

VLCC SINGAPORE PTE. LTD. AND ITS SUBSIDIARIES
(Incorporated in Singapore)

(Company Registration No.: 201008712K)

**DIRECTORS' STATEMENT
AND
AUDITED FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED
31 March 2020**

VLCC SINGAPORE PTE. LTD. AND ITS SUBSIDIARIES

GENERAL INFORMATION

DIRECTORS

Song Mei Cheng
Sandeep Ahuja
Karuppusamy Ramaswamy

COMPANY SECRETARY

Ang Siew Koon

REGISTERED OFFICE

237 Pandan Loop
#05-03 Westech Building
Singapore 128424

AUDITORS

EVEREST ASSURANCE PAC
7500A Beach Road
#14-302 The Plaza
Singapore 199591

BANKERS

United Overseas Bank Ltd
DBS Bank Ltd
Oversea-Chinese Banking Corporation, Ltd

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VLCC SINGAPORE PTE. LTD. AND ITS SUBSIDIARIES

DIRECTORS' STATEMENT

For the financial year ended 31 March 2020

The directors are pleased to present their statement to the members together with the audited consolidated financial statements of VLCC Singapore Pte. Ltd. (the "Company") and its subsidiaries (the "Group") and the statement of financial position, statement of profit or loss and other comprehensive income and statement of changes in equity of the Company for the financial year ended 31 March 2020.

1. OPINION OF THE DIRECTORS

In the opinion of the directors:

- (a) the consolidated financial statements of the Group and the statement of financial position, statement of profit or loss and other comprehensive income and statement of changes in equity of the Company are drawn up so as to give a true and fair view of the financial position of the Group and of the Company as at 31 March 2020 and the financial performance, changes in equity and cash flows of the Group and changes in equity of the Company for the financial year then ended; 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:

Song Mei Cheng
Sandeep Ahuja
Karuppusamy Ramaswamy

3. ARRANGEMENTS TO ENABLE DIRECTORS TO ACQUIRE SHARES OR DEBENTURES

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

4. DIRECTORS' INTEREST IN SHARES OR DEBENTURES

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

Name of Director	Holdings registered in the name of the director	
	At the beginning of the financial year	At the end of the financial year
Subsidiary - Global Vantage Innovative Group Pte. Ltd. (no. of ordinary shares)		
Song Mei Cheng	652,249	652,249

VLCC SINGAPORE PTE. LTD. AND ITS SUBSIDIARIES

DIRECTORS' STATEMENT

For the financial year ended 31 March 2020

5. SHARE OPTIONS

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

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

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

6. AUDITORS

The auditors, Messrs Everest Assurance PAC, Public Accountants and Chartered Accountants, have expressed their willingness to accept re-appointment.

On behalf of the Board of Directors,



Song Mei Cheng
Director

Sandeep Ahuja
Director

Singapore,

26 JUN 2020

Independent Auditor's Report
To the Members of VLCC Singapore Pte. Ltd.

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of VLCC Singapore Pte. Ltd. (the "Company") and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position of the Group and the statement of financial position of the Company as at 31 March 2020 and the consolidated statement of profit or loss and other comprehensive income of the Group and statement of profit or loss and other comprehensive income of the Company, consolidated statement of changes in equity and consolidated statement of cash flows of the Group and statement of changes in equity of the Company for the financial 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 and the financial statements of the Company are properly drawn up in accordance with the provisions of the Companies Act, Chapter 50 (the Act) and Financial Reporting Standards in Singapore (FRSs) so as to give a true and fair view of the financial position of the Company as at 31 March 2020 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group and the financial performance and changes in equity of the Company for the financial 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.

Emphasis of Matter

We draw attention to Note 30 to the financial statements in which management has described the possible financial impact of the COVID-19 outbreak on the Group in the next financial year. This note also indicates that uncertainties remains and that currently it is not reasonably possible to estimate the future financial impact. Our opinion is not modified in respect of this matter.

Other Information

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

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

In connection with our audit on the financial statement, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If based on the work we have performed, we conclude that there is 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.

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 or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

Report on Other Legal and Regulatory Requirements

In our opinion, the accounting and other records required by the Act to be kept by the Company and by those subsidiary corporations incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.

The engagement partner on the audit resulting in this independent auditors' report is Patel Anand Rameshchandra.

Singapore

26 June 2020



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EVEREST ASSURANCE PAC
Public Accountants and
Chartered Accountants

VLCC SINGAPORE PTE. LTD. AND ITS SUBSIDIARIES

STATEMENTS OF FINANCIAL POSITION

As at 31 March 2020

(Expressed in Singapore Dollars)

	Note	Group	
		2020	2019
		\$	\$
ASSETS			
Non-current assets			
Property, plant and equipment	4	2,940,666	3,119,767
Right-of-use assets	5	27,516	-
Goodwill	6	1,418,608	1,418,608
Investment in life insurance plan	8	81,766	81,676
		4,468,556	4,620,051
Current assets			
Inventories	9	902,687	1,010,816
Trade and other receivables	10	592,768	768,840
Amount due from related companies	11	1,278,260	2,391,011
Prepaid operating expenses		20,224	18,736
Advance payment to suppliers		274,613	68,992
Cash and bank balances	12	675,387	205,834
		3,743,939	4,464,229
Total assets		8,212,495	9,084,280
EQUITY			
Share capital	13	5,747,480	5,747,480
Accumulated losses		(2,748,858)	(1,721,969)
Asset revaluation reserve	14	1,531,471	1,531,471
Foreign currency translation reserve		(7,892)	(5,801)
		4,522,201	5,551,181
Non-controlling interests		427,016	591,316
Total equity		4,949,217	6,142,497
LIABILITIES			
Non-current liabilities			
Term loans	15	1,548,864	1,573,042
Current liabilities			
Trade and other payables	16	787,443	950,818
Advance payment by customers		565,803	52,965
Amount due to related companies	11	63,575	135,586
Term loans	15	266,812	226,959
Lease liabilities	5	28,950	-
Provision for income tax		1,831	2,413
		1,714,414	1,368,741
Total liabilities		3,263,278	2,941,783
Total equity and liabilities		8,212,495	9,084,280

(The accompanying accounting policies and explanatory notes form an integral part of the financial statements)

VLCC SINGAPORE PTE. LTD. AND ITS SUBSIDIARIES

STATEMENTS OF FINANCIAL POSITION

As at 31 March 2020

(Expressed in Singapore Dollars)

	Note	Company	
		2020	2019
		\$	\$
ASSETS			
Non-current assets			
Property, plant and equipment	4	-	-
Investment in subsidiaries	7	5,269,621	5,269,621
		<u>5,269,621</u>	<u>5,269,621</u>
Current assets			
Trade and other receivables	10	16,970	16,970
Amount due from related companies	11	484,785	653,083
Prepaid operating expenses		-	213
Cash and bank balances	12	110,393	5,376
		<u>612,148</u>	<u>675,642</u>
Total assets		<u>5,881,769</u>	<u>5,945,263</u>
EQUITY			
Share capital	13	5,747,480	5,747,480
Retained earnings		130,077	191,959
Total equity		<u>5,877,557</u>	<u>5,939,439</u>
LIABILITIES			
Current liabilities			
Trade and other payables	16	4,212	3,502
Provision for income tax		-	2,322
		<u>4,212</u>	<u>5,824</u>
Total liabilities		<u>4,212</u>	<u>5,824</u>
Total equity and liabilities		<u>5,881,769</u>	<u>5,945,263</u>

(The accompanying accounting policies and explanatory notes form an integral part of the financial statements)

