



*Directors' Statement and
Audited Financial Statements*

***R Systems Consulting Services Limited
and its Subsidiaries***

(Co. Reg. No. 199609109E)

For the year ended 31 December 2022

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

General Information

Directors

Sartaj Singh Rekhi
Chan Kum Ming
Teo Lye Choon

Secretary

Ng Chee Tiong

Independent Auditor

HLB Atrede LLP

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

Directors' Statement

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 2022.

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 2022 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. 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.

4. 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 1967, 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
			Ordinary shares	
<i>The Company</i> Sartaj Singh Rekhi	–	–	91,870,697	91,870,697

Directors' Statement – continued

4. DIRECTORS' INTERESTS IN SHARES AND DEBENTURES (continued)

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
	Ordinary shares of Rs. 1 each			
<i>The immediate and ultimate holding company</i>				
<i>– R Systems International Limited</i>				
Sartaj Singh Rekhi	18,676,248	18,676,248	–	–
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.

5. SHARE OPTIONS

There were no share options granted during the financial year to subscribe for unissued shares of the Company or any corporation in the Group.

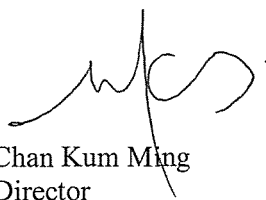
There were no shares issued during the financial year by virtue of the exercise of options to take up unissued shares of the Company or any corporation in the Group.


There were no unissued shares of the Company or any corporation in the Group under option at the end of the financial year.

6. 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

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

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 2022, 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 1967 (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 2022 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.

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

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 FRSs, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair financial statements and to maintain accountability of assets.

In preparing the financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

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

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)

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.

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

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 be 'J. Atrede'.

HLB Atrede LLP
Public Accountants and
Chartered Accountants

Singapore
10 February 2023

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

Balance Sheets as at 31 December 2022

		Group		Company	
	Note	2022	2021	2022	2021
		\$	\$	\$	\$
Non-current assets					
Plant and equipment	4	47,017	35,906	6,427	4,612
Right-of-use assets	5	281,912	568,640	112,571	305,552
Investment in subsidiaries	6	–	–	301,445	301,445
Other receivables	7	20,000	20,000	20,000	20,000
		<u>348,929</u>	<u>624,546</u>	<u>440,443</u>	<u>631,609</u>
Current assets					
Trade receivables	8	1,159,411	1,320,185	299,988	382,617
Other receivables	7	373,573	320,694	121,108	114,496
Contract assets	9	910,352	936,335	81,103	219,874
Amounts due from:					
– holding company	10	561	1,203	561	1,203
– subsidiary companies	11	–	–	1,180,060	819,920
– related companies	12	514,404	274,440	514,404	274,440
Cash and cash equivalents	13	3,090,126	3,217,416	785,158	921,956
		<u>6,048,427</u>	<u>6,070,273</u>	<u>2,982,382</u>	<u>2,734,506</u>
Current liabilities					
Trade payables	14	12,338	54,314	11,847	51,112
Other payables	15	787,857	703,114	360,000	330,032
Contract liabilities	16	233,175	323,580	208,484	281,463
Lease liabilities	17	264,423	313,635	118,732	191,476
Amounts due to a holding company	18	239,635	273,318	239,635	273,318
Tax payable		15,675	860	–	–
		<u>1,553,103</u>	<u>1,668,821</u>	<u>938,698</u>	<u>1,127,401</u>
Net current assets		4,495,324	4,401,452	2,043,684	1,607,105
Non-current liability					
Lease liabilities	17	35,009	269,493	–	118,744
Net assets		<u>4,809,244</u>	<u>4,756,505</u>	<u>2,484,127</u>	<u>2,119,970</u>
Equity attributable to owners of the Company					
Share capital	19	86,549,523	86,549,523	86,549,523	86,549,523
Accumulated losses		(81,674,649)	(81,582,703)	(84,065,396)	(84,429,553)
Foreign currency translation adjustment reserve	20	(65,630)	(210,315)	–	–
Total equity		<u>4,809,244</u>	<u>4,756,505</u>	<u>2,484,127</u>	<u>2,119,970</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 2022

	Note	2022 \$	2021 \$
Revenue	21	13,410,126	13,194,823
Cost of revenue		<u>(9,824,495)</u>	<u>(9,834,779)</u>
Gross profit		3,585,631	3,360,044
Other operating income	22	447,691	483,931
Distribution costs		(988,931)	(1,006,145)
Administrative expenses		(2,638,454)	(2,301,737)
Other (charges)/credit	23	(358,971)	(138,851)
Finance cost	24	<u>(20,195)</u>	<u>(19,407)</u>
Profit before tax	25	26,771	377,835
Income tax expense	26	<u>(118,717)</u>	<u>(29,117)</u>
(Loss)/profit for the year		(91,946)	348,718
Other comprehensive income/(loss):			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Foreign currency translation		<u>144,685</u>	<u>(7,920)</u>
Other comprehensive income/(loss) for the year, net of tax		<u>144,685</u>	<u>(7,920)</u>
Total comprehensive income for the year		<u><u>52,739</u></u>	<u><u>340,798</u></u>
(Loss)/profit attributable to:			
Owners of the Company		<u>(91,946)</u>	<u>348,718</u>
Total comprehensive income attributable to:			
Owners of the Company		<u><u>52,739</u></u>	<u><u>340,798</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 2022

