction price will be allocated to each performance obligation based on the stand-alone selling prices. Where these are not directly observable, they are estimated based on expected cost plus margin. If contracts include the installation of hardware, revenue for the hardware is recognised at a point in time when the hardware is delivered, the legal title has passed and the customer has accepted the hardware.

(ii) *Other contract services*

The Group also provides management services to the related companies and accounting services under fixed-price contracts. Revenue from providing services is recognised in the accounting period in which the services are rendered.

In case of fixed-price contracts, the customer pays the fixed amount based on a payment schedule. If the services rendered exceed the payment, a contract asset is recognised. If the payments exceed the services rendered, a contract liability is recognised.

If the contract includes a monthly fee, revenue is recognised in the amount to which the Group has a right to invoice. Customers are invoiced on a monthly basis and consideration is payable when invoiced.

(iii) *Interest income*

Interest income is recognised as interest accrues (using the effective interest method) unless collectability is in doubt.

(iv) *Commission income*

Commission income is recognised upon the completion of services performed and acceptance by customers.

**Notes to the Financial Statements – 31 December 2020**

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

(q) *Taxes*

(i) *Current income tax*

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

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

(ii) *Deferred tax*

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

Deferred tax liabilities are recognised for all temporary differences.

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

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

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

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity and deferred tax arising from a business combination is adjusted against goodwill on acquisition.

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

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

(q) *Taxes (continued)*

(iii) *Goods and services tax*

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

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

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

(r) *Related parties*

A related party is defined as follows:

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

### **3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES**

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

(i) *Judgement made in applying accounting policies*

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

- *Revenue from contracts with customers*

The Group applied the following judgements that significantly affect the determination of the amount and timing of revenue from contracts with customers:

For the implementation and commissioning of IT services, revenue is recognised over time based on the actual man days service performed relative to the total estimated man days to be performed. The estimated man days to be performed are based on contracted amounts and, in respect of amounts not contracted for, management relies on past experience and knowledge of the project engineers to make estimates of the amounts to be incurred. In making these estimates, management takes into consideration the historical trends of the amounts incurred in its similar implementation and commissioning IT services.

(ii) *Estimates and assumptions*

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Group based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

- *Provision for expected credit losses of trade receivables and contract assets*

The Group uses a provision matrix to calculate ECLs for trade receivables and contract assets. The provision rates are based on days past due for various customers segments that have similar loss patterns. The provision matrix is initially based on the Group's historical observed default rates

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

**3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)**

(ii) *Estimates and assumptions (continued)*

- *Provision for expected credit losses of trade receivables and contract assets (continued)*

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

Probability of default constitutes a key input in measuring ECL. Probability of default is an estimate of the likelihood of default over a given time horizon, the calculation of which includes historical data, assumptions and expectations of future conditions. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The information about the ECLs on the Group's trade receivables and contract assets is disclosed in Note 8 and Note 9 respectively.

- *Income tax*

The Group has exposure to income taxes in numerous jurisdictions. Significant judgment is involved in determining the wide provision for income taxes. There are certain transactions and computations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises 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 provisions in the period in which such determination is made.

**R Systems Consulting Services Limited and its Subsidiaries**  
(Co. Reg. No. 199609109E)

**Notes to the Financial Statements – 31 December 2020**

**4. PLANT AND EQUIPMENT**

Group	Computer equipment \$	Computer software \$	Furniture and fitting \$	Leasehold improvement \$	Office equipment \$	Total \$
<b>Cost:</b>						
At 1 January 2019	473,020	452,382	39,331	107,356	45,852	1,117,941
Additions	9,486	2,371	–	–	86	11,943
Written-off	(177,260)	–	–	–	(577)	(177,837)
Currency realignment	(9,628)	(23)	843	(187)	288	(8,707)
At 31 December 2019 and 1 January 2020	295,618	454,730	40,174	107,169	45,649	943,340
Additions	5,329	–	–	–	8,200	13,529
Currency realignment	(541)	9	(254)	900	(238)	(124)
At 31 December 2020	300,406	454,739	39,920	108,069	53,611	956,745
<b>Accumulated depreciation:</b>						
At 1 January 2019	447,027	449,630	36,877	39,861	40,960	1,014,355
Charge for the year	15,772	2,810	644	17,421	2,442	39,089
Written-off	(177,260)	–	–	–	(577)	(177,837)
Currency realignment	(10,183)	(23)	848	237	271	(8,850)
At 31 December 2019 and 1 January 2020	275,356	452,417	38,369	57,519	43,096	866,757
Charge for the year	14,486	394	527	16,573	3,836	35,816
Currency realignment	(422)	9	(254)	246	(227)	(648)
At 31 December 2020	289,420	452,820	38,642	74,338	46,705	901,925
<b>Net carrying amount:</b>						
At 31 December 2019	20,262	2,313	1,805	49,650	2,553	76,583
At 31 December 2020	10,986	1,919	1,278	33,731	6,906	54,820



**R Systems Consulting Services Limited and its Subsidiaries**  
(Co. Reg. No. 199609109E)

**Notes to the Financial Statements – 31 December 2020**

**4. PLANT AND EQUIPMENT (continued)**

<b>Company</b>	<b>Computer equipment \$</b>	<b>Computer software \$</b>	<b>Furniture and fitting \$</b>	<b>Leasehold improvement \$</b>	<b>Office equipment \$</b>	<b>Total \$</b>
<b>Cost:</b>						
At 1 January 2019	390,039	440,243	19,089	8,145	12,095	869,611
Additions	539	–	–	–	–	539
Written-off	(177,260)	–	–	–	(577)	(177,837)
At 31 December 2019 and 1 January 2020	213,318	440,243	19,089	8,145	11,518	692,313
Additions	–	–	–	–	8,200	8,200
At 31 December 2020	213,318	440,243	19,089	8,145	19,718	700,513
<b>Accumulated depreciation:</b>						
At 1 January 2019	372,385	437,498	19,089	7,449	12,095	848,516
Charge for the year	9,082	2,745	–	696	–	12,523
Written-off	(177,260)	–	–	–	(577)	(177,837)
At 31 December 2019 and 1 January 2020	204,207	440,243	19,089	8,145	11,518	683,202
Charge for the year	6,897	–	–	–	1,594	8,491
At 31 December 2020	211,104	440,243	19,089	8,145	13,112	691,693
<b>Net carrying amount:</b>						
At 31 December 2019	9,111	–	–	–	–	9,111
At 31 December 2020	2,214	–	–	–	6,606	8,820

