HLB Atrede

Directors' Statement and
Audited Financial Statements

ECnet Limited and its Subsidiaries

(Co. Reg. No. 199609109E)

For the year ended 31 December 2019

ECnet 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

Contents

The directors are pleased to present their statement to the members together with the audited consolidated financial statements of ECnet 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 2019.

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 2019 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, Chapter 50, an interest in shares and share options of the Company and related corporations as stated below:

	Holding registered in names of directors		Holdings in which directors are deemed to have an interest	
Name of directors	**At beginning of year**	**At end of year**	**At beginning of year**	**At end of year**
		Ordinary shares		
The Company				
Sartaj Singh Rekhi	–	–	91,870,697	91,870,697

ECnet Limited and its Subsidiaries
(Co. Reg. No. 199609109E)

Directors' Statement – continued

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

Name of directors	Holding registered in names of directors At beginning of year	At end of year	Holdings in which directors are deemed to have an interest At beginning of year	At end of year
	Ordinary shares of Rs. 1 each			
The immediate and ultimate holding company – R Systems International Limited				
Sartaj Singh Rekhi	19,800,619	19,260,269	9,076,218	8,828,489
Chan Kum Ming	8,000	8,000	–	–

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

5. OPTIONS ON SHARES TO TAKE UP UNISSUED SHARES

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

6. OPTIONS EXERCISED

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

7. UNISSUED SHARES UNDER OPTION

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

8. 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

17 JAN 2020

HLB Atrede

Independent Auditor's Report
to the members of ECnet Limited
(Co. Reg. No. 199609109E)

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of ECnet Limited ("the Company") and its subsidiaries (the "Group"), which comprise the balance sheets of the Group and of the Company as at 31 December 2019, and the statements of changes in equity of the Group and of the Company, consolidated statement of comprehensive income, and consolidated cash flow statement of the Group for the year then ended, and notes to the financial statements including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements of the Group, the balance sheet and statement of changes in equity of the Company are properly drawn up in accordance with the provisions of the Companies Act Chapter 50 (the Act) and Financial Reporting Standards in Singapore (FRSs) so as to give a true and fair view of the consolidated financial position of the Group and financial position of the Company as at 31 December 2019 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group and changes in equity of the Company for the year ended on that date.

Basis for Opinion

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

Other Information

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

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

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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.

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Independent Auditor's Report
to the members of ECnet 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.

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Independent Auditor's Report
to the members of ECnet 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.

HLB Atrede LLP
Public Accountants and
Chartered Accountants

Singapore
17 January 2020

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ECnet Limited and its Subsidiaries
(Co. Reg. No. 199609109E)

Balance Sheets as at 31 December 2019

	Note	Group 2019 $	Group 2018 $	Company 2019 $	Company 2018 $
Non-current assets					
Plant and equipment	4	76,583	103,586	9,111	21,095
Right-of-use assets	5	492,378	–	310,695	–
Investment in subsidiaries	6	–	–	301,445	301,445
		568,961	103,586	621,251	322,540
Current assets					
Trade receivables	7	1,612,032	1,184,143	543,154	571,491
Other receivables	8	354,847	255,069	121,294	105,260
Contract assets	9	679,457	503,310	47,127	48,006
Amounts due from holding company	10	6,143	12,564	6,143	12,564
Amounts due from subsidiary companies	11	–	–	1,015,080	1,158,576
Amounts due from related companies	12	189,428	210,029	189,428	206,604
Cash and cash equivalents	13	2,165,674	2,639,910	653,200	1,516,672
		5,007,581	4,805,025	2,575,426	3,619,173
Current liabilities					
Trade payables	14	118,861	92,293	59,087	39,790
Other payables	15	525,473	681,708	191,750	508,197
Contract liabilities	16	344,218	197,826	335,705	189,701
Lease liabilities	17	356,158	–	195,307	–
Amounts due to a holding company	18	184,491	193,280	184,491	193,280
Amounts due to subsidiary companies	11	–	–	–	18,872
Tax payable		2,862	2,209	–	–
		1,532,063	1,167,316	966,340	949,840
Net current assets		3,475,518	3,637,709	1,609,086	2,669,333
Non-current liabilities					
Other payables	15	–	808	–	808
Lease liabilities	17	145,998	–	118,744	–
		145,998	808	118,744	808
Net assets		3,898,481	3,740,487	2,111,593	2,991,065
Equity attributable to owners of the Company					
Share capital	19	86,549,523	86,549,523	86,549,523	86,549,523
Foreign currency translation adjustment reserve	20	(118,308)	(103,552)	–	–
Accumulated losses		(82,532,734)	(82,705,484)	(84,437,930)	(83,558,458)
Total equity		3,898,481	3,740,487	2,111,593	2,991,065

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

ECnet Limited and its Subsidiaries
(Co. Reg. No. 199609109E)

Consolidated Statement of Comprehensive Income
for the financial year ended 31 December 2019

	Note	2019 $	2018 $
Revenue	21	12,017,287	11,846,725
Cost of revenue		(9,477,167)	(8,685,536)
Gross profit		2,540,120	3,161,189
Other operating income	22	513,309	486,898
Distribution costs		(893,330)	(699,167)
Administrative expenses		(1,980,864)	(2,110,654)
Other credits/(charges)	23	49,290	138,705
Finance cost	24	(20,435)	–
Profit before tax	25	208,090	976,971
Income tax expense	26	(25,981)	(36,156)
Profit for the year		182,109	940,815
Other comprehensive income:			
Items that may be reclassified subsequently to profit or loss:			
Foreign currency translation		(14,756)	(44,032)
Other comprehensive loss for the year, net of tax		(14,756)	(44,032)
Total comprehensive income for the year		167,353	896,783
Profit attributable to:			
Owners of the Company		182,109	940,815
Total comprehensive income attributable to:			
Owners of the Company		167,353	896,783

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

ECnet Limited and its Subsidiaries
(Co. Reg. No. 199609109E)