	Share capital \$	Accumulated losses \$	Foreign currency translation adjustment reserve \$	Total \$
Group				
Balance at 1 January 2021	86,549,523	(81,931,421)	(202,395)	4,415,707
Total comprehensive income for the year	<u>–</u>	<u>348,718</u>	<u>(7,920)</u>	<u>340,798</u>
Balance at 31 December 2021	86,549,523	(81,582,703)	(210,315)	4,756,505
Total comprehensive income for the year	<u>–</u>	<u>(91,946)</u>	<u>144,685</u>	<u>52,739</u>
Balance at 31 December 2022	<u>86,549,523</u>	<u>(81,674,649)</u>	<u>(65,630)</u>	<u>4,809,244</u>
Company				
Balance at 1 January 2021	86,549,523	(84,262,679)	–	2,286,844
Total comprehensive loss for the year	<u>–</u>	<u>(166,874)</u>	<u>–</u>	<u>(166,874)</u>
Balance at 31 December 2021	86,549,523	(84,429,553)	–	2,119,970
Total comprehensive income for the year	<u>–</u>	<u>364,157</u>	<u>–</u>	<u>364,157</u>
Balance at 31 December 2022	<u>86,549,523</u>	<u>(84,065,396)</u>	<u>–</u>	<u>2,484,127</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 2022

	2022	2021
	\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	26,771	377,835
Adjustments for:		
Depreciation of plant and equipment	28,655	29,028
Depreciation of right-of-use assets	332,589	337,252
Interest income	(4,098)	(3,655)
Interest expenses	20,195	19,407
Allowance for expected credit losses	867	962
Bad debts written off – trade	–	293
Reversal of allowance for impairment on trade receivables	(934)	(1,799)
Currency alignment	145,843	(7,677)
Operating profit before working capital changes	549,888	751,646
Decrease in fixed deposits pledged	–	30,106
Decrease/(increase) in trade and other receivables, contract assets	133,986	(351,695)
(Decrease)/increase in trade and other payables, contract liabilities	(47,638)	120,010
Decrease/(increase) in amounts due from related companies	64,310	(171,862)
Decrease in amounts due to a holding company	(55,198)	(8,680)
Cash generated from operations	645,348	369,525
Interest received	4,098	3,655
Tax paid	(103,459)	(28,254)
Net cash flows from operating activities	545,987	344,926
CASH FLOWS FROM INVESTING ACTIVITY		
Purchase of plant and equipment	(42,032)	(10,399)
Net cash flows used in investing activity	(42,032)	(10,399)
CASH FLOWS FROM FINANCING ACTIVITIES		
Decrease/(increase) in amount due from holding company	642	(691)
Increase in amounts due to a holding company	21,515	17,326
(Increase)/decrease in amounts due from related companies	(304,274)	14,334
Interest expenses	(20,195)	(19,407)
Repayment of principal lease liabilities	(327,933)	(328,738)
Net cash flows used in financing activities	(630,245)	(317,176)
Net (decrease)/increase in cash and cash equivalents	(126,290)	17,351
Cash and cash equivalents at beginning of year	3,217,416	3,200,065
Cash and cash equivalents at end of year (Note 13)	3,091,126	3,217,416

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

Notes to the Financial Statements – 31 December 2022

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.

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 2022

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 2022:

	Effective date (Annual periods beginning on or after)
Amendments to FRS 103: <i>Reference to the Conceptual Framework</i>	1 January 2022
Amendments to FRS 16: <i>Property, Plant and Equipment Proceeds before Intended Use</i>	1 January 2022
Amendments to FRS 37: <i>Onerous Contracts Cost of Fulfilling a Contract</i>	1 January 2022
Annual Improvements to FRSs 2018 – 2022 – FRS 101: <i>First-time Adoption of Financial Reporting Standards</i> – FRS 109: <i>Financial Instruments Illustrative Examples accompanying FRS 116 Leases</i>	1 January 2022

Standards issued but not yet effective

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

	Effective date (Annual periods beginning on or after)
Amendments to FRS 1 and FRS Practice Statement 2: <i>Disclosure of Accounting Policies</i>	1 January 2023
Amendment to FRS 8: <i>Definition of Accounting Estimates</i>	1 January 2023
Amendment to FRS 12: <i>Deferred Tax related to Assets and Liabilities arising from a Single Transactions</i>	1 January 2023
Amendment to FRS 1: <i>Conceptual classification of Liabilities as Current or Non-current</i>	1 January 2024
Amendment to FRS 1: <i>Non-current Liabilities with covenants</i>	1 January 2024
Amendment to FRS 116: <i>Lease liability in a Sale and Leaseback</i>	1 January 2024

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.

Notes to the Financial Statements – 31 December 2022

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.

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 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)*

Subsequent measurement (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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(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.

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(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.

(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.

Notes to the Financial Statements – 31 December 2022

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(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.

(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.

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) *Rental income*

Rental income arising on operating leases on investment properties, office premises, office space, equipment, is accounted for on a straight-line basis over the lease terms. The aggregate costs of incentives provided by the lessees are recognised as a reduction of rental income over the lease term on a straight-line basis.

(iv) *Interest income*

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

(v) *Commission income*

Commission income is recognised upon the services rendered.

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

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 income taxes relate to the same taxable entity and the same taxation authority.

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 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.

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).

Notes to the Financial Statements – 31 December 2022

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 preformed 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.

Notes to the Financial Statements – 31 December 2022

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.