**Notes to the Financial Statements – 31 December 2020**

**5. RIGHT-OF-USE ASSETS**

	<b>Office leases</b>	
	<b>Group</b>	<b>Company</b>
	\$	\$
<b>Cost:</b>		
At 1 January 2019	463,801	114,467
Additions	392,456	392,456
Currency realignment	6,078	–
At 31 December 2019 and 1 January 2020	<u>862,335</u>	<u>506,923</u>
Additions	55,260	–
Currency realignment	71	–
At 31 December 2020	<u>917,666</u>	<u>392,456</u>
<b>Accumulated depreciations:</b>		
At 1 January 2019	–	–
Charged for the year	369,332	196,228
Currency realignment	625	–
At 31 December 2019 and 1 January 2020	<u>369,957</u>	<u>196,228</u>
Charged for the year	369,455	196,228
Currency realignment	1,059	–
At 31 December 2020	<u>740,471</u>	<u>392,456</u>
<b>Net carrying amount:</b>		
At 31 December 2019	<u>492,378</u>	<u>310,695</u>
At 31 December 2020	<u>177,195</u>	<u>114,467</u>

The Group and the Company leases offices mainly for their own use. The average lease terms are 2 to 3 years (2019: 2 to 3 years).

The maturity analysis of lease liabilities are present in Note 17.

*Amounts recognised in profit and loss*

	<b>Group</b>		<b>Company</b>	
	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
	\$	\$	\$	\$
Depreciation expense on right-of-use assets	369,455	369,332	196,228	196,228
Interest expense on lease liabilities	16,357	20,435	10,930	9,087
	<u>385,812</u>	<u>389,767</u>	<u>207,158</u>	<u>205,315</u>

**Notes to the Financial Statements – 31 December 2020**

**5. RIGHT-OF-USE ASSETS (continued)**

*Future cash outflow are not capitalised in lease liabilities*

*Extension options*

The leases for certain leasehold property contain extension periods, for which the related lease payments had not been included in lease liabilities as the Group and the Company is not reasonably certain to exercise these extension option. The Group and the Company negotiates extension options to optimise operational flexibility in terms of managing the assets used in the Group and the Company's operations. The majority of the extension options are exercisable by the Group and the Company and not by the lessor.

**6. INVESTMENT IN SUBSIDIARIES**

	Company	
	2020 \$	2019 \$
Unquoted shares, at cost	2,016,476	2,016,476
Less: Impairment losses	(1,715,031)	(1,715,031)
	301,445	301,445

Details of the subsidiary companies at 31 December 2020 are as follows:

Name and principal activities	Country of incorporation	Cost of investments		Proportion of ownership interest	
		2020 \$	2019 \$	2020 %	2019 %
R Systems Consulting Services (M) Sdn. Bhd.* <i>[Formerly known as ECnet (M) Sdn Bhd]</i> (Provision of internet electronic commerce and online information services)	Malaysia	1,407,460	1,407,460	100	100
R Systems Consulting Services (Thailand) Co. Ltd.* <i>[Formerly known as ECnet Systems (Thailand) Co.Ltd.]</i> (Provision of internet electronic commerce and online information services)	Thailand	90,000	90,000	100	100
ECnet (Shanghai) Co., Ltd * (Provision of internet electronic commerce and online information services)	People's Republic of China	358,415	358,415	100	100

**R Systems Consulting Services Limited and its Subsidiaries**  
(Co. Reg. No. 199609109E)

**Notes to the Financial Statements – 31 December 2020**

**6. INVESTMENT IN SUBSIDIARIES (continued)**

Name and principal activities	Country of incorporation	Cost of investments		Proportion of ownership interest	
		2020	2019	2020	2019
		\$	\$	%	%
R Systems Consulting Services (Hong Kong) Ltd. * <i>[Formerly known as ECnet (Hong Kong) Ltd.]</i> (Provision of internet electronic commerce and online information services)	Hong Kong	1	1	100	100
R Systems Consulting Services Kabushiki Kaisha + <i>[Formerly known as ECnet Kabushiki Kaisha]</i> (Provision of internet electronic commerce and online information services)	Japan	<u>160,600</u> <u>2,016,476</u>	<u>160,600</u> <u>2,016,476</u>	100	100

\* Audited by other firms

+ Not required to be audited by law in the respective countries of incorporation

**7. OTHER RECEIVABLES**

	Group		Company	
	2020	2019	2020	2019
	\$	\$	\$	\$
<b>Current asset:</b>				
Advances payment to suppliers	–	22,782	–	22,782
Deposits	78,460	93,760	42,784	58,084
Prepayments	83,561	88,647	35,106	36,969
Sundry receivables	15,742	5,641	12,703	3,459
Withholding tax	175,074	144,017	–	–
	<u>352,837</u>	<u>354,847</u>	<u>90,593</u>	<u>121,294</u>
<b>Non-current asset:</b>				
Security deposits	<u>20,000</u>	<u>–</u>	<u>20,000</u>	<u>–</u>

Security deposits is related to a banker guarantee provided to related company as a security for employment license.

**Notes to the Financial Statements – 31 December 2020**

**7. OTHER RECEIVABLES (continued)**

Other receivables are denominated in the following currencies:

	<b>Group</b>		<b>Company</b>	
	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
	\$	\$	\$	\$
Chinese Renminbi	8,096	6,857	–	–
Malaysia Ringgit	17,237	17,336	–	–
Singapore Dollar	75,492	61,542	75,487	61,543
Thai Baht	13,377	13,666	–	–
	<u>114,202</u>	<u>99,401</u>	<u>75,487</u>	<u>61,543</u>

**8. TRADE RECEIVABLES**

Trade receivables	1,194,197	1,644,547	368,910	556,198
Less: Allowance for expected credit losses	(40,491)	(32,515)	(12,846)	(13,044)
	<u>1,153,706</u>	<u>1,612,032</u>	<u>356,064</u>	<u>543,154</u>

Trade receivables are non-interest bearing and are generally on 30 to 90 days' terms. They are recognised at their original invoice amounts which represents their fair values on initial recognition.