Statements of Changes in Equity for the financial year ended 31 December 2019

	Share capital $	Foreign currency translation adjustment reserve $	Accumulated losses $	Total $
Group				
Balance at 1 January 2018	86,549,523	(59,520)	(83,646,299)	2,843,704
Total comprehensive income for the year	–	(44,032)	940,815	896,783
Balance at 31 December 2018	86,549,523	(103,552)	(82,705,484)	3,740,487
Effects of adopting new accounting standard [Note 2(a)]	–	–	(9,359)	(9,359)
Balance at 1 January 2019 (Restated)	86,549,523	(103,552)	(82,714,843)	3,731,128
Total comprehensive income for the year	–	(14,756)	182,109	167,353
Balance at 31 December 2019	86,549,523	(118,308)	(82,532,734)	3,898,481
Company				
Balance at 1 January 2018	86,549,523	–	(84,496,794)	2,052,729
Total comprehensive income for the year	–	–	938,336	938,336
Balance at 31 December 2018	86,549,523	–	(83,558,458)	2,991,065
Effects of adopting new accounting standard [Note 2(a)]	–	–	(4,277)	(4,277)
Balance at 1 January 2019 (Restated)	86,549,523	–	(83,562,735)	2,986,788
Total comprehensive loss for the year	–	–	(875,195)	(875,195)
Balance at 31 December 2019	86,549,523	–	(84,437,930)	2,111,593

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

ECnet Limited and its Subsidiaries
(Co. Reg. No. 199609109E)

Consolidated Cash Flow Statement for the financial year ended 31 December 2019

	2019 $	2018 $
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	208,090	976,971
Adjustments for:		
Payable written back	–	(32,249)
Depreciation of plant and equipment	39,089	38,425
Depreciation of right-of-use assets	369,332	–
Interest income	(5,716)	(5,203)
Interest expenses	20,435	–
Allowance for expected credit losses	8,517	23,875
Bad debts written off	5,396	–
Reversal of allowance for impairment on trade receivables	(25,952)	(17,925)
Currency alignment	(14,476)	(44,583)
Operating profit before working capital changes	604,715	939,311
Increase in fixed deposits pledged	(14)	(15)
Increase in trade and other receivables, contract assets	(691,772)	(333,187)
Increase/(decrease) in trade and other payables, contract liabilities	15,916	(348,614)
Decrease in amounts due from related companies	44,889	350,548
Decrease in amounts due to a holding company	(9,520)	(12,600)
Cash (used in)/generated from operations	(35,786)	595,443
Interest received	5,716	5,203
Tax paid	(25,308)	(33,934)
Net cash flows (used in)/generated from operating activities	(55,378)	566,712
CASH FLOWS FROM INVESTING ACTIVITY		
Purchase of plant and equipment	(11,943)	(84,085)
Net cash flows used in investing activity	(11,943)	(84,085)
CASH FLOWS FROM FINANCING ACTIVITIES		
Decrease/(increase) in amount due from holding company	6,421	(7,052)
(Decrease)/increase in amounts due to a holding company	731	(3,793)
(Increase)/decrease in amounts due from related companies	(24,288)	41,407
Repayment of lease liabilities	(389,793)	–
Net cash flows (used in)/generated from financing activities	(406,929)	30,562
Net (decrease)/increase in cash and cash equivalents	(474,250)	513,189
Cash and cash equivalents at beginning of year	2,609,834	2,096,645
Cash and cash equivalents at end of year (Note 13)	2,135,584	2,609,834

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

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 revised FRS and INT FRS that are relevant to its operations and effective for the current financial year. The adoption of these new and revised FRS and INT FRS did not result in any changes to the Group and the Company's accounting policies and had no material effect on the amounts reported for the current or prior financial years.

The Group and the Company applied FRS 116 for the first time. The nature and effect of the changes as a result of the adopting of these new accounting standards are described below:

FRS 116 *Leases*

FRS 116 supersedes FRS 117 *Leases,* INT FRS 104 *Determining whether an Arrangement contains a Lease*, INT FRS 15 *Operating Leases–Incentives* and INT FRS 27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise most leases on the statement of financial position. FRS 116 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognises a right-of-use ("ROU") asset representing its right to use.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(a) *Basis of preparation (continued)*

The Group and the Company applied FRS 116 using the modified retrospective approach, under which the cumulative effect of initial application is recognised in retained earnings at 1 January 2019. Accordingly, the comparative information presented for 2018 is not restated - i.e. it is presented, as previously reported, under FRS 17 and related interpretations. The details of the changes in accounting policies are disclosed below. Additionally, the disclosure requirements in FRS 116 have not generally been applied to comparative information.

(a) *As lessee*

Prior to the adoption of FRS 116, non-cancellable operating lease payments were not recognised as liabilities in the balance sheet. These payments were recognised as rental expenses over the lease term on a straight-line basis.

The Group's and the Company's accounting policy on leases after the adoption of FRS 116 is as disclosed in Note 2(o).

On initial application of FRS 116, the Group and the Company have elected to apply the following practical expedients:

(i) For all contracts entered into before 1 January 2019 and that were previously identified as leases under FRS 17 *Lease* and FRS INT 4 *Determining whether an Arrangement contains a Leases*, the Group and the Company have not reassessed if such contracts contain leases under FRS 116; and

(ii) On a lease-by-lease basis, the Group and the Company have:

- (a) applied a single discount rate to a portfolio of leases with reasonably similar characteristics;
- (b) relied on previous assessments on whether leases are onerous as an alternative to performing an impairment review;
- (c) accounted for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases;
- (d) excluded initial direct costs in the measurement of the right-of-use ("ROU") asset at the date of initial application; and
- (e) used hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

There were no onerous contracts as at 1 January 2019.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(a) *Basis of preparation (continued)*

FRS 116 *Leases* (continued)

(a) *As lessee (continued)*

For leases previously classified as operating leases under FRS 17 on 1 January 2019, the Group and the Company have applied the following transition provisions:

(i) On a lease-by-lease basis, the Group and the Company chose to measure its ROU assets (except for ROU assets which meet the definition of investment property) at a carrying amount as if FRS 116 had been applied since the commencement of the lease but discounted using the incremental borrowing rate at 1 January 2019. For ROU assets which meet the definition of an investment property, the Group and the Company had measured the ROU assets at their fair values at 1 January 2019.
(ii) Recognised its lease liabilities by discounting the lease payments using the incremental borrowing rate for each individual lease or, if applicable, the incremental borrowing rate for each portfolio of leases with reasonably similar characteristic.
(iii) The difference between the carrying amounts of the ROU assets and lease liabilities as at 1 January 2019 is adjusted directly to opening retained profits. Comparative information is not restated.
(iv) For leases previously classified as finance leases, the carrying amount of the leased asset and finance lease liability as at 1 January 2019 are determined as the carrying amount of the ROU assets and lease liabilities.