Notes to the Financial Statements – 31 December 2022

4. PLANT AND EQUIPMENT

Group	Computer equipment \$	Computer software \$	Furniture and fitting \$	Leasehold improvement \$	Office equipment \$	Total \$
Cost:						
At 1 January 2021	300,406	454,739	39,920	108,069	53,611	956,745
Additions	8,578	–	1,821	–	–	10,399
Currency realignment	(4,060)	(251)	(1,138)	(753)	(1,618)	(7,820)
At 31 December 2021 and 1 January 2022	304,924	454,488	40,603	107,316	51,993	959,324
Additions	40,014	–	406	–	1,612	42,032
Currency realignment	(5,800)	(836)	(1,065)	(6,393)	(1,736)	(15,830)
At 31 December 2022	339,138	453,652	39,944	100,923	51,869	985,526
Accumulated depreciation:						
At 1 January 2021	289,420	452,820	38,642	74,338	46,705	901,925
Charge for the year	9,330	389	702	15,583	3,024	29,028
Currency realignment	(3,719)	(218)	(1,109)	(876)	(1,613)	(7,535)
At 31 December 2021 and 1 January 2022	295,031	452,991	38,235	89,045	48,116	923,418
Charge for the year	10,100	313	908	14,466	2,868	28,655
Currency realignment	(4,541)	(757)	(948)	(5,625)	(1,693)	(13,564)
At 31 December 2022	300,590	452,547	38,195	97,886	49,291	938,509
Net carrying amount:						
At 31 December 2021	9,893	1,497	2,368	18,271	3,877	35,906
At 31 December 2022	38,548	1,105	1,749	3,037	2,578	47,017

Notes to the Financial Statements – 31 December 2022

4. PLANT AND EQUIPMENT (continued)

Company	Computer equipment \$	Computer software \$	Furniture and fitting \$	Leasehold improvement \$	Office equipment \$	Total \$
Cost:						
At 1 January 2021	213,318	440,243	19,089	8,145	19,718	700,513
Additions	1,150	–	–	–	–	1,150
At 31 December 2021 and 1 January 2022	214,468	440,243	19,089	8,145	19,718	701,663
Additions	5,618	–	–	–	–	5,618
At 31 December 2022	220,086	440,243	19,089	8,145	19,718	707,281
Accumulated depreciation:						
At 1 January 2021	211,104	440,243	19,089	8,145	13,112	691,693
Charge for the year	2,624	–	–	–	2,734	5,358
At 31 December 2021 and 1 January 2022	213,728	440,243	19,089	8,145	15,846	697,051
Charge for the year	1,069	–	–	–	2,734	3,803
At 31 December 2022	214,797	440,243	19,089	8,145	18,580	700,854
Net carrying amount:						
At 31 December 2021	740	–	–	–	3,872	4,612
At 31 December 2022	5,289	–	–	–	1,138	6,427

Notes to the Financial Statements – 31 December 2022

5. RIGHT-OF-USE ASSETS

	Office leases	
	Group	Company
	\$	\$
Cost:		
At 1 January 2021	803,199	392,456
Additions	732,528	385,961
Currency realignment	(11,986)	–
At 31 December 2021 and 1 January 2022	1,523,741	778,417
Additions	59,013	–
Written off	(392,456)	(392,456)
Currency realignment	(46,306)	–
At 31 December 2022	1,143,992	385,961
Accumulated depreciations:		
At 1 January 2021	626,004	277,989
Charge for the year	337,252	194,876
Currency realignment	(8,155)	–
At 31 December 2021 and 1 January 2022	955,101	472,865
Charge for the year	332,589	192,981
Written off	(392,456)	(392,456)
Currency realignment	(33,154)	–
At 31 December 2022	862,080	273,390
Net carrying amount:		
At 31 December 2021	568,640	305,552
At 31 December 2022	281,912	112,571

The Group and the Company leases offices mainly for their own use. The average lease terms are 2 to 3 years (2021: 2 to 3 years).

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

(i) *Amounts recognised in profit and loss*

	Group		Company	
	2022	2021	2022	2021
	\$	\$	\$	\$
Depreciation expense on right-of-use assets	332,589	337,252	192,981	194,876
Interest expense on lease liabilities	20,195	19,407	10,868	8,980
	352,784	356,659	203,849	203,856

(ii) *Total cash outflow*

The Group and the Company had total cash flow for all the leases of \$348,128 and \$202,356 (2021: \$348,145 and \$203,456) respectively.

Notes to the Financial Statements – 31 December 2022

5. RIGHT-OF-USE ASSETS (continued)

(iii) *Extension options*

The leases for certain office units 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	
	2022	2021
	\$	\$
Unquoted shares, at cost	2,016,476	2,016,476
Less: Impairment losses	<u>(1,715,031)</u>	<u>(1,715,031)</u>
	<u>301,445</u>	<u>301,445</u>

Details of the subsidiary companies at 31 December 2022 are as follows:

Name and principal activities	Country of incorporation	Cost of investments		Proportion of ownership interest	
		2022	2021	2022	2021
		\$	\$	%	%
R Systems Consulting Services (M) Sdn. Bhd.* (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.* (Provision of internet electronic commerce and online information services)	Thailand	90,000	90,000	100	100
R Systems Consulting Services (Shanghai) Co., Ltd.* (Provision of internet electronic commerce and online information services)	People's Republic of China	358,415	358,415	100	100