VLCC SINGAPORE PTE. LTD. AND ITS SUBSIDIARIES

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the financial year ended 31 March 2020

(Expressed in Singapore Dollars)

	Note	Group	
		2020	2019
		\$	\$
Revenue	17	5,018,052	4,772,587
Other income	18	124,024	484,213
		5,142,076	5,256,800
Cost of materials consumed	9	(1,596,964)	(1,541,688)
Employee benefits	19	(2,241,015)	(2,471,444)
Administrative and general expenses	20	(1,153,634)	(1,403,727)
Depreciation of property, plant and equipment	4	(217,490)	(229,125)
Depreciation of right-of-use assets	5	(94,085)	-
Finance costs	21	(47,500)	(52,962)
Loss before tax and exceptional item		(208,612)	(442,146)
Exceptional item	22	(957,257)	-
Loss before tax		(1,165,869)	(442,146)
Income tax (expense)/benefit	23	(21,161)	15,647
Loss for the financial year		(1,187,030)	(426,499)
Other comprehensive loss:			
Exchange differences on translation of foreign subsidiaries		(3,021)	(812)
Total comprehensive loss for the financial year		(1,190,051)	(427,311)
Loss attributable to:			
Owners of the Company		(1,024,144)	(359,851)
Non-controlling interests		(162,886)	(66,648)
		(1,187,030)	(426,499)
Total comprehensive loss attributable to:			
Owners of the Company		(1,026,235)	(360,663)
Non-controlling interests		(163,816)	(66,648)
		(1,190,051)	(427,311)

(The accompanying accounting policies and explanatory notes form an integral part of the financial statements)

VLCC SINGAPORE PTE. LTD. AND ITS SUBSIDIARIES

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the financial year ended 31 March 2020

(Expressed in Singapore Dollars)

	Note	Company	
		2020 \$	2019 \$
Revenue		-	-
Other income	18	908	499,376
		<u>908</u>	<u>499,376</u>
Administrative and general expenses	20	(62,790)	(479,267)
Finance costs	21	-	(5,692)
(Loss)/profit before tax		<u>(61,882)</u>	<u>14,417</u>
Income tax expense	23	-	-
(Loss)/profit after tax, representing total comprehensive (loss)/income for the financial year		<u><u>(61,882)</u></u>	<u><u>14,417</u></u>

*(The accompanying accounting policies and explanatory notes form
an integral part of the financial statements)*

VLCC SINGAPORE PTE. LTD. AND ITS SUBSIDIARIES

STATEMENTS OF CHANGES IN EQUITY

For the financial year ended 31 March 2020

(Expressed in Singapore Dollars)

Group	Attributable to Owners of the Company					Non-controlling interests	Total Equity
	Share capital	Accumulated losses	Asset revaluation reserve	Foreign currency translation reserve	Total		
	\$	\$	\$	\$	\$	\$	\$
Balance as at 1 April 2018	5,553,094	(1,362,118)	1,531,471	(4,989)	5,717,458	657,964	6,375,422
Issue of share capital	194,386	-	-	-	194,386	-	194,386
Total comprehensive loss for the year	-	(359,851)	-	(812)	(360,663)	(66,648)	(427,311)
Balance as at 31 March 2019	5,747,480	(1,721,969)	1,531,471	(5,801)	5,551,181	591,316	6,142,497
At 1 April 2019	5,747,480	(1,721,969)	1,531,471	(5,801)	5,551,181	591,316	6,142,497
Effect of adopting FRS 116 Leases	-	(2,745)	-	-	(2,745)	(484)	(3,229)
At 1 April 2019, restated	5,747,480	(1,724,714)	1,531,471	(5,801)	5,548,436	590,832	6,139,268
Total comprehensive loss for the year	-	(1,024,144)	-	(2,091)	(1,026,235)	(163,816)	(1,190,051)
Balance as at 31 March 2020	5,747,480	(2,748,858)	1,531,471	(7,892)	4,522,201	427,016	4,949,217

(The accompanying accounting policies and explanatory notes form an integral part of the financial statements)

VLCC SINGAPORE PTE. LTD. AND ITS SUBSIDIARIES

STATEMENTS OF CHANGES IN EQUITY

*For the financial year ended 31 March 2020
(Expressed in Singapore Dollars)*

Company	Share Capital \$	Retained earnings \$	Total Equity \$
Balance as at 1 April 2018	5,553,094	177,542	5,730,636
Issue of share capital	194,386	-	194,386
Total comprehensive income for the year	-	14,417	14,417
Balance as at 31 March 2019	5,747,480	191,959	5,939,439
Total comprehensive loss for the year	-	(61,882)	(61,882)
Balance as at 31 March 2020	5,747,480	130,077	5,877,557

*(The accompanying accounting policies and explanatory notes form
an integral part of the financial statements)*

VLCC SINGAPORE PTE. LTD. AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENT OF CASH FLOWS

For the financial year ended 31 March 2020

(Expressed in Singapore Dollars)

	2020	2019
	\$	\$
Cash Flows from Operating activities		
Loss before tax	(1,165,869)	(442,146)
<u>Adjustments for:</u>		
Depreciation of property, plant and equipment	217,490	229,125
Depreciation of right-of-use assets	94,085	-
Gain on disposal of property, plant and equipment	(27,146)	-
Fair value change of insurance plan	(90)	20,315
Allowance for doubtful trade receivables	-	4,282
Allowance for doubtful debts written back	(2,660)	(36,073)
Bad debts written off	1,016,051	15,268
Unclaimed payable written off	(5,500)	-
Interest income	-	(14,128)
Interest on term loan	43,753	52,962
Interest expense on lease liabilities	3,747	-
Currency alignment of foreign subsidiaries	(3,030)	(812)
Operating cash flows before movements in working capital	170,831	(171,207)
Movements in Working Capital		
Inventories	108,129	175,285
Trade and other receivables	175,938	(40,986)
Amount due from related companies	99,494	(179,333)
Prepaid operating expenses	(1,488)	(569)
Advance payment to suppliers	(205,621)	18,259
Trade and other payables	(157,875)	(2,155)
Amount due to related companies	(72,011)	97,674
Advance payment by customers	512,838	(54,960)
Cash generated from/(used in) operations	630,235	(157,992)
Income tax paid	(21,743)	(17,188)
Net cash generated from/(used in) operating activities	608,492	(175,180)
Cash Flows from Investing activities		
Purchase of property, plant and equipment	(39,013)	(19,546)
Proceeds from disposal of property, plant and equipment	27,779	-
Purchase of keyman life insurance	-	(101,991)
Withdrawal of fixed deposit	-	234,000
Interest received	-	14,128
Net cash (used in)/generated from investing activities	(11,234)	126,591

(The accompanying accounting policies and explanatory notes form an integral part of the financial statements)

VLCC SINGAPORE PTE. LTD. AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENT OF CASH FLOWS

For the financial year ended 31 March 2020

(Expressed in Singapore Dollars)

	2020	2019
	\$	\$
Cash Flows from Financing activities		
Lease payments	(99,627)	-
Proceeds from term loan	250,000	413,000
Repayment of term loans	(234,325)	(670,928)
Interest on term loan paid	(43,753)	(52,962)
Proceeds from issue of shares	-	194,386
Net cash used in financing activities	(127,705)	(116,504)
Net increase/(decrease) in cash and cash equivalents	469,553	(165,093)
Cash and cash equivalents at the beginning of financial year	205,834	370,927
Cash and cash equivalents at the end of financial year (Note 12)	675,387	205,834

(The accompanying accounting policies and explanatory notes form an integral part of the financial statements)

VLCC SINGAPORE PTE. LTD. AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2020

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

1 THE GROUP AND ITS PRINCIPAL ACTIVITIES

VLCC Singapore Pte. Ltd. (the "Company") is incorporated and domiciled in the Republic of Singapore with its registered office and principal place of business at 237 Pandan Loop, #05-03 Westech Building Singapore 128424.