Trade receivables are denominated in the following currencies:

Chinese Renminbi	3,534	54,225	–	–
Others	14,368	1,939	(62)	(58)
Malaysia Ringgit	399,290	672,852	–	–
Singapore Dollar	224,833	391,933	224,833	391,933
Thai Baht	380,388	339,804	–	–
United States Dollar	131,293	151,279	131,293	151,279
	<u>1,153,706</u>	<u>1,612,032</u>	<u>356,064</u>	<u>543,154</u>

**Notes to the Financial Statements – 31 December 2020**

**8. TRADE RECEIVABLES (continued)**

*Receivables that are impaired*

The table below shows the movement in lifetime ECL that has been recognised for trade receivables in accordance with the simplified approach.

<b>Group</b>	<b>Lifetime ECL not credit impaired collectively assessed \$</b>	<b>Lifetime ECL credit impaired \$</b>	<b>Total \$</b>
Balance as at 1 January 2019	1,283	70,155	71,438
Allowance of expected credit loss	2,183	6,334	8,517
Amount written off	–	(21,190)	(21,190)
Change in loss allowance derecognised due to settlement	(1,283)	(24,669)	(25,952)
Foreign exchange gain or loss	5	(303)	(298)
Balance as at 31 December 2019	2,188	30,327	32,515
Allowance of expected credit loss	1,834	10,706	12,540
Change in loss allowance derecognised due to settlement	(2,181)	(2,419)	(4,600)
Foreign exchange gain or loss	(4)	40	36
Balance as at 31 December 2020	1,837	38,654	40,491
<b>Company</b>			
Balance as at 1 January 2019	1,230	6,123	7,353
Allowance of expected credit loss	657	6,335	6,992
Reversal of expected credit loss	(1,230)	–	(1,230)
Foreign exchange gain or loss	–	(71)	(71)
Balance as at 31 December 2019	657	12,387	13,044
Allowance of expected credit loss	451	–	451
Reversal of expected credit loss	(657)	–	(657)
Foreign exchange gain or loss	–	8	8
Balance as at 31 December 2020	451	12,395	12,846

**Notes to the Financial Statements – 31 December 2020**

**8. TRADE RECEIVABLES (continued)**

The following table provides information about the exposure to credit risk and ECLs for trade receivables for individual customers as at 31 December 2020:

Group	Weighted average loss rate %	Gross impairment		Credit impaired
		Carrying amount \$	Loss allowance \$	
<b>2020*</b>				
Current (not past due)	0.09	805,907	725	No
1 to 30 days past due	0.18	170,197	307	No
31 to 60 days past due	0.18	105,773	190	No
61 to 90 days past due	0.18	33,606	61	No
91 to 180 days past due	1.23	36,269	446	No
Past due more than 180 days	2.00	42,445	38,762	Yes
		<u>1,194,197</u>	<u>40,491</u>	
<b>2019*</b>				
Current (not past due)	0.10	1,355,134	1,355	No
1 to 30 days past due	0.21	133,885	281	No
31 to 60 days past due	0.21	79,982	168	No
61 to 90 days past due	0.21	22,244	47	No
91 to 180 days past due	1.33	20,013	266	No
Past due more than 180 days	91.31	33,289	30,398	Yes
		<u>1,644,547</u>	<u>32,515</u>	
<b>Company</b>				
<b>2020*</b>				
Current (not past due)	0.09	326,980	398	No
1 to 30 days past due	0.18	25,811	46	No
31 to 60 days past due	0.18	1,156	2	No
61 to 90 days past due	0.18	2,568	5	No
91 to 180 days past due	1.23	–	–	No
Past due more than 180 days	2.00	12,395	12,395	Yes
		<u>368,910</u>	<u>12,846</u>	
<b>2019*</b>				
Current (not past due)	0.10	456,681	467	No
1 to 30 days past due	0.21	78,220	164	No
31 to 60 days past due	0.21	8,202	17	No
61 to 90 days past due	0.21	37	–	No
91 to 180 days past due	1.33	671	9	No
Past due more than 180 days	1.00	12,387	12,387	Yes
		<u>556,198</u>	<u>13,044</u>	

\* In case of non collection the default rate is 100%.

**Notes to the Financial Statements – 31 December 2020**

**9. CONTRACT ASSETS**

Contract assets primarily relate to the right to consideration for work completed but not yet billed at reporting date for services rendered. Contract assets are transferred to receivables when the rights become unconditional. This usually occurs when the Group invoices the customer.

Management always estimates the loss allowance on amounts due from customers at an amount equal to lifetime ECL, taking into account the historical default experience and the future prospects of the Technology industry. The Group has contract receivables amounting to \$153,539 (2019: \$116,494) that is past due at the end of reporting period but not impaired.

There has been no change in the estimation techniques or significant assumptions made during the current reporting period in assessing the loss allowance for the contract assets.