The effects of adoption of FRS 116 on the Group's and the Company's financial statements as at 1 January 2019 are as follows:

	Group 1.1.2019	**Company 1.1.2019**
	$	$
Right-of-use assets	463,801	114,467
Lease liabilities	(473,160)	(118,744)
Accumulated losses	9,359	4,277

When measuring lease liabilities for leases that were classified as operating leases, the Group and the Company discounted lease payments using the applicable incremental borrowing rates at 1 January 2019. The weighted-average rate applied is ranged from 4.13% to 5.25%.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(a) *Basis of preparation (continued)*

FRS 116 *Leases* (continued)

The lease liabilities as at 1 January 2019 reconciled to the operating lease commitments as at 31 December 2018 is as follows:

	Group $	Company $
Operating lease commitment disclosed as at 31 December 2018	378,270	120,305
Additional lease commitment	115,589	–
Discounting effect using weighted average incremental borrowing rate at 1 January 2019	(17,124)	(1,561)
Currency realigntment	(3,575)	–
Lease liabilities recognised as at 1 January 2019	473,160	118,744

Standards issued but not yet effective

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

	Effective date (Annual periods beginning on or after)
Amendments to FRS 110 and FRS 28: *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*	Date to be determine
Amendments to FRS 103: *Definition of a Business*	1 January 2020
Amendments to FRS 1 and FRS 8: *Definition of Material*	1 January 2020
Amendments to FRS 109, FRS 39 and FRS 107: *Interest Rate Benchmark Reform*	1 January 2020
Amendments to References to the Conceptual Framework in FRS Standards, illustrative examples, implementation guidance and FRS Practice Statements	1 January 2020
Revised Conceptual Framework	1 January 2020

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) *Basis of consolidation and business combination*

(i) *Basis of consolidation*

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

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

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

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

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

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

(ii) *Business combinations and goodwill*

Business combinations are accounted for by applying the acquisition method. 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.

The Group elects for each individual business combination, whether non-controlling interest in the acquiree (if any), that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation, is recognised on the acquisition date at fair value, or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets. Other components of non-controlling interests are measured at their acquisition date fair value, unless another measurement basis is required by another FRS.

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. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to the Group's cash generating units that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the acquire are assigned to those units.

The cash-generating units to which goodwill have been allocated is tested for impairment annually and whenever there is an indication that the cash generating unit may be impaired. Impairment is determined for goodwill by assessing the recoverable amount of each cash-generating unit (or group of cash-generating units) to which the goodwill relates.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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.

(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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(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 computed 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 each financial year-end, 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.

(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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(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, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

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*

  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.

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 fair value in OCI. 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 fair value in OCI, changes in fair value are recognised in profit or loss.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(f) *Financial instruments (continued)*

(i) *Financial assets (continued)*

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 fair value through profit or loss, directly attributable transaction costs.

Subsequent measurement

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

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.

(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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(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.

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.

Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

(i) significant financial difficulty of the issuer or the borrower;
(ii) a breach of contract, such as a default or past due event;
(iii) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
(iv) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
(v) the disappearance of an active market for that financial asset because of financial difficulties.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(g) *Impairment of financial assets (continued)*

Write-off

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the procedures for recovery of amounts due.

(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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(j) *Cash and cash equivalents*

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

(k) *Trade and other payables*

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

(l) *Government grant*

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

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

(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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(n) *Employee benefits*

(i) *Defined contribution plans*

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

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

(ii) *Employee leave entitlement*

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

(o) *Leases*

At the inception of the contract, the Company assesses if the contract contains a lease. A contract contains a lease if the contract convey 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.

– The accounting policy for leases from 1 January 2019

As lessee

- *Right-of-use assets*

The Company recognised a right-of-use asset and lease liability at the date which the underlying asset is available for use. Right-of use assets are measured at cost which comprises the initial measurement of lease liabilities adjusted for any lease payments made at or before the commencement date and lease incentive received. Any initial direct costs that would not have been incurred if the lease had not been obtained are added to the carrying amount of the right-of-use assets.

These right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(o) *Leases (continued)*

– The accounting policy for leases from 1 January 2019 (continued)

As lessee (continued)

- *Lease liabilities*

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 Company shall use its incremental borrowing rate.

Lease payments include the following:

- fixed payment (including in-substance fixed payments), less any lease incentives receivables;
- variable lease payment that are based on an index or rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under residual value guarantees
- the exercise price of a purchase option that the Company is reasonably certain to exercise the option; and
- payment of penalties for early termination of the lease, unless the Company is reasonably certain not to terminate early.

For contract that contain both lease and non-lease components, the Company allocates the consideration to each lease component on the basis of the relative stand-alone price of the lease and non-lease component. The Company has elected to not separate lease and non-lease component for property leases and account these as one single lease component.

Lease liability is measured at amortised cost using the effective interest method. Lease liability shall be remeasured when:

- there is a change in future lease payments arising from changes in an index or rate;
- there are changes in the Company's assessment of whether it will exercise an extension option; or
- there are modification in the scope or the consideration of the lease that was not part of the original term.