The principal activities of the Company are that of general wholesale trade including general importers and exporters and investment holding company.

The Company is wholly owned by VLCC International Inc, a company incorporated in British Virgin Islands. The ultimate holding company is VLCC Health Care Limited, a company incorporated in India.

The principal activities of the subsidiaries are disclosed in Note 7 to the financial statements.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

The financial statements of the Group and Company have been drawn up 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 individual financial statements of each Group entity are measured and presented in the currency of the primary economic environment in which the entity operates (its functional currency). The financial statements of the Group and Company are presented in Singapore Dollars (S\$), which is also the functional currency of the Company. All financial information presented in Singapore Dollars has been rounded to the nearest dollar, unless otherwise indicated.

In the current financial year, the Group and Company adopted the new and revised FRSs that are applicable in the current financial year. The financial statements have been amended as required, in accordance with the relevant transitional provisions in the respective FRSs.

The adoption of the new and amended standards and interpretation has been further disclosed in Note 2.2 below.

The preparation of financial statements in conformity with FRSs requires the management to exercise their judgement in the process of applying the Group's accounting policies. It also requires the use of certain critical accounting estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

Critical accounting estimates and assumptions used that are significant to the financial statements and areas involving a higher degree of judgement or complexity are disclosed in Note 3 below.

2.2 Adoption of new and amended standards and interpretation

The accounting policies adopted are consistent with those of the previous financial year except that in the current financial year, the Group has adopted all the new and amended standards and Interpretations of FRS ('INT FRS') which are relevant to the Group and are effective for annual financial periods beginning on or after 1 April 2019.

Except for the adoption of FRS 116 Leases described below, the adoption of these standards did not have any material effect on the financial performance or position of the Group.

FRS 116 Leases -

FRS 116 supersedes FRS 17 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

VLCC SINGAPORE PTE. LTD. AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2020

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.

The Group adopted FRS 116 using the modified retrospective method of adoption with the date of initial application of 1 April 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initially applying the standard recognised at the date of initial application as an adjustment to the opening balance of accumulated losses. The Group elected to use the transition practical expedient to not reassess whether a contract is, or contains a lease at 1 April 2019. Instead, the Group applied the standard only to contracts that were previously identified as leases applying FRS 17 and INT FRS 104 at the date of initial application.

The Group has lease contracts for warehouse premises. Before the adoption of FRS 116, the Group classified each of its leases (as lessee) at the inception date as either a finance lease or an operating lease. The accounting policy prior to 1 April 2019 is disclosed in Note 2.15.

Upon adoption of FRS 116, the Group applied a single recognition and measurement approach for all leases except for short-term leases and leases of low-value assets. The accounting policy beginning on and after 1 April 2019 is disclosed in Note 2.15. The standard provides specific transition requirements and practical expedients, which have been applied by the Group.

(a) Leases previously classified as finance leases

The Group did not change the initial carrying amounts of recognised assets and liabilities at the date of initial application for leases previously classified as finance leases (i.e. the right-of-use assets and lease liabilities equal the lease assets and liabilities recognised under FRS 17). The requirements of FRS 116 were applied to these leases from 1 April 2019.

(b) Leases previously accounted for as operating leases

The Group recognised right-of-use assets and lease liabilities for those leases previously classified as operating leases, except for short-term leases and leases of low-value assets. The right-of-use assets for the leases were recognised based on the carrying amount as if the standard had always been applied, using the incremental borrowing rate at the date of initial application. Lease liabilities were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of initial application.

The Group also applied the available practical expedients wherein it:

- used a single discount rate to a portfolio of leases with reasonably similar characteristics;
- relied on its assessment of whether leases are onerous immediately before the date of initial application as an alternative to performing an impairment review;
- applied the short-term leases exemption to leases with lease term that ends within 12 months of the date of initial application;
- excluded the initial direct costs from the measurement of the right-of-use asset at the date of initial application; and
- used hindsight in determining the lease term where the contract contained options to extend or terminate the lease.

Based on the above, as at 1 April 2019:

- right-of-use assets of \$121,601 were recognised and presented separately in the statement of financial position;
 - additional lease liabilities of \$124,830 were recognised; and
 - the net effect of these adjustments of \$3,229 had been adjusted to accumulated losses and non-controlling interests. Comparative information is not restated.
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VLCC SINGAPORE PTE. LTD. AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2020

The lease liabilities as at 1 April 2019 can be reconciled to the operating lease commitments as of 31 March 2019, as follows:

	\$
Operating lease commitments as at 31 March 2019 (Note 25)	129,027
Weighted average incremental borrowing rate as at 1 April 2019	5.25%
Lease liabilities as at 1 April 2019	<u>124,830</u>

2.3 Standards issued but not yet effective

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

Description	Effective for annual periods beginning on or after
Amendments to References to the Conceptual Framework in FRS Standards	1 January 2020
Amendments to FRS 1 and FRS 8 Definition of Material Amendments to FRS 110 and FRS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	1 January 2020 To be determined

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

2.4 Basis of consolidation and business combinations

a) 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 obtain control, and continue to be consolidated until the date that such control ceases.

Losses within subsidiaries are attributed to the non-controlling interests 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:

- De-recognises the assets (including goodwill) and liabilities of the subsidiary at their carrying amounts at the date when control is lost;
- De-recognises the carrying amount of any non-controlling interest;
- De-recognises 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; and
- Re-classifies the Group's share of components previously recognised in other comprehensive income to profit or loss or accumulated profits or losses, as appropriate.

b) 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

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values at the acquisition date. Acquisition-related costs are recognised as expenses in the periods in which the costs are incurred and the services are received.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is 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.

2.5 Transactions with non-controlling interests

Non-controlling interest represents the equity in subsidiaries not attributable, directly or indirectly, to owners of the Company.

Changes in the Company's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. In such circumstances, the carrying amounts of the controlling and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interest is adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

2.6 Foreign currency transactions and balances

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

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.

2.7 Property, 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 plant and equipment includes its purchase price and any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

Leasehold properties are measured at fair value less accumulated depreciation and impairment losses recognised after the date of the revaluation. Valuations are performed with sufficient regularity to ensure that the carrying amount does not differ materially from the fair value of the leasehold properties at the end of the reporting period.

Any revaluation surplus is recognised in other comprehensive income and accumulated in equity under the asset revaluation reserve, except to the extent that it reverses a revaluation decrease of the same asset previously recognised in profit or loss, in which case the increase is recognised in profit or loss. A revaluation deficit is recognised in profit or loss, except to the extent that it offsets an existing surplus on the same asset carried in the asset revaluation reserve.

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Any accumulated depreciation as at the revaluation date is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. The revaluation surplus included in the asset revaluation reserve in respect of an asset is transferred directly to accumulated profits or losses on retirement or disposal of the asset.

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

	<u>Years</u>
Leasehold properties	25
Plant and machinery	5
Computer and office equipment	5
Motor vehicles	10
Furniture and fittings	5
Renovation	5

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

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

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

2.8 Intangible assets and goodwill

Goodwill that arises upon the acquisition of subsidiaries is included in intangible assets. At initial recognition, goodwill is measured as stated in Note 2.4(b).