**10. AMOUNTS DUE FROM HOLDING COMPANY**

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

**11. AMOUNTS DUE FROM/(TO) SUBSIDIARY COMPANIES**

	Group		Company	
	2020	2019	2020	2019
	\$	\$	\$	\$
<u>Amount due from</u>				
Trade	–	–	3,644,992	3,779,921
Less: Allowance for impairment	–	–	(2,676,232)	(2,857,494)
	–	–	968,760	922,427
Non-trade	–	–	593,330	596,221
Less: Allowance for impairment	–	–	(519,049)	(503,568)
	–	–	74,281	92,653
	–	–	1,043,041	1,015,080

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

The movement in allowances accounts used to record the impairment as follows:

Balance at beginning of year	–	–	3,361,062	2,530,801
Reversal for the year	–	–	(694,562)	(173,494)
Charge to for the year	–	–	543,940	1,029,270
Foreign currency adjustment	–	–	(15,159)	(25,515)
Balance at end of the year	–	–	3,195,281	3,361,062

The amount due from/(to) subsidiaries companies are denominated in the following currencies:

Singapore Dollar	–	–	1,045,855	1,031,732
Other currencies	–	–	(2,814)	(16,652)
	–	–	1,043,041	1,015,080



**Notes to the Financial Statements – 31 December 2020**

**11. AMOUNTS DUE FROM/(TO) SUBSIDIARY COMPANIES (continued)**

*Receivables that are past due but not impaired*

The amounts due from subsidiaries amounting to \$778,961 (2019: \$702,856) that is past due at the end of the reporting period but not impaired. These receivables are unsecured and the analysis of their aging at the end of the reporting period is as follow:

	<b>Group</b>		<b>Company</b>	
	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
	\$	\$	\$	\$
Receivables past due but not impaired:				
Not more than 60 days	–	–	243,528	243,372
More than 60 days	–	–	535,433	459,484
	<u>–</u>	<u>–</u>	<u>778,961</u>	<u>702,856</u>

**12. AMOUNTS DUE FROM RELATED COMPANIES**

Trade	101,602	157,264	101,602	157,264
Non-trade	15,310	32,164	15,310	32,164
	<u>116,912</u>	<u>189,428</u>	<u>116,912</u>	<u>189,428</u>

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

The amount due from related companies are denominated in the following currencies:

Singapore Dollar	103,459	173,983	103,459	173,983
United States Dollar	13,453	15,445	13,453	15,445
	<u>116,912</u>	<u>189,428</u>	<u>116,912</u>	<u>189,428</u>

**13. CASH AND CASH EQUIVALENTS**

Cash and bank balances	3,200,065	2,135,584	1,122,638	623,110
Short-term deposit	30,106	30,090	30,106	30,090
	<u>3,230,171</u>	<u>2,165,674</u>	<u>1,152,744</u>	<u>653,200</u>
Less: Short-term deposit pledged	<u>(30,106)</u>	<u>(30,090)</u>	<u>(30,106)</u>	<u>(30,090)</u>
Cash and cash equivalents as stated in cash flow	<u>3,200,065</u>	<u>2,135,584</u>	<u>1,122,638</u>	<u>623,110</u>

Cash at bank earns interest at floating rates based on daily bank deposits rates. Short-term deposit made for periods of 1 month (2019: 1 month) and earn interest respective short term deposit rates. The weighted average effective interest rates as at 31 December 2020 were 0.05% (2019: 0.05%) per annum.

**Notes to the Financial Statements – 31 December 2020**

**13. CASH AND CASH EQUIVALENTS (continued)**

The short term deposit amounted \$30,106 (2019: \$30,090) was pledged to a bank for unutilised banking facilities granted to the Company.

Cash and cash equivalents denominated in the following currencies:

	Group		Company	
	2020 \$	2019 \$	2020 \$	2019 \$
Chinese Renminbi	321,933	225,333	–	–
Others	115,127	108,894	–	–
Malaysia Ringgit	943,806	790,399	–	–
Singapore Dollar	921,470	334,168	918,253	334,128
Thai Baht	651,104	345,508	–	–
United States Dollar	276,731	361,372	234,491	319,072
	<u>3,230,171</u>	<u>2,165,674</u>	<u>1,152,744</u>	<u>653,200</u>

**14. TRADE PAYABLES**

Trade payable are denominated in the following currencies:

Others	6,634	53,067	–	–
Malaysia Ringgit	–	6,708	–	–
Singapore Dollar	44,685	55,306	44,685	55,307
United States Dollar	39,459	3,780	39,459	3,780
	<u>90,778</u>	<u>118,861</u>	<u>84,144</u>	<u>59,087</u>

**15. OTHER PAYABLES**

Accrued liabilities	116,662	65,566	33,631	28,082
Accrued salaries and related cost	247,613	150,603	92,341	42,903
Deferred grant	–	807	–	807
GST and withholding tax payable	153,087	216,136	41,060	60,966
Provision for unutilised leave	93,796	88,625	64,826	58,992
Sundry payables	2,342	3,736	–	–
	<u>613,500</u>	<u>525,473</u>	<u>231,858</u>	<u>191,750</u>

**Notes to the Financial Statements – 31 December 2020**

**15. OTHER PAYABLES (continued)**

Other payable are denominated in the following currencies:

	Group		Company	
	2020	2019	2020	2019
	\$	\$	\$	\$
Chinese Renminbi	17,073	5,738	–	–
Others	8,154	8,377	–	–
Malaysia Ringgit	138,490	79,480	–	–
Singapore Dollar	125,972	70,988	125,972	70,985
Thai Baht	76,928	55,322	–	–
	<u>366,617</u>	<u>219,905</u>	<u>125,972</u>	<u>70,985</u>

**16. CONTRACT LIABILITIES**

Contract liabilities are relating to the advance billing to customer for the consultancy services to be provided. The revenue relating to the consultancy services is recognised when services rendered.

There were no significant changes in the contract liability balances during the reporting period.

**17. LEASE LIABILITIES**

Analysed as:

Current	173,584	356,158	118,744	195,307
Non-current	9,663	145,998	–	118,744
	<u>183,247</u>	<u>502,156</u>	<u>118,744</u>	<u>314,051</u>
Maturity analysis:				
Year 1	176,450	371,226	120,305	206,237
Year 2	9,715	147,887	–	120,305
	<u>186,165</u>	<u>519,113</u>	<u>120,305</u>	<u>326,542</u>
Unearned interest	(2,918)	(16,987)	(1,561)	(12,491)
	<u>183,247</u>	<u>502,156</u>	<u>118,744</u>	<u>314,051</u>

The Group and the Company does not face a significant liquidity risk with regard to its lease liabilities. Lease liabilities are monitored by the finance directors.