Notes to the Financial Statements – 31 December 2022

6. INVESTMENT IN SUBSIDIARIES (continued)

Name and principal activities	Country of incorporation	Cost of investments		Proportion of ownership interest	
		2022 \$	2021 \$	2022 %	2021 %
R Systems Consulting Services (Hong Kong) Ltd. * (Provision of internet electronic commerce and online information services)	Hong Kong	1	1	100	100
R Systems Consulting Services Kabushiki Kaisha + (Provision of internet electronic commerce and online information services)	Japan	160,600	160,600	100	100
R Systems Consulting Services Company Limited # (Provision of internet electronic commerce and online information services)	Vietnam	–	–	100	–
		<u>2,016,476</u>	<u>2,016,476</u>		

* Audited by other firms

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

On 17 October 2022, the Company incorporated a wholly owned subsidiary, R Systems Consulting Services Company Limited incorporated in Vietnam with a capital contribution of VND 228,100,000 equivalent to US\$10,000. The Company has yet to inject the capital due to compliance to certain regulation in Vietnam. The proposed principal activities are provision of internet electronic commerce and online information services.

7. OTHER RECEIVABLES

	Group		Company	
	2022 \$	2021 \$	2022 \$	2021 \$
Current asset:				
Advances payment to suppliers	–	3,508	–	2,399
Deposits	81,455	78,905	50,185	45,729
Prepayments	106,713	123,032	47,715	51,576
Sundry receivables	24,830	16,271	23,208	14,792
Withholding tax	160,575	98,978	–	–
	<u>373,573</u>	<u>320,694</u>	<u>121,108</u>	<u>114,496</u>
Non-current asset:				
Security deposits	<u>20,000</u>	<u>20,000</u>	<u>20,000</u>	<u>20,000</u>

Notes to the Financial Statements – 31 December 2022

7. OTHER RECEIVABLES (continued)

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

Other receivables are denominated in the following currencies:

	Group		Company	
	2022	2021	2022	2021
	\$	\$	\$	\$
Chinese Renminbi	5,799	6,363	–	–
Malaysia Ringgit	14,557	15,221	–	–
Singapore Dollar	93,393	80,521	93,393	80,521
Thai Baht	12,505	13,035	–	–
Others	31	36	–	–
	<u>126,285</u>	<u>115,176</u>	<u>93,393</u>	<u>80,521</u>

8. TRADE RECEIVABLES

Trade receivables	1,197,071	1,359,471	312,589	395,439
Less: Allowance for expected credit losses	<u>(37,660)</u>	<u>(39,286)</u>	<u>(12,601)</u>	<u>(12,822)</u>
	<u>1,159,411</u>	<u>1,320,185</u>	<u>299,988</u>	<u>382,617</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	33,343	71,989	–	–
Others	(7,477)	3,504	(55)	(69)
Malaysia Ringgit	373,159	419,807	–	–
Singapore Dollar	173,338	261,341	173,338	261,341
Thai Baht	449,969	431,770	–	–
United States Dollar	137,079	131,774	126,705	121,345
	<u>1,159,411</u>	<u>1,320,185</u>	<u>299,988</u>	<u>382,617</u>

Notes to the Financial Statements – 31 December 2022

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.

	Lifetime ECL not credit impaired collectively assessed \$	Lifetime ECL credit impaired \$	Total \$
Group			
Balance as at 1 January 2021	1,837	38,654	40,491
Allowance for expected credit loss	962	–	962
Reversal of expected credit loss	(1,799)	–	(1,799)
Foreign exchange gain or loss	(46)	(322)	(368)
Balance as at 31 December 2021	954	38,332	39,286
Allowance for expected credit loss	867	–	867
Reversal of expected credit loss	(934)	–	(934)
Foreign exchange gain or loss	(39)	(1,520)	(1,559)
Balance as at 31 December 2022	848	36,812	37,660
Company			
Balance as at 1 January 2021	451	12,395	12,846
Allowance for expected credit loss	309	–	309
Reversal of expected credit loss	(451)	–	(451)
Foreign exchange gain or loss	–	118	118
Balance as at 31 December 2021	309	12,513	12,822
Allowance for expected credit loss	116	–	116
Reversal of expected credit loss	(309)	–	(309)
Foreign exchange gain or loss	–	(28)	(28)
Balance as at 31 December 2022	116	12,485	12,601

Notes to the Financial Statements – 31 December 2022

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 2022:

Group	Expected credit loss rate %	Gross Carrying amount \$	Lifetime ECL \$	Credit impaired
2022*				
Current (not past due)	0.05	836,658	273	
1 to 30 days past due	0.07	211,685	148	
31 to 60 days past due	0.07	68,116	47	
61 to 90 days past due	0.07	12,365	9	
91 to 180 days past due	1.22	30,338	370	
Past due more than 180 days	2.00	37,909	36,813	
		<u>1,197,071</u>	<u>37,660</u>	
2021*				
Current (not past due)	0.05	913,680	479	No
1 to 30 days past due	0.10	302,891	303	No
31 to 60 days past due	0.10	95,983	96	No
61 to 90 days past due	0.10	1,157	1	No
91 to 180 days past due	0.99	7,427	74	No
Past due more than 180 days	2.00	38,333	38,333	Yes
		<u>1,359,471</u>	<u>39,286</u>	
Company				
2022*				
Current (not past due)	0.05	243,422	76	No
1 to 30 days past due	0.07	43,538	31	No
31 to 60 days past due	0.07	13,144	9	No
61 to 90 days past due	0.07	–	–	No
91 to 180 days past due	1.22	–	–	No
Past due more than 180 days	2.00	12,485	12,485	Yes
		<u>312,589</u>	<u>12,601</u>	
2021*				
Current (not past due)	0.05	174,288	96	No
1 to 30 days past due	0.10	171,179	171	No
31 to 60 days past due	0.10	36,977	36	No
61 to 90 days past due	0.10	–	–	No
91 to 180 days past due	0.99	481	5	No
Past due more than 180 days	2.00	12,514	12,514	Yes
		<u>395,439</u>	<u>12,822</u>	