Subsequent measurement

Goodwill is measured at cost less accumulated impairment losses. In respect of associates and joint ventures, the carrying amount of goodwill is included in the carrying amount of the investment and an impairment loss on such an investment is not allocated to any asset, including goodwill, that forms part of the carrying amount of the associates and joint ventures.

2.9 Subsidiary

A subsidiary is an entity over which the Company has the power to govern the financial and operating policies so as to obtain benefits from its activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Company controls another entity.

Investment in a subsidiary is stated in the statement of financial position of the Company at cost less any impairment losses. An assessment of investment in a subsidiary is performed when there is indication that the value of the investment has been impaired, or the impairment loss recognised in prior financial years no longer exist.

2.10 Impairment of non-financial assets

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

An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs of disposal and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or group of assets. Where the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

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Impairment losses are recognised in profit or loss.

A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increase cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised previously. Such reversal is recognised in profit or loss.

2.11 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the weighted average cost method and includes all costs of purchase and other costs incurred in bringing the inventories to their present location and condition. Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs necessary to make the sale.

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

2.12 Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand and are subject to an insignificant risk of changes in value.

2.13 Financial instruments

Financial assets -

The Group classifies its financial assets into the following measurement categories:

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

The classification of debt instruments depends on the Group's business model for managing the financial assets as well as the contractual terms of the cash flows of the financial assets.

Initial recognition and measurement

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

At initial recognition, the Group measures a financial 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

Debt instruments -

Debt instruments 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. These financial assets are measured at amortised cost using the effective interest method, less impairment. Gains and losses are recognised in profit or loss when the assets are derecognised or impaired, and through the amortisation process.

The Group's financial assets measured at amortised cost comprise trade and other receivables, amount due to related companies and cash and bank balances in the statement of financial position.

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For the financial year ended 31 March 2020

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

The Group's financial asset measured at fair value through profit or loss comprise investment in life insurance plan in the statement of financial position.

Impairment

Debt instruments -

For trade receivables, the Group applied the simplified approach permitted by the FRS 109, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

For amount due from related companies and cash and bank balances, the general 3-stage approach is applied. Credit loss allowance is based on 12-month expected credit loss if there is no significant increase in credit risk since initial recognition of the assets. If there is a significant increase in credit risk since initial recognition, lifetime expected credit loss will be calculated and recognised.

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.

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

2.14 Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, 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.

2.15 Leases

These accounting policies are applied on and after the initial application date of FRS 116, 1 April 2019:

The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

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For the financial year ended 31 March 2020

(a) As lessee

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

Right-of-use assets

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

If ownership of the leased asset transfers to the Group at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset. The right-of-use assets are also subject to impairment. The accounting policy for impairment is disclosed in Note 2.10.

Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating the lease, if the lease term reflects the Group exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g. changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

Short-term leases and leases of low-value assets

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

These accounting policies are applied before the initial application date of FRS 116, 1 April 2019:

As lessee -

Finance leases which transfer to the Group substantially all the risks and rewards incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments. Any initial direct costs are also added to the amount capitalised. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability.

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Finance charges are charged to profit or loss. Contingent rents, if any, are charged as expenses in the periods in which they are incurred.

Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset and the lease term, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term.

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

2.16 Revenue recognition

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.

Sales of goods

Revenue is recognised upon transfer of significant risks and rewards of ownership of the goods to the customer, which generally coincides with delivery and acceptance of the goods sold. No revenue is recognised to the extent where there are significant uncertainties regarding recovery of the consideration due, associated costs or the possible return of goods.

Rendering of services

Revenue from rendering of services is recognised when the services have been performed and rendered.

Interest income

Interest income is recognised using the effective interest rate method.

Commission income

Commission income is recognised at a point in time upon the completion of a transaction in which the commission relates to.

Government grants

Grants from the government are recognised as a receivable at their fair value when there is reasonable assurance that the grant will be received, and the Group will comply with all the attached conditions.

Government grants receivable are recognised as income over the periods necessary to match them with the related costs which they are intended to compensate, on a systematic basis. Government grants relating to expenses are shown separately as other income.

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2.17 Employee benefits

Defined contribution pension scheme

The Group makes contributions to the Central Provident Fund Scheme in Singapore, a defined contribution pension scheme. These contributions are recognised as compensation expense in the same period as the employment that gives rise to the contributions.

2.18 Exceptional item

Exceptional items are disclosed separately in the financial statements where it is necessary to do so to provide further understanding of the financial performance of the Group. They are materials items of income or expense that have been shown separately due to the significance of their nature or amount.

2.19 Taxes

a) 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 authority. The tax rate and tax law used to compute the amount are those that are enacted or substantively enacted at the reporting period, in the countries where the Group operates and generates taxable income.

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

b) Deferred tax

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

Deferred tax assets and liabilities are measured at 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 by the end of the reporting period.

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

c) Goods and Services Tax (GST)

Revenue, expenses and assets are recognised net of the amount of GST except:

- Where the GST incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the GST 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 GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

2.20 Share capital

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

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2.21 Related party

A related party is defined as follows:

- (i) A person or a close member of that person's family is related to the Group and Company if that person:
 - a) Has control or joint control over the Company;
 - b) Has significant influence over the Company; or
 - c) Is a member of the key management personnel of the Group or Company or of a parent of the Company.
- (ii) An entity is related to the Company if any of the following applies:
 - a) 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);
 - b) 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);
 - c) Both entities are joint ventures of the same third party;
 - d) One entity is a joint venture of a third entity and the other entity is an associate of the third entity;
 - e) 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;
 - f) The entity is controlled or jointly controlled by a person identified in (i) above;
 - g) A person identified in (i)a) above has significant influence over the entity or is a member of the key management personnel or the entity (or of a parent of the entity).

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

3 SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

(a) Estimated impairment of non-financial assets -

Property, plant and equipment, intangible assets and other non-financial assets are tested for impairment whenever there is any objective evidence or indication that these assets may be impaired.

The Group assesses at each reporting date whether there is an indication that the property, plant and equipment, intangible assets and other non-financial assets may be impaired. This requires an estimation of the value in use of the cash-generating units.

Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows.

(b) Expected credit losses (ECL) on trade receivables

At each reporting date, the management analyses the provision for the expected credit losses (ECLs). The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The Group recognises a loss allowance based on lifetime expected credit losses at each reporting date.

The management has established a provision policy that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors' ability to pay and the economic environment which could affect the debtors' ability to pay.

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For the financial year ended 31 March 2020

The Group evaluates the expected credit loss on customers in financial difficulties separately. The Group's credit risk exposure for trade receivables is set out in Note 25.

(c) Inventory valuation method

Inventory write-down is made based on the current market conditions, historical experience and selling goods of similar nature. It could change significantly as a result of changes in market conditions. A review is made periodically on inventories for excess inventories, obsolescence and declines in net realisable value and an allowance is recorded against the inventory balances for any such declines. The realisable value represents the best estimate of the recoverable amount and is based on the most reliable evidence available and inherently involves estimates regarding the future expected realisable value.

(d) Useful lives of property, plant and equipment

The cost of property, plant and equipment is depreciated on a straight-line basis over their respective useful lives. Management estimates that the useful lives of these property, plant and equipment to be 5-25 years. These are common life expectancies applied in the industry.

(e) Functional currency

When determining the functional currency of the entities in the Group, the management considers factors such as the currency that influences the sales prices, the currency that influences the labour, material and other costs of providing the goods or services, the currency in which funds from financing activities are generated and the currency in which receipts from operating activities are usually retained. When the factors are mixed, the management uses its judgement to determine the functional currency that most faithfully represents the economic effects of the underlying transactions, events and conditions.