**Notes to the Financial Statements – 31 December 2020**

**18. AMOUNTS DUE TO A HOLDING COMPANY**

	Group		Company	
	2020	2019	2020	2019
	\$	\$	\$	\$
Trade	264,040	168,000	264,040	168,000
Non-trade	632	16,491	632	16,491
	<u>264,672</u>	<u>184,491</u>	<u>264,672</u>	<u>184,491</u>

The amounts due are denominated in Singapore dollar, unsecured, interest-free, repayable upon demand and to be settled in cash.

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

	2019	Cash flows	Non-cash changes			2020
			Repayment	Accretion of interests	Addition	
	\$	\$	\$	\$	\$	\$
Amounts due from a holding company	(6,143)	5,631	–	–	–	(512)
Amounts due from related companies						
– Non-trade	(32,164)	16,854	–	–	–	(15,310)
Amounts due to a holding company						
– Non-trade	16,491	(15,859)	–	–	–	632
Lease liabilities						
– Current	356,158	(389,506)	16,357	54,240	136,335	173,532
– Non-current	145,998	–	–	–	(136,335)	9,663
	<u>480,340</u>	<u>(382,880)</u>	<u>16,357</u>	<u>54,240</u>	<u>–</u>	<u>168,075</u>

**19. SHARE CAPITAL**

	Group and Company			
	2020		2019	
	Number of shares	\$	Number of shares	\$
Issued and fully paid:				
Ordinary shares	<u>92,103,530</u>	<u>86,549,523</u>	<u>92,103,530</u>	<u>86,549,523</u>

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

**20. FOREIGN CURRENCY TRANSLATION RESERVE**

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

**Notes to the Financial Statements – 31 December 2020**

**21. REVENUE**

	<b>Group</b>	
	<b>2020</b>	<b>2019</b>
	\$	\$
<i>Type of goods and services:</i>		
Professional services	4,877,280	4,817,626
Commission income	159,964	283,502
Consultant service income	5,156,738	4,877,385
Accounting services income	102,426	100,680
Sales of goods	486,114	353,144
Supply chain management subscriptions income	1,494,061	1,580,292
Supply chain installation services	2,849	4,658
	<u>12,279,432</u>	<u>12,017,287</u>
<i>Timing of revenue recognition:</i>		
Goods transferred at a point in time	488,963	641,304
Services transferred over time	11,790,469	11,375,983
	<u>12,279,432</u>	<u>12,017,287</u>

**22. OTHER OPERATING INCOME**

Interest income from current accounts	3,577	5,716
Government grants – PIC cash payout	808	2,596
– Wage credit scheme	–	2,968
– Special employment credit	–	879
– Others	–	7,491
Management services	432,000	432,000
Rent concessions	34,373	–
Rental income	53,851	58,492
Others	9,371	3,167
	<u>533,980</u>	<u>513,309</u>

**23. OTHER (CREDITS)/CHARGES**

Allowance on expected credit losses - trade	12,540	8,517
Bad debts written off	634	5,396
Reversal of allowance on impairment receivables – trade	(4,600)	(25,954)
Foreign exchange adjustment, gain	(54,612)	(37,249)
	<u>(46,038)</u>	<u>(49,290)</u>

**24. FINANCE COST**

Interest expense on lease liabilities	<u>16,357</u>	<u>20,435</u>
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**Notes to the Financial Statements – 31 December 2020**

**25. PROFIT BEFORE TAX**

The profit before tax is arrived at after charging:

	<b>Group</b>	
	<b>2020</b>	<b>2019</b>
	\$	\$
Consultation and professional fee	1,594,309	2,303,617
Repair and maintenance	94,741	107,479
Staff welfare	98,611	118,731
Telecommunication	54,689	67,329
Travelling and transportation	95,766	343,906
	<u>1,594,309</u>	<u>2,303,617</u>

**26. INCOME TAX EXPENSE**

(i) *Major components of income tax expense*

The major components of income tax expense for the years ended 31 December 2020 and 2019 are:

Statement of comprehensive income:

Current tax	31,844	2,820
Tax over provided in prior year	(2,557)	(2,336)
Foreign tax	7,264	25,497
	<u>36,551</u>	<u>25,981</u>

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

The reconciliation between the tax expense and the product of accounting profit multiplied by the applicable tax rate for the years ended 31 December 2020 and 2019 are as follows:

Profit before tax	<u>637,864</u>	<u>208,090</u>
Tax at domestic rates applicable to profit in the country where the Group operates	175,286	103,762
Tax effect of expenses that are not deductible in determining taxable profit	57,661	9,533
Non taxable income	(51,259)	(199,567)
Tax overprovided in prior year	(2,557)	(2,336)
Tax effect of temporary differences not recognised	(149,844)	89,092
Foreign tax paid	7,264	25,497
Total tax expense	<u>36,551</u>	<u>25,981</u>

**Notes to the Financial Statements – 31 December 2020**

**27. DEFERRED TAXATION**

	<b>Group</b>		<b>Company</b>	
	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
	\$	\$	\$	\$
Deferred tax assets:				
Difference in depreciation	104,263	103,163	104,263	103,163
Impairment loss on trade receivables	26,679	19,165	–	–
Unrealised gain on forex exchange	12,906	1,401	–	–
Capital allowances carry forward	570,244	602,006	570,244	602,006
Tax losses carry-forward	4,826,174	5,281,764	4,576,854	4,675,773
Total deferred tax assets	<u>5,540,266</u>	<u>6,007,499</u>	<u>5,251,361</u>	<u>5,380,942</u>
Deferred tax assets on temporary differences not recognised	<u>(5,540,266)</u>	<u>(6,007,499)</u>	<u>(5,251,361)</u>	<u>(5,380,942)</u>
Balance	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>

*Unrecognised tax losses*

As at the end of the reporting period, the Group has unutilised capital allowances and tax losses carry forward amounting to \$30,000,000 (2019: \$31,700,000) that are available for offsetting against future taxable profits of the companies in which the losses and capital allowance arose, for which no deferred tax asset is recognised due to uncertainty of its recoverability. The use of these tax losses is subject to the agreement of the tax authorities and compliance with certain provisions of the tax legislation of the respective countries in which the companies operate.