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

Notes to the Financial Statements – 31 December 2022

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 \$19,485 (2021: \$48,610) 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	
	2022	2021	2022	2021
	\$	\$	\$	\$
<u>Amount due from</u>				
Trade	–	–	3,871,559	3,731,156
Less: Allowance for impairment	–	–	(2,654,956)	(3,505,816)
	–	–	1,216,603	225,340
Non-trade	–	–	507,315	604,858
Less: Allowance for impairment	–	–	(543,858)	(10,278)
	–	–	(36,543)	594,580
	–	–	1,180,060	819,920

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	–	–	3,516,094	3,195,281
Reversal for the year	–	–	(531,957)	(171,888)
Charge to for the year	–	–	154,522	433,553
Foreign currency adjustment	–	–	60,155	59,148
Balance at end of the year	–	–	3,198,814	3,516,094

Notes to the Financial Statements – 31 December 2022

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

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

	Group		Company	
	2022	2021	2022	2021
	\$	\$	\$	\$
Singapore Dollar	–	–	1,190,807	849,500
Other currencies	–	–	(10,747)	(29,580)
	<u>–</u>	<u>–</u>	<u>1,180,060</u>	<u>819,920</u>

Receivables that are past due but not impaired

The amounts due from subsidiaries amounting to \$889,943 (2021: \$583,829) 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:

Receivables past due but not impaired:

Not more than 60 days	–	–	282,498	275,995
More than 60 days	–	–	607,445	307,834
	<u>–</u>	<u>–</u>	<u>889,943</u>	<u>583,829</u>

12. AMOUNTS DUE FROM RELATED COMPANIES

Trade	209,154	273,464	209,154	273,464
Non-trade	305,250	976	305,250	976
	<u>514,404</u>	<u>274,440</u>	<u>514,404</u>	<u>274,440</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	484,630	226,819	484,630	226,819
United States Dollar	29,774	47,621	29,774	47,621
	<u>514,404</u>	<u>274,440</u>	<u>514,404</u>	<u>274,440</u>

13. CASH AND CASH EQUIVALENTS

Cash at bank earns interest at floating rates based on daily bank deposits rates.

Notes to the Financial Statements – 31 December 2022

13. CASH AND CASH EQUIVALENTS (continued)

Cash and cash equivalents denominated in the following currencies:

	Group		Company	
	2022	2021	2022	2021
	\$	\$	\$	\$
Chinese Renminbi	311,088	319,074	–	–
Others	143,290	169,231	–	–
Malaysia Ringgit	843,569	741,224	–	–
Singapore Dollar	628,220	580,835	626,668	579,551
Thai Baht	963,838	1,022,828	–	–
United States Dollar	200,121	384,224	158,490	342,405
	<u>3,090,126</u>	<u>3,217,416</u>	<u>785,158</u>	<u>921,956</u>

14. TRADE PAYABLES

Trade payable are denominated in the following currencies:

Others	491	3,202	–	–
Singapore Dollar	11,847	19,204	11,847	19,204
United States Dollar	–	31,908	–	31,908
	<u>12,338</u>	<u>54,314</u>	<u>11,847</u>	<u>51,112</u>

15. OTHER PAYABLES

Accrued liabilities	175,809	102,412	91,797	33,568
Accrued salaries and related cost	393,874	361,735	200,000	197,968
GST and withholding tax payable	135,023	153,646	24,452	45,939
Provision for unutilised leave	75,725	78,048	43,751	52,557
Sundry payables	7,426	7,273	–	–
	<u>787,857</u>	<u>703,114</u>	<u>360,000</u>	<u>330,032</u>

Other payable are denominated in the following currencies:

Chinese Renminbi	4,455	4,788	–	–
Others	8,410	8,239	–	–
Malaysia Ringgit	180,885	139,035	–	–
Singapore Dollar	291,797	231,536	291,797	231,536
Thai Baht	91,562	87,822	–	–
	<u>577,109</u>	<u>471,420</u>	<u>291,797</u>	<u>231,536</u>

Notes to the Financial Statements – 31 December 2022

16. CONTRACT LIABILITIES

Contract liabilities are relating to the advance billing to customers 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

	Group		Company	
	2022	2021	2022	2021
	\$	\$	\$	\$
Analysed as:				
Current	264,423	313,635	118,732	191,476
Non-current	35,009	269,493	–	118,744
	<u>299,432</u>	<u>583,128</u>	<u>118,732</u>	<u>310,220</u>
Maturity analysis:				
Year 1	270,192	332,700	120,305	202,356
Year 2	35,367	274,757	–	120,305
	305,559	607,457	120,305	322,661
Less: Unearned interest	(6,127)	(24,329)	(1,573)	(12,441)
	<u>299,432</u>	<u>583,128</u>	<u>118,732</u>	<u>310,220</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.