(f) Estimating the incremental borrowing rate

The Group cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group 'would have to pay', which requires estimation when no observable rates are available. The Group estimates the IBR using observable inputs such as market interest rates when available and is required to make certain entity-specific estimates.

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(Expressed in Singapore Dollars)

4 PROPERTY, PLANT AND EQUIPMENT

Group	Leasehold properties	Plant and machinery	Computer and office equipment	Motor vehicles	Furniture and fittings	Renovation	Total
	\$	\$	\$	\$	\$	\$	\$
Valuation or Cost:							
Balance at 1 April 2018	3,703,536	606,203	277,006	168,185	151,787	494,912	5,401,629
Additions	-	-	15,292	-	4,254	-	19,546
Balance at 31 March 2019	3,703,536	606,203	292,298	168,185	156,041	494,912	5,421,175
Additions	-	-	28,013	-	11,000	-	39,013
Disposals	-	-	-	-	(633)	-	(633)
Balance at 31 March 2020	3,703,536	606,203	320,311	168,185	166,408	494,912	5,459,555
Accumulated Depreciation							
Balance at 1 April 2018	592,565	460,368	245,065	168,185	150,057	455,958	2,072,198
Depreciation	148,142	47,071	14,191	-	1,189	18,532	229,125
Currency alignment	-	-	54	-	31	-	85
Balance at 31 March 2019	740,707	507,439	259,310	168,185	151,277	474,490	2,301,408
Depreciation	148,142	43,305	11,856	-	2,521	11,666	217,490
Currency alignment	-	-	(5)	-	(4)	-	(9)
Balance at 31 March 2020	888,849	550,744	271,161	168,185	153,794	486,156	2,518,889
Carrying Amount							
Balance at 31 March 2019	2,962,829	98,764	32,988	-	4,764	20,422	3,119,767
Balance at 31 March 2020	2,814,687	55,459	49,150	-	12,614	8,756	2,940,666

The leasehold properties with carrying amount of \$2,814,687 (2019: \$2,962,829) is mortgaged to secure for term loans (Note 15).

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4 PROPERTY, PLANT AND EQUIPMENT

	Furniture and fittings	Total
	\$	\$
Company		
Cost:		
Balance at 1 April 2018	28,677	28,677
Additions	-	-
Balance at 31 March 2019	28,677	28,677
Additions	-	-
Balance at 31 March 2020	28,677	28,677
Accumulated Depreciation		
Balance at 1 April 2018	28,677	28,677
Depreciation	-	-
Balance at 31 March 2019	28,677	28,677
Depreciation	-	-
Balance at 31 March 2020	28,677	28,677
Carrying Amount		
Balance at 31 March 2019	-	-
Balance at 31 March 2020	-	-

5 LEASES

Group as a lessee

The Group has lease contracts for warehouse premises used in its operations. Leases of right of use of premises generally have lease terms between 2 and 3 years. The Group's obligations under its leases are secured by the lessor's title to the leased assets. Generally, the Group is restricted from assigning and subleasing the leased assets.

Set out below are the carrying amounts of right-of-use assets recognised and the movements during the financial year:

**(a) Right-of-use assets -
Group**

	Leased warehouse premises	Total
	\$	\$
Cost		
Balance at 1 April 2019, restated upon application of FRS 116	234,830	234,830
Additions	-	-
Balance at 31 March 2020	234,830	234,830
Accumulated Depreciation		
Balance at 1 April 2019, restated upon application of FRS 116	113,229	113,229
Depreciation	94,085	94,085
Balance at 31 March 2020	207,314	207,314

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(Expressed in Singapore Dollars)

	Leased warehouse premises	Total
	\$	\$
Carrying Amount		
Balance at 1 April 2019, restated upon application of FRS 116	121,601	121,601
Balance at 31 March 2020	27,516	27,516

Set out below are the carrying amounts of lease liabilities and the movements during the financial year:

(b) Lease liabilities -

	2020
	\$
As at 1 April 2019, restated upon application of FRS 116 (Note 2.2)	124,830
Accretion of interest (Note 21)	3,747
Lease payments during the year	(99,627)
As at 31 March 2020	28,950
Represented by:	
Current liabilities	28,950
Non-current liabilities	-
	28,950

The cash outflows from leases during the financial year amounted to \$99,627. The maturity analysis of lease liabilities is disclosed in Note 26.

6 GOODWILL

	Group	
	2020	2019
	\$	\$
At the beginning and end of the financial year	1,418,608	1,418,608

Goodwill was recognised as a result of the acquisition of investment in subsidiaries.

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VLCC SINGAPORE PTE. LTD. AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2020

(Expressed in Singapore Dollars)

7 INVESTMENT IN SUBSIDIARIES

	Company	
	2020 \$	2019 \$
Shares at cost	5,269,621	5,269,621

a) Composition of the Group

The Group has the following investment in subsidiaries -

Name of subsidiary	Country of incorporation	Principal activities	Effective equity interest (%) held by the Company	
			2020	2019
<u>Held directly by the Company</u>				
Global Vantage Innovative Group Pte. Ltd.*	Singapore	Investment holding company	85	85
VLCC Holding (Thailand) Co. Ltd.**	Thailand	Selling and distribution of healthcare products	49.9	49.9
VLCC Wellness (Thailand) Co Ltd.**	Thailand	Selling and distribution healthcare products	49.9	49.9
<u>Held through Global Vantage Innovative Group Pte. Ltd.</u>				
Bellewave Cosmetics Pte. Ltd.*	Singapore	Trading in skincare product	85	85
Celblos Dermal Research Centre Pte. Ltd.*	Singapore	Production and trading in skincare product	85	85
<u>Held through VLCC Holding (Thailand) Co Ltd.</u>				
VLCC Wellness (Thailand) Co Ltd.**	Thailand	Selling and distribution healthcare products	25	25
<u>Held through Celblos Dermal Research Centre Pte. Ltd.</u>				
Excel Beauty Solution Sdn. Bhd.***	Malaysia	Dormant	85	85

*Audited by Everest Assurance PAC, Public Accountants and Chartered Accountants.

**Audited by Worrasit Srirungkijawad, Certified Public Accountant (Thailand).

***Audited by SKL & Co, Chartered Accountants (Malaysia).

VLCC SINGAPORE PTE. LTD. AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2020

(Expressed in Singapore Dollars)

7 INVESTMENT IN SUBSIDIARIES (continued)

b) Interest in subsidiaries with material non-controlling interest (NCI)

Name of subsidiaries	Principal place of business	Proportion of ownership interest held by NCI	Profit/(Loss) allocated to NCI during the reporting period	Accumulated NCI at the end of reporting period
			\$	\$
31 March 2020				
Global Vantage Innovative Group Pte Ltd	Singapore	15%	(179,468)	435,786
VLCC Holding (Thailand) Co Ltd	Thailand	50.1%	(2,637)	(6,823)
VLCC Wellness Thailand Co Ltd	Thailand	25.1%	19,219	(1,947)
31 March 2019				
Global Vantage Innovative Group Pte Ltd	Singapore	15%	(67,275)	615,712
VLCC Holding (Thailand) Co Ltd	Thailand	50.1%	(2,559)	(3,878)
VLCC Wellness Thailand Co Ltd	Thailand	25.1%	3,186	(20,518)

VLCC SINGAPORE PTE. LTD. AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2020

(Expressed in Singapore Dollars)