Lease liability is remeasured with a corresponding adjustment to the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(o) *Leases (continued)*

– The accounting policy for leases from 1 January 2019 (continued)

As lessee (continued)

- *Short term and low value leases*

  The Company has elected to not recognised right-of-use assets and lease liabilities for short-term leases that have lease terms of 12 months or less and leases of low value leases, except for sublease arrangements. Lease payments relating to these leases are expensed to profit or loss on a straight-line basis over the lease term.

– The accounting policy for leases before 1 January 2019

As lessee

Leases where the lessor effectively retains substantially all the risks and benefits of ownerships of the leased are classified as operating leases.

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

(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) *Interest income*

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

(iv) *Commission income*

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(q) *Taxes*

(i) *Current income tax*

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

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

(ii) *Deferred tax*

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

Deferred tax liabilities are recognised for all temporary differences.

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

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

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(q) ***Taxes (continued)***

(iii) *Goods and services tax*

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

- Where the goods and services tax incurred in a purchase of assets or services is not recoverable from the taxation authority, in which case the goods and services tax is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and

- Receivables and payables that are stated with the amount of goods and services tax included.

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

(r) ***Related parties***

A related party is defined as follows:

(a) A person or a close member of that person's family is related to the Group and the Company if that person:
(i) Has control or joint control over the Company;
(ii) Has significant influence over the Company; or
(iii) Is a member of the key management personnel of the Group or Company or of a parent of the Company.

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

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

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

(i) *Judgement made in applying accounting policies*

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

- *Revenue from contracts with customers*

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

  For the implementation and commissioning of IT services, revenue is recognised over time based on the actual man days service 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.

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 7 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.

4. PLANT AND EQUIPMENT

Group	Computer equipment $	Computer software $	Furniture and fitting $	Leasehold improvement $	Office equipment $	Total $
Cost:						
At 1 January 2018	472,922	495,890	68,729	54,697	57,342	1,149,580
Additions	20,022	–	2,447	55,130	6,486	84,085
Written-off	(20,682)	(43,644)	(31,752)	(2,742)	(18,390)	(117,210)
Currency realignment	758	136	(93)	271	414	1,486
At 31 December 2018 and 1 January 2019	473,020	452,382	39,331	107,356	45,852	1,117,941
Additions	9,486	2,371	–	–	86	11,943
Written-off	(177,260)	–	–	–	(577)	(177,837)
Currency realignment	(9,628)	(23)	843	(187)	288	(8,707)
At 31 December 2019	295,618	454,730	40,174	107,169	45,649	943,340
Accumulated depreciation:						
At 1 January 2018	450,786	489,822	68,236	27,509	55,840	1,092,193
Charge for the year	16,342	3,318	495	15,136	3,134	38,425
Written-off	(20,682)	(43,644)	(31,752)	(2,742)	(18,390)	(117,210)
Currency realignment	581	134	(102)	(42)	376	947
At 31 December 2018 and 1 January 2019	447,027	449,630	36,877	39,861	40,960	1,014,355
Charge for the year	15,772	2,810	644	17,421	2,442	39,089
Written-off	(177,260)	–	–	–	(577)	(177,837)
Currency realignment	(10,183)	(23)	848	237	271	(8,850)
At 31 December 2019	275,356	452,417	38,369	57,519	43,096	866,757
Net carrying amount:						
At 31 December 2018	25,993	2,752	2,454	67,495	4,892	103,586
At 31 December 2019	20,262	2,313	1,805	49,650	2,553	76,583

4. PLANT AND EQUIPMENT (continued)

Company	**Computer equipment** $	**Computer software** $	**Furniture and fitting** $	**Leasehold improvement** $	**Office equipment** $	**Total** $
Cost:						
At 1 January 2018	382,236	440,243	19,089	8,145	12,095	861,808
Additions	14,084	–	–	–	–	14,084
Written-off	(6,281)	–	–	–	–	(6,281)
At 31 December 2018 and 1 January 2019	390,039	440,243	19,089	8,145	12,095	869,611
Additions	539	–	–	–	–	539
Written-off	(177,260)	–	–	–	(577)	(177,837)
At 31 December 2019	213,318	440,243	19,089	8,145	11,518	692,313
Accumulated depreciation:						
At 1 January 2018	368,191	434,270	19,089	6,144	11,722	839,416
Charge for the year	10,475	3,228	–	1,305	373	15,381
Written-off	(6,281)	–	–	–	–	(6,281)
At 31 December 2018 and 1 January 2019	372,385	437,498	19,089	7,449	12,095	848,516
Charge for the year	9,082	2,745	–	696	–	12,523
Written-off	(177,260)	–	–	–	(577)	(177,837)
At 31 December 2019	204,207	440,243	19,089	8,145	11,518	683,202
Net carrying amount:						
At 31 December 2018	17,655	2,745	–	696	–	21,095
At 31 December 2019	9,111	–	–	–	–	9,111

5. RIGHT-OF-USE ASSETS

	Office leases	
	Group	**Company**
	$	$
Cost:		
At 1 January 2019	862,171	392,457
Additions	392,456	392,456
Currency realignment	6,078	–
At 31 December 2019	1,260,705	784,913
Accumulated depreciations:		
At 1 January 2019	398,370	277,990
Charged for the year	369,332	196,228
Currency realignment	625	–
At 31 December 2019	768,327	474,218
Net carrying amount:		
At 1 January 2019	463,801	114,467
At 31 December 2019	492,378	310,695

The Group and the Company leases offices mainly for their own use. The average lease terms are 2 to 3 years (2018: 2 years).