18. AMOUNTS DUE TO A HOLDING COMPANY

Trade	200,162	255,360	200,162	255,360
Non-trade	39,473	17,958	39,473	17,958
	<u>239,635</u>	<u>273,318</u>	<u>239,635</u>	<u>273,318</u>

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

Notes to the Financial Statements – 31 December 2022

18. AMOUNTS DUE TO A HOLDING COMPANY (continued)

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

	1.1.2022	Cash flows	Non-cash changes			31.12.2022
			Repayment	Accretion of interests	Foreign exchange	
	\$	\$	\$	\$	\$	\$
Amounts due from a holding company	(1,203)	642	–	–	–	561
Amounts due from related companies						
– Non-trade	(976)	(304,274)	–	–	–	(305,250)
Amounts due to a holding company						
– Non-trade	17,958	21,515	–	–	–	39,473
Lease liabilities						
– Current	313,635	(348,128)	20,195	44,237	234,484	264,423
– Non-current	269,493	–	–	–	(234,484)	35,009
	<u>598,907</u>	<u>(630,245)</u>	<u>20,195</u>	<u>44,237</u>	<u>–</u>	<u>34,216</u>
	1.1.2021	Cash flows	Non-cash changes			31.12.2021
		Repayment	Accretion of interests	Addition	Others	
	\$	\$	\$	\$	\$	\$
Amounts due from a holding company	(512)	(691)	–	–	–	(1,203)
Amounts due from related companies						
– Non-trade	(15,310)	14,334	–	–	–	(976)
Amounts due to a holding company						
– Non-trade	632	17,326	–	–	–	17,958
Lease liabilities						
– Current	173,532	(348,145)	19,407	728,619	(259,778)	313,635
– Non-current	9,715	–	–	–	259,778	269,493
	<u>168,075</u>	<u>(317,176)</u>	<u>19,407</u>	<u>728,619</u>	<u>–</u>	<u>598,907</u>

19. SHARE CAPITAL

	Group and Company			
	2022		2021	
	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.

Notes to the Financial Statements – 31 December 2022

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.

21. REVENUE

	Group	
	2022	2021
	\$	\$
<i>Type of goods and services:</i>		
Professional services	6,389,045	5,943,556
Commission income	250,959	405,722
Consultant service income	4,857,134	5,088,246
Accounting services income	268,787	126,589
Sales of goods	464,096	359,067
Supply chain management subscriptions income	1,179,649	1,270,192
Supply chain installation services	456	1,451
	<u>13,410,126</u>	<u>13,194,823</u>
<i>Timing of revenue recognition:</i>		
Goods transferred at a point in time	464,552	360,518
Services transferred over time	12,945,574	12,834,305
	<u>13,410,126</u>	<u>13,194,823</u>

22. OTHER OPERATING INCOME

Interest income from current accounts	4,098	3,655
Government grants	3,212	–
Management services	387,000	432,000
Rental income	53,289	40,209
Others	92	8,067
	<u>447,691</u>	<u>483,931</u>

23. OTHER CHARGES/(CREDIT)

Allowance on expected credit losses - trade	867	962
Bad debts written off – trade	–	293
Reversal of allowance on impairment receivables – trade	(934)	(1,799)
Foreign exchange adjustment, loss	359,038	139,395
	<u>358,971</u>	<u>138,851</u>

24. FINANCE COST

Interest expense on lease liabilities	<u>20,195</u>	<u>19,407</u>
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Notes to the Financial Statements – 31 December 2022

25. PROFIT BEFORE TAX

The profit before tax is arrived at after charging:

	Group	
	2022	2021
	\$	\$
Consultation and professional fee	1,387,290	1,490,135
Repair and maintenance	140,713	105,780
Staff welfare	89,898	139,678
Telecommunication	50,724	51,450
Travelling and transportation	38,515	23,895
	<u>1,607,140</u>	<u>1,811,738</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 2022 and 2021 are:

Statement of comprehensive income:

Current tax	121,688	20,133
Tax (over)/under provided in prior year	(7,684)	5,968
Foreign tax	4,713	3,016
	<u>118,717</u>	<u>29,117</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 2022 and 2021 are as follows:

Profit before tax	<u>26,771</u>	<u>377,835</u>
Tax at domestic rates applicable to profit in the country where the Group operates	55,354	8,358
Tax effect of expenses that are not deductible in determining taxable profit	83,325	36,964
Non taxable income	(122)	(66,174)
Tax (over)/under provided in prior year	(7,684)	5,968
Tax effect of temporary differences not recognised	(14,256)	39,451
Foreign tax paid	4,713	3,016
Others	(2,613)	1,534
Total tax expense	<u>118,717</u>	<u>29,117</u>

Notes to the Financial Statements – 31 December 2022

27. DEFERRED TAXATION

	Group		Company	
	2022	2021	2022	2021
	\$	\$	\$	\$
Deferred tax assets:				
Difference in depreciation	105,821	105,174	105,821	105,174
Impairment loss on trade receivables	24,134	25,718	–	–
Unrealised gain on forex exchange	(13,824)	247	–	–
Capital allowances carry forward	414,419	490,724	414,419	490,724
Tax losses carry-forward	4,575,822	4,591,409	4,575,822	4,591,409
Total deferred tax assets	<u>5,106,372</u>	<u>5,213,272</u>	<u>5,096,062</u>	<u>5,187,307</u>
Deferred tax assets on temporary differences not recognised	<u>(5,106,372)</u>	<u>(5,213,272)</u>	<u>(5,096,062)</u>	<u>(5,187,307)</u>
Balance	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>

Unrecognised tax losses

At the end of the reporting period, the Company has unabsorbed tax losses and capital allowances of approximately amounting to \$29,349,000 (2021: \$29,890,000) that are available for offset against future taxable profits of the Company in which the losses arose for which no deferred tax assets is recognised due to uncertainty of its recoverability. The use of these tax losses is subject to the agreement with the Income Tax Authorities.