7 INVESTMENT IN SUBSIDIARIES (continued)

c) Summarised financial information of subsidiaries with material NCI

Summarised financial information before intercompany elimination of subsidiaries with material non-controlling interest are as follows:

Summarised statement of financial position

	Global Vantage Innovative Group Pte Ltd		VLCC Holding (Thailand) Co Ltd	
	2020	2019	2020	2019
	\$	\$	\$	\$
Current				
Assets	3,467,182	6,037,358	171,754	95,606
Liabilities	(2,069,092)	(3,554,490)	(157,365)	(170,148)
Net current assets	1,398,090	2,482,868	14,389	(74,542)
Non-current				
Assets	4,468,406	4,619,764	150	20,609
Liabilities	(1,548,864)	(1,573,042)	-	-
Net non-current assets	2,919,542	3,046,722	150	20,609
Net assets	4,317,632	5,529,590	14,539	(53,933)

VLCC SINGAPORE PTE. LTD. AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2020
(Expressed in Singapore Dollars)

7 INVESTMENT IN SUBSIDIARIES (continued)

c) Summarised financial information of subsidiaries with material NCI (continued)

Summarised statement of profit or loss and other comprehensive income

	Global Vantage Innovative Group Pte Ltd		VLCC Holding (Thailand) Co Ltd	
	2020	2019	2020	2019
	\$	\$	\$	\$
Revenue	4,680,683	4,705,601	217,750	95,627
Profit/(Loss) before income tax	(1,177,155)	(464,148)	73,168	7,520
Income tax benefit/(expense)	(19,300)	15,647	(1,861)	-
Profit/(Loss) after tax	(1,196,455)	(448,501)	71,307	7,520
Other comprehensive income/(loss)	175	212	(3,196)	-
Total comprehensive income	(1,196,280)	(448,289)	68,111	7,520

Other summarised information

	Global Vantage Innovative Group Pte Ltd		VLCC Holding (Thailand) Co Ltd	
	2020	2019	2020	2019
	\$	\$	\$	\$
Net cash flows from operations	371,197	375,677	(6,661)	(782)

VLCC SINGAPORE PTE. LTD. AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2020

(Expressed in Singapore Dollars)

8 INVESTMENT IN LIFE INSURANCE PLAN

	Group	
	2020 \$	2019 \$
Investment in life insurance plan, at fair value	81,766	81,676
Movements in the investment in life insurance plan is as follows:		
Balance at beginning of financial year	81,676	-
Full insurance premium paid	-	101,991
Fair value change recognised in profit or loss	90	(20,315)
Balance at end of financial year	81,766	81,676

The above pertains to an investment linked keyman life insurance policy purchased by a subsidiary in respect of a director.

The fair value of the policy is based on the annual total cash surrender value of the insurance contract. The insurance contract is pledged to a bank to secure bank term loan granted to the subsidiary (Note 15).

9 INVENTORIES

	Group	
	2020 \$	2019 \$
Statement of financial position:		
Raw materials	408,145	345,512
Packaging materials	325,229	420,051
Finished goods	169,313	245,253
	902,687	1,010,816
Changes in inventories:		
<u>Raw material consumed</u>		
Opening inventories	345,512	450,305
Purchases	1,068,790	779,694
	1,414,302	1,229,999
Less: Closing inventories	(408,145)	(345,512)
	1,006,157	884,487
<u>Packaging materials consumed</u>		
Opening inventories	420,051	539,750
Purchases	408,551	506,333
	828,602	1,046,083
Less: Closing inventories	(325,229)	(420,051)
	503,373	626,032
<u>Movement in finished goods</u>		
Opening inventories	245,253	196,046
Less: Closing inventories	(169,313)	(245,253)
	75,940	(49,207)
Cost of materials consumed:		
	2020	2019
	\$	\$
Changes in inventories	108,129	175,285
Raw material purchased	1,068,790	779,694
Packaging materials purchased	408,551	506,333
Purchase of goods held for resale	11,494	80,376
	1,596,964	1,541,688

VLCC SINGAPORE PTE. LTD. AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2020

(Expressed in Singapore Dollars)

10 TRADE AND OTHER RECEIVABLES

	Group		Company	
	2020 \$	2019 \$	2020 \$	2019 \$
Trade receivables:				
- Third parties	472,042	632,729	-	-
Less: Allowance for impairment	-	(4,282)	-	-
Trade receivables (net)	472,042	628,447	-	-
Deposits	53,244	60,272	16,970	16,970
GST receivable	12,082	32,905	-	-
Staff loan	47,400	42,600	-	-
Interest receivable	5,814	4,616	-	-
Other receivables	2,186	-	-	-
	<u>592,768</u>	<u>768,840</u>	<u>16,970</u>	<u>16,970</u>

Trade receivables are unsecured, non-interest bearing and are generally on average 60 days' (2019: 60 days') terms.

Trade and other receivables are denominated in the following currencies:

	Group		Company	
	2020 \$	2019 \$	2020 \$	2019 \$
Singapore Dollar	431,079	652,280	16,970	16,970
United States Dollar	677	36,978	-	-
Thai Baht	161,012	79,582	-	-
	<u>592,768</u>	<u>768,840</u>	<u>16,970</u>	<u>16,970</u>

11 AMOUNT DUE FROM/(TO) RELATED COMPANIES

	Group		Company	
	2020 \$	2019 \$	2020 \$	2019 \$
Amount due from related companies	<u>1,278,260</u>	<u>2,391,011</u>	<u>484,785</u>	<u>653,083</u>
Amount due to related companies	<u>(63,575)</u>	<u>(135,586)</u>	<u>-</u>	<u>-</u>

Amount due from related companies under Group and Company include non-trade amounts of \$Nil (2019: \$268,560) and \$484,785 (2019: \$538,900) respectively.

The non-trade amounts are unsecured, interest-free and repayable on demand.

Amount due from related companies and amount due to related companies are denominated in Singapore dollar and United States dollar respectively.

VLCC SINGAPORE PTE. LTD. AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2020

(Expressed in Singapore Dollars)

12 CASH AND BANK BALANCES

	Group		Company	
	2020 \$	2019 \$	2020 \$	2019 \$
Cash on hand	6,941	4,506	1	1
Cash at banks	668,446	201,328	110,392	5,375
	<u>675,387</u>	<u>205,834</u>	<u>110,393</u>	<u>5,376</u>

Cash and bank balances are denominated in the following currencies:

	Group		Company	
	2020 \$	2019 \$	2020 \$	2019 \$
Malaysian Ringgit	2,158	438	-	-
United States Dollar	1,730	1,796	-	-
Singapore Dollar	664,973	190,413	110,393	5,376
Thai Baht	6,526	13,187	-	-
	<u>675,387</u>	<u>205,834</u>	<u>110,393</u>	<u>5,376</u>

13 SHARE CAPITAL

	Group and Company			
	2020		2019	
	Number of shares	Amount \$	Number of shares	Amount \$
Issued and fully paid:				
At beginning of the financial year	6,383,110	5,747,480	6,188,724	5,553,094
Issuance of share capital	-	-	194,386	194,386
At end of the financial year	<u>6,383,110</u>	<u>5,747,480</u>	<u>6,383,110</u>	<u>5,747,480</u>

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

14 ASSET REVALUATION RESERVE

Asset revaluation reserve represents increases in the fair value of the leasehold properties.