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

Amounts recognised in profit and loss

Depreciation expense on right-of-use assets	369,332	196,228
Interest expense on lease liabilities	20,435	9,087
	389,767	205,315

Future cash outflow are not capitalised in lease liabilities

Extension options

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

6. INVESTMENT IN SUBSIDIARIES

	Company 2019	Company 2018
	$	$
Unquoted shares, at cost	2,016,476	2,019,896
Less: Impairment losses	(1,715,031)	(1,718,451)
	301,445	301,445

Details of the subsidiary companies at 31 December 2019 are as follows:

Name and principal activities	Country of incorporation	Cost of investments 2019	Cost of investments 2018	Proportion of ownership interest 2019	Proportion of ownership interest 2018
		$	$	%	%
ECnet (M) Sdn Bhd * (Provision of internet electronic commerce and online information services)	Malaysia	1,407,460	1,407,460	100	100
ECnet Systems (Thailand) Co. Ltd * (Provision of internet electronic commerce and online information services)	Thailand	90,000	90,000	100	100
ECnet (Shanghai) Co., Ltd * (Provision of internet electronic commerce and online information services)	People's Republic of China	358,415	358,415	100	100
ECnet (Hong Kong) * (Provision of internet electronic commerce and online information services)	Hong Kong	1	1	100	100
ECnet Inc. + Δ (Strike off)	United States of America	–	3,420	–	100
ECnet Kabushiki Kaisha + (Provision of internet electronic commerce and online information services)	Japan	160,600	160,600	100	100
		2,016,476	2,019,896		

* Audited by other firms
\+ Not required to be audited by law in the respective countries of incorporation
Δ The subsidiary has been strike off during the financial year.

7. TRADE RECEIVABLES

	Group 2019	Group 2018	Company 2019	Company 2018
	$	$	$	$
Trade receivables	1,644,547	1,255,581	556,198	578,844
Less: Allowance for expected credit losses	(32,515)	(71,438)	(13,044)	(7,353)
	1,612,032	1,184,143	543,154	571,491

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:

	Group 2019	Group 2018	Company 2019	Company 2018
Chinese Renminbi	54,225	23,065	–	–
Others	1,939	1,738	(58)	(68)
Malaysia Ringgit	672,852	444,528	–	–
Singapore Dollar	391,933	516,752	391,933	516,752
Thai Baht	339,804	139,217	–	–
United States Dollar	151,279	58,843	151,279	54,807
	1,612,032	1,184,143	543,154	571,491

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.

Group	Lifetime ECL not credit impaired collectively assessed	Lifetime ECL credit impaired	Total
	$	$	$
Balance as at 1 January 2018	–	193,254	193,254
Allowance of expected credit loss	1,283	22,592	23,875
Amount written off	–	(128,835)	(128,835)
Change in loss allowance derecognised due to settlement	–	(17,925)	(17,925)
Foreign exchange gain or loss	–	1,069	1,069
Balance as at 31 December 2018	1,283	70,155	71,438
Allowance of expected credit loss	2,183	6,334	8,517
Amount written off	–	(21,190)	(21,190)
Change in loss allowance derecognised due to settlement	(1,283)	(24,669)	(25,952)
Foreign exchange gain or loss	5	(303)	(298)
Balance as at 31 December 2019	2,188	30,327	32,515

7. TRADE RECEIVABLES (continued)

Company	**Lifetime ECL not credit impaired collectively assessed**	**Lifetime ECL credit impaired**	**Total**
	$	$	$
Balance as at 1 January 2018	–	18,391	18,391
Allowance of expected credit loss	1,230	485	1,715
Change in loss allowance derecognised due to settlement	–	(12,866)	(12,866)
Foreign exchange gain or loss	–	113	113
Balance as at 31 December 2018	1,230	6,123	7,353
Allowance of expected credit loss	657	6,335	6,992
Reversal of expected credit loss	(1,230)	–	(1,230)
Foreign exchange gain or loss	–	(71)	(71)
Balance as at 31 December 2019	657	12,387	13,044

The following table provides information about the exposure to credit risk and ECLs for trade receivables for individual customers as at 31 December 2019:

		Gross impairment		
Group	**Weighted average loss rate**	**Carrying amount**	**Loss allowance**	**Credit impaired**
	%	$	$	
2019*				
Current (not past due)	0.10	1,355,134	1,355	No
1 to 30 days past due	0.21	133,885	281	No
31 to 60 days past due	0.21	79,982	168	No
61 to 90 days past due	0.21	22,244	47	No
91 to 180 days past due	1.33	20,013	266	No
Past due more than 180 days	91.31	33,289	30,398	Yes
		1,644,547	32,515	
2018*				
Current (not past due)	0.14	853,770	1,195	No
1 to 30 days past due	0.22	203,476	448	No
31 to 60 days past due	0.22	64,568	142	No
61 to 90 days past due	0.22	14,344	31	No
91 to 180 days past due	1.34	33,075	443	No
Past due more than 180 days	83.08	86,348	69,179	Yes
		1,255,581	71,438	

7. TRADE RECEIVABLES (continued)

		Gross impairment		
	Weighted average loss rate	**Carrying amount**	**Loss allowance**	**Credit impaired**
	%	$	$	
Company				
2019*				
Current (not past due)	0.10	456,681	467	No
1 to 30 days past due	0.21	78,220	164	No
31 to 60 days past due	0.21	8,202	17	No
61 to 90 days past due	0.21	37	–	No
91 to 180 days past due	1.33	671	9	No
Past due more than 180 days	1.00	12,387	12,387	Yes
		556,198	13,044	
2018*				
Current (not past due)	0.14	434,258	608	No
1 to 30 days past due	0.22	62,575	138	No
31 to 60 days past due	0.22	51,997	114	No
61 to 90 days past due	0.22	535	1	No
91 to 180 days past due	1.34	13,929	186	No
Past due more than 180 days	40.55	15,550	6,306	Yes
		578,844	7,353	

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

8. OTHER RECEIVABLES

	Group		Company	
	2019	**2018**	**2019**	**2018**
	$	$	$	$
Current asset:				
Advances payment to suppliers	22,782	17,186	22,782	17,186
Deposits	93,760	73,382	58,084	37,353
Prepayments	88,647	76,079	36,969	45,871
Sundry receivables	5,641	10,354	3,459	4,850
Withholding tax	144,017	78,068	–	–
	354,847	255,069	121,294	105,260

Included in deposits is amount of $20,000 related to banker guarantee provided to related company for secure the employment license.