28. EMPLOYEE BENEFITS

	Group	
	2022	2021
	\$	\$
Salaries, bonuses and others	10,102,314	10,231,057
Contribution to defined contribution plan	597,045	585,455
	<u>10,699,359</u>	<u>10,816,512</u>

Notes to the Financial Statements – 31 December 2022

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*

	Group		Company	
	2022	2021	2022	2021
	\$	\$	\$	\$
<i><u>Holding company</u></i>				
<i><u>R System International Limited</u></i>				
Sub-contract expenses	853,936	940,205	853,936	940,205
<i><u>Related companies</u></i>				
Loan	300,000	–	300,000	–
Revenue	197,908	462,293	197,908	462,293
Professional fee	387,000	432,000	387,000	432,000
Rental of motor vehicle	33,690	51,600	33,690	51,600
Rental income	40,601	39,373	–	–
Consultant services	33,952	110,573	–	–
<i><u>Subsidiary</u></i>				
Allowance for expected credit loss	–	–	154,522	433,553
Reversal of impairment	–	–	531,957	171,888

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 2022 is \$309,803 (2021: \$315,413).

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 \$701,285 (2021: \$696,655).

Notes to the Financial Statements – 31 December 2022

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.

	Group	
	2022	2021
	\$	\$
Directors' remuneration		
– Company	538,040	362,092
– Subsidiaries	<u>191,896</u>	<u>162,836</u>

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 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.

Notes to the Financial Statements – 31 December 2022

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:

Category	Description	Basis for recognising expected credit losses (ECL)
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 2022

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 \$
Group							
2022							
Trade receivables	8	N.A.	(a)	Lifetime ECL (simplified approach)	1,197,071	(37,660)	1,159,411
Other receivables	7	N.A.	Performing	12m ECL	126,285	–	126,285
Contact assets	9	N.A.	(a)	Lifetime ECL (simplified approach)	910,352	–	910,352
Amounts due from holding company	10	N.A.	(b)	12m ECL	561	–	561
Amounts due from related companies	12	N.A.	(b)	12m ECL	514,404	–	514,404
						<u>(37,660)</u>	
2021							
Trade receivables	8	N.A.	(a)	Lifetime ECL (simplified approach)	1,359,471	(39,286)	1,320,185
Other receivables	7	N.A.	Performing	12m ECL	115,176	–	115,176
Contact assets	9	N.A.	(a)	Lifetime ECL (simplified approach)	936,335	–	936,335
Amounts due from holding company	10	N.A.	(b)	12m ECL	1,203	–	1,203
Amounts due from related companies	12	N.A.	(b)	12m ECL	274,440	–	274,440
						<u>(39,286)</u>	

Notes to the Financial Statements – 31 December 2022

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 \$
2022							
Trade receivables	8	N.A.	(a)	Lifetime ECL (simplified approach)	312,589	(12,601)	299,988
Other receivables	7	N.A.	Performing	12m ECL	3,393	–	93,393
Contact assets	9	N.A.	(a)	Lifetime ECL (simplified approach)	81,103	–	81,103
Amounts due from holding company	10	N.A.	(b)	12m ECL	561	–	561
Amounts due from subsidiary companies	11	N.A.	(b)	12m ECL	4,378,874	(3,198,814)	1,180,060
Amounts due from related companies	12	N.A.	(b)	12m ECL	514,404	–	514,404
						<u>(3,211,415)</u>	
2021							
Trade receivables	8	N.A.	(a)	Lifetime ECL (simplified approach)	395,439	(12,822)	382,617
Other receivables	7	N.A.	Performing	12m ECL	80,521	–	80,521
Contact assets	9	N.A.	(a)	Lifetime ECL (simplified approach)	219,874	–	219,874
Amounts due from holding company	10	N.A.	(b)	12m ECL	1,203	–	1,203
Amounts due from subsidiary companies	11	N.A.	(b)	12m ECL	4,336,014	(3,516,094)	819,920
Amounts due from related companies	12	N.A.	(b)	12m ECL	274,440	–	274,440
						<u>(3,528,916)</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 (Note 11) and determine that the ECL is insignificant.

Notes to the Financial Statements – 31 December 2022

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	
	2022	2021
	\$	\$
RMB		
– strengthened 9% (2021: 5%)	31,120	19,632
– weakened 9% (2021: 5%)	(31,120)	(19,632)
RM		
– strengthened 6% (2021: 2%)	89,951	28,145
– weakened 6% (2021: 2%)	(89,851)	(28,415)

Notes to the Financial Statements – 31 December 2022

30. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(ii) *Foreign currency risk (continued)*

	Profit before tax	
	2022	2021
	\$	\$
THB		
– strengthened 4% (2021: 8%)	67,815	131,902
– weakened 4% (2021: 8%)	<u>(67,815)</u>	<u>(131,902)</u>

(iii) *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.