15 TERM LOANS

	Group		Company	
	2020 \$	2019 \$	2020 \$	2019 \$
Current liabilities	266,812	226,959	-	-
Non-current liabilities	1,548,864	1,573,042	-	-
	<u>1,815,676</u>	<u>1,800,001</u>	<u>-</u>	<u>-</u>

VLCC SINGAPORE PTE. LTD. AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2020

(Expressed in Singapore Dollars)

	Group		Company	
	2020 \$	2019 \$	2020 \$	2019 \$
Term loan 1 - UOB Bank - SGD	340,636	371,223	-	-
Term loan 2 - UOB Bank - SGD	597,463	643,088	-	-
Term loan 3 - UOB Bank - SGD	434,040	450,711	-	-
Term loan 4 - UOB Bank - SGD	163,784	275,713	-	-
Term loan 5 - UOB Bank - SGD	35,251	59,266	-	-
Term loan 6 - UOB Bank - SGD	244,502	-	-	-
	<u>1,815,676</u>	<u>1,800,001</u>	<u>-</u>	<u>-</u>

The details of the bank term loans of a subsidiary are as follows:

	Term loan	Principal sum	Interest rate	Maturity	Securities
i)	Term loan 1	633,800	2.80% over the applicable 3 months SIBOR	December 2029	1. Personal guarantee by director. 2. Leasehold properties of the Group (Note 4). 3. Corporate guarantee by a group company - GVI ^G .*
ii)	Term loan 2	980,435	2.80% over the applicable 3 months SIBOR	June 2031	1. Personal guarantee by director. 2. Leasehold properties of the Group (Note 4). 3. Corporate guarantee by a group company - GVI ^G .*
iii)	Term loan 3	500,000	2.50% over the applicable 3 months SIBOR	August 2040	1. Personal guarantee by director. 2. Leasehold properties of the Group (Note 4). 3. Corporate guarantee by a group company - GVI ^G .*
iv)	Term loan 4	340,000	2.18% fixed	August 2021	1. Personal guarantee by director. 2. Leasehold properties of the Group (Note 4). 3. Corporate guarantee by a group company - GVI ^G .*
v)	Term loan 5	73,000	2.18% fixed	August 2021	1. Personal guarantee by director. 2. Corporate guarantee by a group company -GVI ^G .*
vi)	Term loan 6	250,000	2.18% fixed	January 2027	1. Personal guarantee by director. 2. Leasehold properties of the Group (Note 4). 3. Corporate guarantee by a group company - GVI ^G .*

*Global Vantage Innovative Group Pte. Ltd. (GVI^G)

The weighted average effective interest rate of the term loan is 2.75% (2019: 2.72%) per annum.

VLCC SINGAPORE PTE. LTD. AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2020

(Expressed in Singapore Dollars)

16 TRADE AND OTHER PAYABLES

	Group		Company	
	2020 \$	2019 \$	2020 \$	2019 \$
Trade payables:				
- Third parties	216,222	298,915	-	-
Accruals	347,114	365,769	4,212	3,502
GST payable	10,852	12,498	-	-
Other payables	109	-	-	-
Amount due to directors	213,146	273,636	-	-
	787,443	950,818	4,212	3,502

Amounts in trade payables are non-interest bearing. Trade payables are normally settled on average 60 days' (2019: 60 days) terms.

Amount due to directors are unsecured, interest-free and are repayable on demand.

Trade and other payables are denominated in the following currencies:

	Group		Company	
	2020 \$	2019 \$	2020 \$	2019 \$
Singapore Dollar	639,262	807,255	4,212	3,502
Chinese Renminbi	53	123	-	-
United State Dollar	71,527	52,348	-	-
Swiss Franc	17,368	15,717	-	-
Malaysian Ringgit	12,954	50,407	-	-
Thai Baht	46,279	24,968	-	-
	787,443	950,818	4,212	3,502

17 REVENUE

	Group		Company	
	2020 \$	2019 \$	2020 \$	2019 \$
Goods sold	5,018,052	4,772,587	-	-

Revenue represents invoiced sales of trading goods after allowance and trade discounts. All the sales are recognised at a point in time.

18 OTHER INCOME

	Group		Company	
	2020 \$	2019 \$	2020 \$	2019 \$
Commission income	-	365,220	-	365,220
Government grant	86,679	65,741	-	-
Impairment allowance written back	2,660	36,072	-	-
Gain on disposal of property, plant and equipment	27,146	-	-	-
Unclaimed payable written back	5,500	-	-	-

VLCC SINGAPORE PTE. LTD. AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2020

(Expressed in Singapore Dollars)

	Group		Company	
	2020 \$	2019 \$	2020 \$	2019 \$
Fair value change of insurance plan	90	-	-	-
Interest income	-	14,128	-	14,128
Gain on foreign exchange	-	-	908	-
Retainer fee	-	-	-	120,000
Miscellaneous income	1,949	3,052	-	28
	<u>124,024</u>	<u>484,213</u>	<u>908</u>	<u>499,376</u>

19 EMPLOYEE BENEFITS EXPENSE

	Group		Company	
	2020 \$	2019 \$	2020 \$	2019 \$
<u>Factory wages and benefits</u>				
Salaries	672,253	694,485	-	-
Bonus	26,565	25,807	-	-
Foreign worker levy	90,993	77,599	-	-
Contributions to Central Provident Fund	45,395	34,948	-	-
Medical fee	2,385	1,521	-	-
Other staff benefits	1,041	1,057	-	-
	<u>838,632</u>	<u>835,417</u>	<u>-</u>	<u>-</u>
<u>Key management personnel</u>				
Directors' salaries and bonus	494,442	622,975	-	-
Contributions to Central Provident Fund	31,131	31,743	-	-
	<u>525,573</u>	<u>654,718</u>	<u>-</u>	<u>-</u>
<u>Staff</u>				
Salaries	741,607	788,940	-	-
Bonus	45,900	85,083	-	-
Contributions to Central Provident Fund	72,662	83,200	-	-
Medical fee	6,908	5,187	-	-
Staff training	1,419	1,222	-	-
Staff welfare	3,602	7,964	-	-
Other staff benefit	4,712	9,713	-	-
	<u>876,810</u>	<u>981,309</u>	<u>-</u>	<u>-</u>
Total Employee Benefits Expense	<u>2,241,015</u>	<u>2,471,444</u>	<u>-</u>	<u>-</u>

20 ADMINISTRATIVE AND GENERAL EXPENSES

	Group		Company	
	2020 \$	2019 \$	2020 \$	2019 \$
Audit fees	18,604	15,512	4,500	3,500
Bank charges	21,128	19,140	437	1,521

VLCC SINGAPORE PTE. LTD. AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2020

(Expressed in Singapore Dollars)

	Group		Company	
	2020 \$	2019 \$	2020 \$	2019 \$
Boarding and lodging expenses	7,270	19,565	-	-
Bad debts written off	58,794	15,268	56,000	-
Consultancy charges	154,136	219,280	-	16,687
Conveyance expenses	7,405	5,725	-	-
Discount and rebate schemes	31,087	30,991	-	-
Entertainment	19,736	1,275	-	-
Factory maintenance	9,639	8,665	-	-
Fair value change of insurance plan	-	20,315	-	-
Fees and subscription	8,709	14,210	-	-
Fines and penalties	571	13,223	-	13,223
Freight charges	236,692	239,197	-	-
Gift expenses	3,281	3,620	-	-
Insurance expenses	27,136	27,385	-	-
Internet and website expenses	2,622	7,772	-	-
Lab expenses and maintenance fees	9,376	5,560	-	-
Listing and registration fees	57,481	50,745	-	-
Loss on foreign currency exchange	41,253	9,146	-	798
Materials production and consumables costs	52,402	43,993	-	-
Materials testing fees	140	356	-	-
Miscellaneous expenses	729	7,832	-	-
Office expenses and maintenance fees	30,578	35,199	-	-
Printing and stationery	16,986	22,561	293	718
Product development expenses	-	9,715	-	148,500
Professional fees	17,122	22,992	460	2,414
Property tax	10,156	9,890	-	-
Provision for doubtful debts	-	4,282	-	190,000
Rental of premises	9,964	208,183	-	100,680
Repair and maintenance fees	18,262	20,951	-	-
Sales commission	119,380	1,255	-	-
Sales promotion and marketing	33,238	94,149	-	-
Secretarial fees	3,862	4,054	850	-
Staff recruitment expenses	4,996	45,579	-	-
Tax filing fees	1,362	2,316	250	500
Telephone expenses	29,379	36,381	-	-
Transport and travelling expenses	33,419	47,336	-	726
Utilities charges	47,267	48,623	-	-
Vehicle running and maintenance fees	9,472	11,486	-	-
	<u>1,153,634</u>	<u>1,403,727</u>	<u>62,790</u>	<u>479,267</u>