The realisation of these future income tax benefits will only be obtained if the Group derives future taxable income of a nature and of sufficient amount to enable the tax benefits to be realised and the Group continues to comply with the conditions imposed by the law.

**28. EMPLOYEE BENEFITS**

	<b>Group</b>	
	<b>2020</b>	<b>2019</b>
	\$	\$
Salaries, bonuses and others	9,420,279	8,144,768
Contribution to defined contribution plan	404,547	469,150
	<u>9,824,826</u>	<u>8,613,918</u>
Government grants – Job support scheme	(287,799)	–
– Wage credit scheme	(4,751)	–
	<u>9,352,276</u>	<u>8,613,918</u>

The job support scheme payout is a government grant to provide wage support to employers to help them retain their local employees during the period of economic uncertainty due to COVID-19 pandemic.

**Notes to the Financial Statements – 31 December 2020**

**29. RELATED PARTY DISCLOSURES**

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

(i) *Significant related party transactions*

	<b>Group</b>		<b>Company</b>	
	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
	\$	\$	\$	\$
<i><u>Holding company</u></i>				
<i><u>R System International Limited</u></i>				
Sub-contract expenses	1,055,880	1,013,600	1,055,880	1,013,600
<i><u>Related companies</u></i>				
Revenue	678,319	1,030,411	678,319	1,030,411
Professional fee	432,000	432,000	432,000	432,000
Sub-contract expenses	–	37,198	–	37,198
Rental of motor vehicle	51,600	42,000	51,600	42,000
Bank guarantee	–	20,000	–	20,000
Rental income	53,851	58,491	–	–
Consultant services	304,242	175,610	–	–
<i><u>Subsidiary</u></i>				
Impairment of receivables	–	–	543,940	1,029,270
Reversal of impairment	–	–	694,566	173,494

*Services income*

The Company provided services, and recharged certain expenses based on specific identification to some of its subsidiaries. The total value recharged to these related parties during the year ended 31 December 2020 is \$349,720 (2019: \$334,011).

*Management fee received*

The Company outsourced information technology and general administration services, which includes customer services and accounting support, to some of its subsidiaries. The cost of these services were supplied amounted \$682,828 (2019: \$652,247).



**Notes to the Financial Statements – 31 December 2020**

**29. RELATED PARTY DISCLOSURES (continued)**

(ii) *Compensation of key management personnel*

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

	<b>Group</b>	
	<b>2020</b>	<b>2019</b>
	\$	\$
Directors' remuneration		
– Company	351,393	354,111
– Subsidiaries	141,817	149,060
	141,817	149,060

**30. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES**

The Group and the Company is exposed to financial risks arising from its operations and the use of financial instruments. The key financial risks include credit risk, foreign currency risk, interest rate risk and liquidity risk. The Group's risk management policies focus on the unpredictability of financial markets and seek to, where appropriate, minimise potential adverse effects on the financial performance of the Group. The Group does not have any written financial risk management policies and guidelines and there has been no change to the Group's exposure to these financial risks or the manner in which it manages and measures the risks.

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

(i) *Credit risk*

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk from its operating activities (primarily trade receivables) and from its financing activities, including deposits with banks and financial institutions, foreign exchange transactions and other financial instruments.

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

**30. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)**

(i) *Credit risk (continued)*

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

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

In order to minimise credit risk, the Group has developed and maintain the credit risk gradings to categorise exposures according to their degree of risk of default. The Group uses publicly available financial information and the Group's own trading records to rate its major customers and other debtors. The Group exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties.

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

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

**Notes to the Financial Statements – 31 December 2020**

**30. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)**

(i) *Credit risk (continued)*

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

	Note	External credit rating	Internal credit rating	12-month or lifetime ECL	Gross carrying amount \$	Loss allowance \$	Net carrying amount \$
<b>Group</b>							
<b>2020</b>							
Trade receivables	8	N.A.	(a)	Lifetime ECL (simplified approach)	1,194,197	(40,491)	1,153,706
Other receivables	7	N.A.	Performing	12m ECL	114,202	–	114,202
Contact assets	9	N.A.	(a)	Lifetime ECL (simplified approach)	718,471	–	718,471
Amounts due from holding company	10	N.A.	(b)	12m ECL	512	–	512
Amounts due from related companies	12	N.A.	(b)	12m ECL	116,912	–	116,912
						<u>(40,491)</u>	
<b>2019</b>							
Trade receivables	8	N.A.	(a)	Lifetime ECL (simplified approach)	1,644,547	(32,515)	1,612,032
Other receivables	7	N.A.	Performing	12m ECL	99,401	–	99,401
Contact assets	9	N.A.	(a)	Lifetime ECL (simplified approach)	679,457	–	679,457
Amounts due from holding company	10	N.A.	(b)	12m ECL	6,143	–	6,143
Amounts due from related companies	12	N.A.	(b)	12m ECL	189,428	–	189,428
						<u>(32,515)</u>	

**Notes to the Financial Statements – 31 December 2020**

**30. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)**

(i) *Credit risk (continued)*

Company	Note	External credit rating	Internal credit rating	12-month or lifetime ECL	Gross carrying amount \$	Loss allowance \$	Net carrying amount \$
<b>2020</b>							
Trade receivables	8	N.A.	(a)	Lifetime ECL (simplified approach)	368,910	(12,846)	356,064
Other receivables	7	N.A.	Performing	12m ECL	75,487	–	75,487
Contact assets	9	N.A.	(a)	Lifetime ECL (simplified approach)	20,744	–	20,744
Amounts due from holding company	10	N.A.	(b)	12m ECL	512	–	512
Amounts due from subsidiary companies	11	N.A.	(b)	12m ECL	4,238,322	(3,195,281)	1,043,041
Amounts due from related companies	12	N.A.	(b)	12m ECL	116,912	–	116,912
						<u>(3,208,127)</u>	
<b>2019</b>							
Trade receivables	8	N.A.	(a)	Lifetime ECL (simplified approach)	556,198	(13,044)	543,154
Other receivables	7	N.A.	Performing	12m ECL	61,543	–	61,543
Contact assets	9	N.A.	(a)	Lifetime ECL (simplified approach)	47,127	–	47,127
Amounts due from holding company	10	N.A.	(b)	12m ECL	6,143	–	6,143
Amounts due from subsidiary companies	11	N.A.	(b)	12m ECL	4,376,142	(3,361,062)	1,015,080
Amounts due from related companies	12	N.A.	(b)	12m ECL	189,428	–	189,428
						<u>(3,374,106)</u>	