	Total	Within one year	Within two to three years
	\$	\$	\$
Group			
2022			
<i>Financial assets:</i>			
Trade receivables	1,159,411	1,159,411	–
Other receivables	126,285	106,285	20,000
Amounts due from holding company	561	561	–
Amounts due from related companies	514,404	514,404	–
Cash and cash equivalents	<u>3,090,126</u>	<u>3,090,126</u>	–
Total undiscounted financial assets	<u>4,890,787</u>	<u>4,870,787</u>	<u>20,000</u>

Notes to the Financial Statements – 31 December 2022

30. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(iii) *Liquidity risk (continued)*

Group (continued)	Total	Within	Within two
	\$	one year	to three
		\$	years
			\$
2022 (continued)			
<i>Financial liabilities:</i>			
Trade payables	12,338	12,338	–
Other payables	577,109	577,109	–
Lease liabilities	305,559	270,192	35,367
Amounts due to holding company	239,635	239,635	–
Total undiscounted financial liabilities	<u>1,134,641</u>	<u>1,099,274</u>	<u>35,367</u>
Total net undiscounted financial assets	<u>3,756,146</u>	<u>3,771,513</u>	<u>(15,367)</u>
2021			
<i>Financial assets:</i>			
Trade receivables	1,320,185	1,320,185	–
Other receivables	115,176	95,176	20,000
Amounts due from holding company	1,203	1,203	–
Amounts due from related companies	274,440	274,440	–
Cash and cash equivalents	3,217,416	3,217,416	–
Total undiscounted financial assets	<u>4,928,420</u>	<u>4,908,420</u>	<u>20,000</u>
<i>Financial liabilities:</i>			
Trade payables	54,314	54,314	–
Other payables	471,420	471,420	–
Lease liabilities	607,457	332,700	274,757
Amounts due to holding company	273,318	273,318	–
Total undiscounted financial liabilities	<u>1,406,509</u>	<u>1,131,752</u>	<u>274,757</u>
Total net undiscounted financial assets	<u>3,521,911</u>	<u>3,776,668</u>	<u>(254,757)</u>

Notes to the Financial Statements – 31 December 2022

30. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(iii) *Liquidity risk (continued)*

Company	Total \$	Within one year \$	Within two to three years \$
2022			
<i>Financial assets:</i>			
Trade receivables	299,988	299,988	–
Other receivables	93,393	73,393	20,000
Amounts due from holding company	561	561	–
Amounts due from subsidiary companies	1,180,060	1,180,060	–
Amounts due from related companies	514,404	514,404	–
Cash and cash equivalents	785,158	785,158	–
Total undiscounted financial assets	<u>2,873,564</u>	<u>2,853,564</u>	<u>20,000</u>
<i>Financial liabilities:</i>			
Trade payables	11,847	11,847	–
Other payables	291,797	291,797	–
Lease liabilities	120,305	120,305	–
Amounts due to holding company	239,635	239,635	–
Total undiscounted financial liabilities	<u>663,584</u>	<u>663,584</u>	<u>–</u>
Total net undiscounted financial assets	<u>2,209,980</u>	<u>2,189,980</u>	<u>20,000</u>
2021			
<i>Financial assets:</i>			
Trade receivables	382,617	382,617	–
Other receivables	80,521	60,521	20,000
Amounts due from holding company	1,203	1,203	–
Amounts due from subsidiary companies	819,920	819,920	–
Amounts due from related companies	274,440	274,440	–
Cash and cash equivalents	921,956	921,956	–
Total undiscounted financial assets	<u>2,480,657</u>	<u>2,460,657</u>	<u>20,000</u>
<i>Financial liabilities:</i>			
Trade payables	51,112	51,112	–
Other payables	231,536	231,536	–
Lease liabilities	322,661	202,356	120,305
Amounts due to holding company	273,318	273,318	–
Total undiscounted financial liabilities	<u>878,627</u>	<u>758,322</u>	<u>120,305</u>
Total net undiscounted financial assets	<u>1,602,030</u>	<u>1,702,335</u>	<u>(100,305)</u>

Notes to the Financial Statements – 31 December 2022

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.

	Group		Company	
	2022	2021	2022	2021
	\$	\$	\$	\$
<i>Financial assets at amortised cost</i>				
Trade receivables	1,159,411	1,320,185	299,988	382,617
Other receivables	126,285	115,176	93,393	80,521
Amounts due from holding company	561	1,203	561	1,203
Amounts due from subsidiary companies	–	–	1,180,060	819,920
Amounts due from related companies	514,404	274,440	514,404	274,440
Cash and cash equivalents	3,090,126	3,217,416	785,158	921,956
	<u>4,890,787</u>	<u>4,928,420</u>	<u>2,873,564</u>	<u>2,480,657</u>
<i>Financial liabilities at amortised cost</i>				
Trade payables	12,338	54,314	11,847	51,112
Other payables	577,109	471,420	291,797	231,536
Amounts due to a holding company	239,635	273,318	239,635	273,318
	<u>829,082</u>	<u>799,052</u>	<u>543,279</u>	<u>555,966</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.

The carrying amounts of financial assets and liabilities are reasonable approximation of fair values 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.

However, the Group does not anticipate that the carrying amounts recorded at the end of the reporting period would be significantly different from the values that would eventually be received or settled.

At the end of the reporting period, the Group does not have any other financial instruments carried at fair value.

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 2022 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. AUTHORISATION OF FINANCIAL STATEMENTS

The financial statements for the year ended 31 December 2022 were authorised for issue in accordance with a resolution of the directors on 10 February 2023.