8. OTHER RECEIVABLES (continued)

Other receivables are denominated in the following currencies:

	Group		Company	
	2019	**2018**	**2019**	**2018**
	$	$	$	$
Chinese Renminbi	6,857	9,978	–	–
Others	–	–	–	–
Malaysia Ringgit	17,336	17,213	–	–
Singapore Dollar	61,542	42,202	61,543	42,203
Thai Baht	13,666	12,710	–	–
United States Dollar	–	1,633	–	–
	99,401	83,736	61,543	42,203

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 $116,494 that is past due at the end of reporting period but not impaired.

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

10. AMOUNTS DUE FROM HOLDING COMPANY

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

11. AMOUNTS DUE FROM/(TO) SUBSIDIARY COMPANIES

Amount due from				
Trade	–	–	3,779,921	3,082,066
Less: Allowance for impairment	–	–	(2,857,494)	(2,066,633)
	–	–	922,427	1,015,433
Non-trade	–	–	596,221	607,311
Less: Allowance for impairment	–	–	(503,568)	(464,168)
	–	–	92,653	143,143
	–	–	1,015,080	1,158,576

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

	Group		Company	
	2019	**2018**	**2019**	**2018**
	$	$	$	$
<u>Amount due to</u>				
Trade	–	–	–	–
Non-trade	–	–	–	(18,872)
	–	–	–	(18,872)

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:

	Group 2019 $	Group 2018 $	Company 2019 $	Company 2018 $
Balance at beginning of year	–	–	2,530,801	2,928,073
Reversal for the year	–	–	(173,494)	(1,484,928)
Charge to for the year	–	–	1,029,270	1,004,798
Foreign currency adjustment	–	–	(25,515)	82,858
Balance at end of the year	–	–	3,361,062	2,530,801

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

	Group 2019 $	Group 2018 $	Company 2019 $	Company 2018 $
Singapore Dollar	–	–	1,031,732	1,158,576
United States Dollar	–	–	–	(18,872)
Other currencies	–	–	(16,652)	–
	–	–	1,015,080	1,139,704

<u>Receivables that are past due but not impaired</u>

The amounts due from subsidiaries amounting to $702,856 (2018: $830,854) 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:

	Group 2019 $	Group 2018 $	Company 2019 $	Company 2018 $
Receivables past due but not impaired:				
Not more than 60 days	–	–	243,372	266,347
More than 60 days	–	–	459,484	564,507
	–	–	702,856	830,854

12. AMOUNTS DUE FROM RELATED COMPANIES

	Group 2019 $	Group 2018 $	Company 2019 $	Company 2018 $
Trade	157,264	202,153	157,264	198,728
Non-trade	32,164	7,876	32,164	7,876
	189,428	210,029	189,428	206,604

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

12. AMOUNTS DUE FROM RELATED COMPANIES (continued)

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

	Group		Company	
	2019	**2018**	**2019**	**2018**
	$	$	$	$
Malaysia Ringgit	–	3,425	–	–
Singapore Dollar	173,983	195,702	173,983	195,702
United States Dollar	15,445	10,902	15,445	10,902
	189,428	210,029	189,428	206,604

13. CASH AND CASH EQUIVALENTS

	Group		Company	
	2019	**2018**	**2019**	**2018**
	$	$	$	$
Cash and bank balances	2,135,584	2,309,834	623,110	1,186,596
Short-term deposit	30,090	330,076	30,090	330,076
	2,165,674	2,639,910	653,200	1,516,672
Less: Short-term deposit pledged	(30,090)	(30,076)	(30,090)	(30,076)
Cash and cash equivalents as stated in cash flow	2,135,584	2,609,834	623,110	1,486,596

Cash at bank earns interest at floating rates based on daily bank deposits rates. Short-term deposit made for periods of 1 month (2018: 1 to 3 month) and earn interest respective short term deposit rates. The weighted average effective interest rates as at 31 December 2019 were 0.05% (2018: 0.05% to 0.92%) per annum.

The short term deposit amounted $30,090 (2018: $30,076) was pledged to a bank for unutilised banking facilities granted to the Company.

Cash and cash equivalents denominated in the following currencies:

Chinese Renminbi	225,333	282,491	–	–
Others	108,894	94,468	–	–
Malaysia Ringgit	790,399	526,360	–	–
Singapore Dollar	334,168	763,289	334,128	763,289
Thai Baht	345,508	184,292	–	–
United States Dollar	361,372	789,010	319,072	753,383
	2,165,674	2,639,910	653,200	1,516,672

14. TRADE PAYABLES

Trade payable are denominated in the following currencies:

	Group		Company	
	2019	**2018**	**2019**	**2018**
	$	$	$	$
Others	53,067	586	–	–
Malaysia Ringgit	6,708	46,056	–	–
Singapore Dollar	55,306	28,105	55,307	28,105
Thai Baht	–	–	–	–
United States Dollar	3,780	17,546	3,780	11,685
	118,861	92,293	59,087	39,790

15. OTHER PAYABLES

	Group		Company	
	2019	**2018**	**2019**	**2018**
	$	$	$	$
Current:				
Accrued liabilities	65,566	84,839	28,082	27,955
Accrued salaries and related cost	150,603	370,154	42,903	331,992
Advances receipts from customers	–	6,099	–	6,099
Deferred grant	807	2,595	807	2,595
GST and withholding tax payable	216,136	129,152	60,966	76,352
Provision for unutilised leave	88,625	88,869	58,992	63,204
Sundry payables	3,736	–	–	–
	525,473	681,708	191,750	508,197
Non-current:				
Deferred grant	–	808	–	808

Other payable are denominated in the following currencies:

	Group 2019	Group 2018	Company 2019	Company 2018
Chinese Renminbi	5,738	4,412	–	–
Others	8,377	8,319	–	–
Malaysia Ringgit	79,480	64,834	–	–
Singapore Dollar	70,988	359,947	70,985	359,947
Thai Baht	55,322	16,679	–	–
United States Dollar	–	802	–	–
	219,905	454,993	70,985	359,947