(a) *Trade receivables and contract assets*

For trade receivables and contract assets, the Group has applied the simplified approach in FRS 109 to measure the loss allowance at lifetime ECL. The Group determines the expected credit losses on these items 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 credit risk profile of these assets is presented based on their past due status in terms of the provision matrix (Note 8).

(b) *Amounts due from subsidiary companies/related companies/ holding company*

The Group assessed the latest performance and financial position of the counterparties and conclude that there has been no significant increase in the credit risk since the initial recognition of the financial assets. Accordingly, the Group measured the impairment losses allowance using 12 months ECL and determine that the ECL is insignificant.

Notes to the Financial Statements – 31 December 2020

30. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(i) *Credit risk (continued)*

*Exposure to credit risk*

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

*Credit risk concentration profile*

At the end of the reporting period, there were no significant concentrations of credit risk due to the Group's many varied customers.

It is the Group's policy to sell to a diversity of creditworthy customers so as to reduce concentration of credit risk.

(ii) *Foreign currency risk*

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

The Group operates and sells their products in several countries other than Singapore and transacts in foreign currencies. As a result, the Group is exposed to movements in foreign currency exchange rates arising from normal trading transactions, primarily with respect to United States Dollar (USD), Chinese Renminbi (RMB), Malaysia Ringgit (RM) Thai Baht (THB).

*Sensitivity analysis for foreign currency risk*

The following table demonstrates the sensitivity to a reasonably possible change in the USD, RMB, RM and THB, with all other variables held constant, of the Group's profit before tax and equity.

	Profit before tax	
	2020	2019
	\$	\$
<b>RMB</b>		
– strengthened 3% (2019: 3%)	15,652	6,885
– weakened 3% (2019: 3%)	(15,652)	(6,885)
<b>RM</b>		
– strengthened 1% (2019: 1%)	16,612	18,353
– weakened 1% (2019: 1%)	(16,612)	(18,353)

**30. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)**

(ii) *Foreign currency risk (continued)*

	<b>Profit before tax</b>	
	<b>2020</b>	<b>2019</b>
	\$	\$
<b>THB</b>		
– strengthened 2% (2019: 8%)	24,262	66,476
– weakened 2% (2019: 8%)	<u>(24,262)</u>	<u>(66,476)</u>

(iii) *Interest rate risk*

Interest rate risk is the risk that the fair value or future cash flows of the Group’s financial instruments will fluctuate because of changes in market interest rates.

The Group’s exposure to market risk for changes in interest rates relates primarily to their interest-bearing debt obligations. The Group’s policy is to manage its interest cost using a mix of fixed and variable rate debts as well as by rolling over its borrowings on a short-term basis.

The sensitivity analysis for changes in interest rate is not disclosed as the effect of interest rate risk exposure is considered not significant.

(iv) *Liquidity risk*

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

The Group’s liquidity risk management policy is to monitor its working capital projections, taking into account the available banking and other borrowings facilities of the Group, and ensuring that the Group has adequate working capital to meet obligations and commitments due.

*Analysis of financial instruments by remaining contractual maturities*

The table below analyses the maturity profile of the Company’s financial assets used for managing liquidity risk and financial liabilities at the end of reporting period, based on contractual undiscounted repayment obligations.

**Notes to the Financial Statements – 31 December 2020**

**30. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)**

(iv) *Liquidity risk (continued)*

<b>Group</b>	<b>Total</b> \$	<b>Within one year</b> \$	<b>Within two to three years</b> \$
<b>2020</b>			
<i>Financial assets:</i>			
Trade receivables	1,153,706	1,153,706	–
Other receivables	114,202	94,202	20,000
Amounts due from holding company	512	512	–
Amounts due from related companies	116,912	116,912	–
Cash and cash equivalents	3,230,171	3,230,171	–
Total undiscounted financial assets	<u>4,615,503</u>	<u>4,595,503</u>	<u>20,000</u>
<i>Financial liabilities:</i>			
Trade payables	90,778	90,778	–
Other payables	366,617	366,617	–
Lease liabilities	186,165	176,450	9,715
Amounts due to holding company	264,672	264,672	–
Total undiscounted financial liabilities	<u>908,232</u>	<u>898,517</u>	<u>9,715</u>
Total net undiscounted financial assets	<u>3,707,271</u>	<u>3,696,986</u>	<u>10,285</u>
<b>2019</b>			
<i>Financial assets:</i>			
Trade receivables	1,612,032	1,612,032	–
Other receivables	99,401	99,401	–
Amounts due from holding company	6,143	6,143	–
Amounts due from related companies	189,428	189,428	–
Cash and cash equivalents	2,165,674	2,165,674	–
Total undiscounted financial assets	<u>4,072,678</u>	<u>4,072,678</u>	<u>–</u>
<i>Financial liabilities:</i>			
Trade payables	118,861	118,861	–
Other payables	219,905	219,905	–
Lease liabilities	519,113	371,226	147,887
Amounts due to holding company	184,491	184,491	–
Total undiscounted financial liabilities	<u>1,042,370</u>	<u>894,483</u>	<u>147,887</u>
Total net undiscounted financial assets	<u>3,030,308</u>	<u>3,178,195</u>	<u>(147,887)</u>

**Notes to the Financial Statements – 31 December 2020**

**30. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)**

(iv) *Liquidity risk (continued)*

<b>Company</b>	<b>Total</b> \$	<b>Within one year</b> \$	<b>Within two to three years</b> \$
<b>2020</b>			
<i>Financial assets:</i>			
Trade receivables	356,064	356,064	–
Other receivables	75,487	55,487	20,000
Amounts due from holding company	512	512	–
Amounts due from subsidiary companies	1,043,041	1,043,041	–
Amounts due from related companies	116,912	116,912	–
Cash and cash equivalents	1,152,744	1,152,744	–
<b>Total undiscounted financial assets</b>	<b>2,744,760</b>	<b>2,724,760</b>	<b>20,000</b>
<i>Financial liabilities:</i>			
Trade payables	84,144	84,144	–
Other payables	125,972	125,972	–
Lease liabilities	120,305	120,305	–
Amounts due to holding company	264,672	264,672	–
<b>Total undiscounted financial liabilities</b>	<b>595,093</b>	<b>595,093</b>	<b>–</b>
<b>Total net undiscounted financial assets</b>	<b>2,149,667</b>	<b>2,129,667</b>	<b>20,000</b>
<b>2019</b>			
<i>Financial assets:</i>			
Trade receivables	543,154	543,154	–
Other receivables	61,543	61,543	–
Amounts due from holding company	6,143	6,143	–
Amounts due from subsidiary companies	1,015,080	1,015,080	–
Amounts due from related companies	189,428	189,428	–
Cash and cash equivalents	653,200	653,200	–
<b>Total undiscounted financial assets</b>	<b>2,468,548</b>	<b>2,468,548</b>	<b>–</b>
<i>Financial liabilities:</i>			
Trade payables	59,087	59,087	–
Other payables	70,985	70,985	–
Lease liabilities	326,542	206,237	120,305
Amounts due to holding company	184,491	184,491	–
<b>Total undiscounted financial liabilities</b>	<b>641,105</b>	<b>520,800</b>	<b>120,305</b>
<b>Total net undiscounted financial assets</b>	<b>1,827,443</b>	<b>1,947,748</b>	<b>(120,305)</b>



**Notes to the Financial Statements – 31 December 2020**

**31. CLASSIFICATION OF FINANCIAL ASSETS AND LIABILITIES**

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

	<b>Group</b>		<b>Company</b>	
	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
	\$	\$	\$	\$
<i>Financial assets at amortised cost</i>				
Trade receivables	1,153,706	1,612,032	356,064	543,154
Other receivables	114,202	99,401	75,487	61,543
Amounts due from holding company	512	6,143	512	6,143
Amounts due from subsidiary companies	–	–	1,043,041	1,015,080
Amounts due from related companies	116,912	189,428	116,912	189,428
Cash and cash equivalents	3,230,171	2,165,674	1,152,744	653,200
	<u>4,615,503</u>	<u>4,072,678</u>	<u>2,744,760</u>	<u>2,468,548</u>
<i>Financial liabilities at amortised cost</i>				
Trade payables	90,778	118,861	84,144	59,087
Other payables	366,617	219,905	125,972	70,985
Amounts due to a holding company	264,672	184,491	264,672	184,491
	<u>722,067</u>	<u>523,257</u>	<u>474,788</u>	<u>314,563</u>

**32. FAIR VALUE OF ASSETS AND LIABILITIES**

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

**(i) Fair value hierarchy**

The Group categorises fair value measurements using a fair value hierarchy that is dependent on the valuation inputs used as follows:

- Level 1 – Quoted prices (unadjusted) in active market for identical assets or liabilities that the Company can access at the measurement date,
- Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly, and
- Level 3 – Unobservable inputs for the asset or liability.

**32. FAIR VALUE OF ASSETS AND LIABILITIES (continued)**

**(i) Fair value hierarchy (continued)**

The Group has no financial instruments that are carried at fair value at the end of each reporting period.

**(ii) Fair value of financial instruments by classes that are not carried at fair value and whose carrying amounts are reasonable approximation of fair value**

Current trade and other receivables and payables (including amounts due from/(to) related companies), cash and cash equivalents, and accrued operating expenses.

The carrying amounts of these financial assets and liabilities are reasonable approximation of fair values, either due to their short-term nature or that they are floating rate instruments that are re-priced to market interest rates on or near the end of the reporting period.

**33. CAPITAL MANAGEMENT**

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern and to maintain an optimal capital structure so as to maximise shareholder value. In order to maintain or achieve an optimal capital structure, the Group may issue new shares, funding from holding company or obtain new borrowings.

The Group's overall strategy remains unchanged for 2020 and it is not subject to externally imposed capital requirements.

The Group monitors its cash flow, debt maturity profile and overall liquidity position on a continuous basis.

**34. CONTINGENT LIABILITY FOR FINANCIAL SUPPORT**

The Company has undertaken to provide financial support to one of its subsidiaries to enable it to operate as a going concern and to meet its obligations for a period of not less than twelve months from the date of the directors' statement.

**35. EVENTS OCCURRING AFTER THE REPORTING PERIOD**

COVID-19 pandemic outbreak

The Coronavirus Disease (COVID-19) outbreak and the measures taken to contain the spread of COVID-19 has created a high level of uncertainty to the near-term global economic prospects and caused disruptions to various businesses. A series of measures to curb the COVID-19 outbreak have been and continue to be implemented in Singapore, including requirements to limit or suspend business operations, travel restrictions and quarantine measures. The Group is taking precautionary measures to deal with the COVID-19 outbreak in accordance with guidelines provided by the Government.

**35. EVENTS OCCURRING AFTER THE REPORTING PERIOD (continued)**

As the situation relating to the spread remains dynamic, it is currently not possible to ascertain the full financial impact it may have on the financial performance of the Group for the next financial reporting period.

The Group is closely monitoring the development of the COVID-19 outbreak and its related impact on the businesses. As at the date of these financial statements, the Group is not aware of any material adverse effects on the financial statements arising from the COVID-19 outbreak.

**36. AUTHORISATION OF FINANCIAL STATEMENTS**

The financial statements for the year ended 31 December 2020 were authorised for issue in accordance with a resolution of the directors on 20 January 2021.