16. CONTRACT LIABILITIES

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

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

17. LEASE LIABILITIES

	Group 2019 $	Company 2019 $
Analysed as:		
Current	356,158	195,307
Non-current	145,998	118,744
	502,156	314,051
Maturity analysis:		
Year 1	356,158	195,307
Year 2	145,998	118,744
	502,156	314,051

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

	Group		Company	
	2019 $	2018 $	2019 $	2018 $
Trade	168,000	177,520	168,000	177,520
Non-trade	16,491	15,760	16,491	15,760
	184,491	193,280	184,491	193,280

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

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

	2018 $	Cash flows $	Non-cash changes $	2019 $
Amounts due from a holding company	(12,564)	6,421	–	(6,143)
Amounts due from related companies – Non-trade	(7,876)	(24,288)	–	(32,164)
Amounts due to a holding company – Non-trade	15,760	731	–	16,491
Lease liabilities	473,133	(389,793)	418,816	502,156
	468,453	(406,929)	418,816	480,340

19. SHARE CAPITAL

	Group and Company			
	2019		**2018**	
	Number of shares	$	Number of shares	$
Issued and fully paid:				
Ordinary shares	92,103,530	86,549,523	92,103,530	86,549,523

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

20. FOREIGN CURRENCY TRANSLATION RESERVE

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

21. REVENUE

	Group	
	2019	**2018**
	$	$
Type of goods and services:		
Professional services	4,817,626	4,234,119
Commission income	283,502	585,333
Consultant service income	4,877,385	4,835,595
Accounting services income	100,680	106,917
Sales of goods	353,144	515,424
Supply chain management subscriptions income	1,580,292	1,563,503
Supply chain installation services	4,658	5,834
	12,017,287	11,846,725
Timing of revenue recognition:		
Goods transferred at a point in time	641,304	1,106,591
Services transferred over time	11,375,983	10,740,134
	12,017,287	11,846,725

22. OTHER OPERATING INCOME

Interest income from current accounts	5,716	5,203
Government grants – PIC cash payout	2,596	10,032
– Wage credit scheme	2,968	1,963
– Temporary employment credit	–	3,193
– Special employment credit	879	222
– Others	7,491	2,526
Management services	432,000	456,000
Rental income	58,492	–
Others	3,167	7,759
	513,309	486,898

23. OTHER (CREDITS)/CHARGES

	Group 2019 $	Group 2018 $
Allowance on expected credit losses	8,517	23,875
Bad debt written off	5,397	–
Payable written back	–	(32,249)
Reversal of allowance on impairment receivables – trade	(25,954)	(17,925)
Foreign exchange adjustment, gain	(37,250)	(112,406)
	(49,290)	(138,705)

24. FINANCE COST

Interest expense on lease liabilities	20,435	–

25. PROFIT BEFORE TAX

The profit before tax is arrived at after charging:

Consultation and professional fee	2,303,617	1,876,736
Rental expenses	–	273,261
Repair and maintenance	107,479	95,910
Staff welfare	118,731	79,004
Telecommunication	67,329	68,229
Travelling and transportation	343,906	342,206

26. INCOME TAX EXPENSE

(i) *Major components of income tax expense*

The major components of income tax expense for the years ended 31 December 2019 and 2018 are:

Statement of comprehensive income:

Current tax	2,820	4,676
Tax overprovided in prior year	(2,336)	(3,742)
Foreign tax	25,497	35,222
	25,981	36,156

26. INCOME TAX EXPENSE (continued)

(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 2019 and 2018 are as follows:

	Group	
	2019	**2018**
	$	$
Profit before tax	208,090	976,971
Tax at domestic rates applicable to profit in the country where the Group operates	103,762	148,817
Tax effect of expenses that are not deductible in determining taxable profit	(190,034)	28,693
Tax overprovided in prior year	(2,336)	(3,742)
Tax effect of temporary differences not recognised	89,092	(172,834)
Foreign tax paid	25,497	35,222
Total tax expense	25,981	36,156

27. DEFERRED TAXATION

	Group		Company	
	2019	**2018**	**2019**	**2018**
	$	$	$	$
Deferred tax assets:				
Difference in depreciation	103,163	101,641	103,163	101,641
Impairment loss on trade receivables	19,165	145,776	–	–
Unrealised gain on forex exchange	1,401	(5,204)	–	–
Capital allowances carry forward	602,006	890,181	602,006	886,837
Tax losses carry-forward	5,281,764	5,252,690	4,675,773	4,396,302
Total deferred tax assets	6,007,499	6,385,084	5,380,942	5,384,780
Deferred tax assets on temporary differences not recognised	(6,007,499)	(6,385,084)	(5,380,942)	(5,384,780)
Balance	–	–	–	–

27. DEFERRED TAXATION (continued)

Unrecognised tax losses

As at the end of the reporting period, the Group has unutilised capital allowances and tax losses carry forward amounting to $31,700,000 (2018: $31,077,000) that are available for offsetting against future taxable profits of the companies in which the losses and capital allowance arose, for which no deferred tax asset is recognised due to uncertainty of its recoverability. The use of these tax losses is subject to the agreement of the tax authorities and compliance with certain provisions of the tax legislation of the respective countries in which the companies operate.

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

28. EMPLOYEE BENEFITS

	Group	
	2019	**2018**
	$	$
Salaries, bonuses and others	8,144,768	7,893,413
Contribution to defined contribution plan	469,150	410,140
	8,613,918	8,303,553

29. OPERATING LEASE COMMITMENTS

The Group had entered into commercial leases mainly on office premise. These leases had an average life of between 2 and 5 years with no renewal option or contingent rent provision included in the contracts. There were no restriction placed upon the Group by entering into these leases.

As at 31 December 2018, the future minimum rental payable under non-cancellable leases are as follows:

	Group	Company
	2018	**2018**
	$	$
Within one year	244,730	120,305
From two to five years	133,540	–
	378,270	120,305

As disclosed in Note 2(a), the Group and the Company has adopted FRS 116 on 1 January 2019. These lease payments have been recognised as ROU assets and lease liabilities on the balance sheet as at 31 December 2019.

30. 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	
	2019	**2018**	**2019**	**2018**
	$	$	$	$
Holding company				
R System International Limited				
Sub-contract expenses	1,013,600	1,066,898	1,013,600	1,066,898
Related companies				
Revenue	1,030,411	2,010,655	1,030,411	1,906,333
Professional fee	432,000	456,000	432,000	456,000
Sub-contract expenses	37,198	158,779	37,198	158,779
Rental of motor vehicle	42,000	42,000	42,000	42,000
Bank guarantee	20,000	–	20,000	–
Rental income	58,491	–	–	–
Consultant services	175,610	–	–	–
Subsidiary				
Impairment of receivables	–	–	1,029,270	1,004,798
Reversal of impairment	–	–	173,494	1,484,928

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 2019 is $334,011 (2018: $485,823).

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 $652,247 (2018: $558,212).

30. 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	
	2019	**2018**
	$	$
Directors' remuneration		
– Company	354,111	363,480
– Subsidiaries	149,060	135,124

31. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

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

(i) ***Credit risk***

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

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

31. 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

31. 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							
2019							
Trade receivables	7	N.A.	(a)	Lifetime ECL (simplified approach)	1,644,547	(32,515)	1,612,032
Other receivables	8	N.A.	Performing	12m ECL	99,401	–	99,401
Contact assets	9	N.A.	(a)	Lifetime ECL (simplified approach)	679,457	–	679,457
Amounts due from holding company	10	N.A.	(b)	12m ECL	6,143	–	6,143
Amounts due from related companies	12	N.A.	(b)	12m ECL	189,428	–	189,428
						(32,515)	
2018							
Trade receivables	7	N.A.	(a)	Lifetime ECL (simplified approach)	1,255,581	(71,438)	1,184,143
Other receivables	8	N.A.	Performing	12m ECL	83,736	–	83,736
Contact assets	9	N.A.	(a)	Lifetime ECL (simplified approach)	503,310	–	503,310
Amounts due from holding company	10	N.A.	(b)	12m ECL	12,564	–	12,564
Amounts due from related companies	12	N.A.	(b)	12m ECL	210,029	–	210,029
						(71,438)	

31. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(i) *Credit risk (continued)*

	Note	External credit rating	Internal credit rating	12-month or lifetime ECL	Gross carrying amount $	Loss allowance $	Net carrying amount $
Company							
2019							
Trade receivables	7	N.A.	(a)	Lifetime ECL (simplified approach)	556,198	(13,044)	543,154
Other receivables	8	N.A.	Performing	12m ECL	61,543	–	61,543
Contact assets	9	N.A.	(a)	Lifetime ECL (simplified approach)	47,127	–	47,127
Amounts due from holding company	10	N.A.	(b)	12m ECL	6,143	–	6,143
Amounts due from related companies	12	N.A.	(b)	12m ECL	189,428	–	189,428
						(13,044)	
2018							
Trade receivables	7	N.A.	(a)	Lifetime ECL (simplified approach)	578,844	(7,353)	571,491
Other receivables	8	N.A.	Performing	12m ECL	42,203	–	42,203
Contact assets	9	N.A.	(a)	Lifetime ECL (simplified approach)	48,006	–	48,006
Amounts due from holding company	10	N.A.	(b)	12m ECL	12,564	–	12,564
Amounts due from related companies	12	N.A.	(b)	12m ECL	206,604	–	206,604
						(7,353)	

(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 7).

(b) Amounts due from related companies/ holding company

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

31. 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	
	2019	**2018**
	$	$
USD		
– strengthened 1% (2018: 2%)	5,244	16,841
– weakened 1% (2018: 2%)	(5,244)	(16,841)
RMB		
– strengthened 3% (2018: 3%)	6,885	9,043
– weakened 3% (2018: 3%)	(6,885)	(9,043)

31. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(ii) ***Foreign currency risk (continued)***

	Profit before tax	
	2019	**2018**
	$	$
RM		
– strengthened 1% (2018: 1%)	18,353	11,239
– weakened 1% (2018: 1%)	(18,353)	(11,239)
THB		
– strengthened 8% (2018: 3%)	66,476	16,693
– weakened 8% (2018: 3%)	(66,476)	(16,693)

(iii) ***Interest rate risk***

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

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

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

(iv) ***Liquidity risk***

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

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

The maturity profile of the Group's financial liabilities at the end of the reporting period based on contractual undiscounted payments are due within one year.

32. 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	
	2019	**2018**	**2019**	**2018**
	$	$	$	$
Financial assets at amortised cost				
Trade receivables	1,612,032	1,184,143	543,154	571,491
Other receivables	99,401	83,736	61,543	42,203
Amounts due from holding company	6,143	12,564	6,143	12,564
Amounts due from subsidiary companies	–	–	1,015,080	1,158,576
Amounts due from related companies	189,428	210,029	189,428	206,604
Cash and cash equivalents	2,165,674	2,639,910	653,200	1,516,672
	4,072,678	4,130,382	2,468,548	3,508,110
Financial liabilities at amortised cost				
Trade payables	118,861	92,293	59,087	39,790
Other payables	219,905	454,993	70,985	359,947
Amounts due to a holding company	184,491	193,280	184,491	193,280
Amounts due to subsidiary companies	–	–	–	18,872
	523,257	740,566	314,563	611,889

33. FAIR VALUE OF ASSETS AND LIABILITIES

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

(i) Fair value hierarchy

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

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

33. FAIR VALUE OF ASSETS AND LIABILITIES (continued)

(i) Fair value hierarchy (continued)

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

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

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

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

34. 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 2019 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.

35. 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.

36. AUTHORISATION OF FINANCIAL STATEMENTS

The financial statements for the year ended 31 December 2019 were authorised for issue in accordance with a resolution of the directors on 17 January 2020.