21 FINANCE COSTS

	Group		Company	
	2020 \$	2019 \$	2020 \$	2019 \$
Interest on term loan	43,753	52,962	-	5,692

VLCC SINGAPORE PTE. LTD. AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2020

(Expressed in Singapore Dollars)

	Group		Company	
	2020 \$	2019 \$	2020 \$	2019 \$
Interest expense on lease liabilities (Note 5)	3,747	-	-	-
	<u>47,500</u>	<u>52,962</u>	<u>-</u>	<u>5,692</u>

22 EXCEPTIONAL ITEM

	Group		Company	
	2020 \$	2019 \$	2020 \$	2019 \$
Bad debts written off	<u>957,257</u>	<u>-</u>	<u>-</u>	<u>-</u>

During the financial year, pursuant to a compulsory winding up order by the High Court of Malaysia against a fellow subsidiary company, Wyann International (M) Sdn Bhd (the "debtor"), the debtor was wound up and the receivables from the debtor amounting to \$957,257 was fully written off as bad debts.

23 INCOME TAX EXPENSE/(BENEFIT)

	Group		Company	
	2020 \$	2019 \$	2020 \$	2019 \$
Current income tax				
- Current year	1,861	-	-	-
- Under/(Over) provision in respect of prior years	<u>19,300</u>	<u>(9,744)</u>	<u>-</u>	<u>-</u>
	21,161	(9,744)	-	-
Deferred tax				
- Current year	-	-	-	-
- Under/(Over) provision in respect of prior years	<u>-</u>	<u>(5,903)</u>	<u>-</u>	<u>-</u>
Income tax expense/(benefit) recognised in profit or loss	<u>21,161</u>	<u>(15,647)</u>	<u>-</u>	<u>-</u>

Relationship between tax expense and accounting profit/(loss)

A reconciliation between tax expense and the product of accounting profit/(loss) multiplied by the applicable corporate tax rate for the financial years ended 31 March 2020 and 31 March 2019 is as follows:

	Group		Company	
	2020 \$	2019 \$	2020 \$	2019 \$
Accounting profit/(loss) before tax	<u>(1,165,869)</u>	<u>(442,146)</u>	<u>(61,882)</u>	<u>14,417</u>
Tax at the statutory tax rate of 17% (2019: 17%)	(198,198)	(75,165)	(10,520)	2,451
Tax effects of:				
Tax losses	200,059	75,165	10,520	-
Tax exemptions	-	-	-	(2,451)
Under/(over) provision in respect of prior years	<u>19,300</u>	<u>(15,647)</u>	<u>-</u>	<u>-</u>
Income tax expense/(benefit) recognised in profit or loss	<u>21,161</u>	<u>(15,647)</u>	<u>-</u>	<u>-</u>

VLCC SINGAPORE PTE. LTD. AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

*For the financial year ended 31 March 2020
(Expressed in Singapore Dollars)*

The Group has unrecognised tax losses of \$791,549 (2019: \$605,852) and capital allowances of \$41,776 (2019: \$41,776) at the reporting date which can be carried forward and used to offset against future taxable income subject to meeting certain statutory requirements. They have not been recognised in the financial statements due to the uncertainty of their recovery.

24 SIGNIFICANT RELATED PARTY TRANSACTIONS

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

	Group	
	2020	2019
	\$	\$
<u>Amount Due from Related Companies</u>		
In VLCC Singapore Pte Ltd books:		
VLCC Personal Care Ltd	-	114,183
VLCC International LLC	-	56,000
In Bellewave Cosmetics Pte Ltd books:		
VLCC Personal Care Ltd	-	210,638
VLCC Healthcare Ltd	349,023	121,427
VLCC International Qatar	284,118	196,440
VLCC Middle East LLC	645,119	736,982
Wyann International Sdn Bhd	-	307,572
Wyann International Sdn Bhd - Loan	-	268,560
In Celblos Dermal Research Centre Pte Ltd books:		
Wyann International Sdn Bhd	-	379,210
	1,278,260	2,391,012
<u>Amount Due to Related Companies</u>		
In Bellewave Cosmetics Pte Ltd books:		
VLCC Personal Care Ltd	4,725	89,815
VLCC Healthcare Ltd	-	28,620
In Celblos Dermal Research Centre Pte Ltd books:		
VLCC Personal Care Ltd	58,850	17,151
	63,575	135,586
<u>Purchase of Goods and Services from Related Companies</u>		
In Bellewave Cosmetics Pte Ltd books:		
VLCC Personal Care Ltd	71,336	104,007
VLCC Healthcare Ltd	5,558	49,820
In Celblos Dermal Research Centre Pte Ltd books:		
VLCC Personal Care Ltd	41,699	7,163
	118,594	160,990
<u>Sales of Goods and Services to Related Companies</u>		
In Bellewave Cosmetics Pte Ltd books:		
VLCC Personal Care Ltd	5,405	309,987
VLCC Healthcare Ltd	334,820	281,121
VLCC Healthcare (Bangladesh)	21,997	11,743
VLCC International Qatar	87,679	102,026

VLCC SINGAPORE PTE. LTD. AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2020

(Expressed in Singapore Dollars)

	Group	
	2020 \$	2019 \$
VLCC Middle East LLC	210,137	272,831
Wyann International Sdn Bhd	1,867	(104,386)
In Celblos Dermal Research Centre Pte Ltd books:		
Wyann International Sdn Bhd	-	6,647
	661,904	879,969
 <u>Bad Debts Written Off from Amount Due from Related Companies</u>		
 In Bellewave Cosmetics Pte Ltd books:		
Exceptional item - Wyann International Sdn Bhd	578,047	-
 In Celblos Dermal Research Centre Pte Ltd books:		
Exceptional item - Wyann International Sdn Bhd	379,210	-
 In VLCC Singapore Pte Ltd books:		
VLCC International LLC	56,000	-
	1,013,257	-
 <u>Retainers Fee Income from Related Companies</u>		
 In VLCC Singapore Pte Ltd books:		
VLCC Personal Care Ltd	-	365,220

Compensation of key management personnel

The remuneration of key management personnel in the Group are disclosed in Note 19. There are no other key management personnel in the Group other than the directors.

25 OPERATING LEASE COMMITMENTS

The Group has leased warehouse premises under non-cancellable operating lease agreements. As at 31 March 2019, the future minimum lease payables under non-cancellable operating leases contracted for but not recognised as liabilities, were as follows:

	Group
	2019 \$
Within one year	99,627
Within two to five years	29,400
	129,027

As disclosed in Note 2.2, the Group has adopted FRS 116 on 1 April 2019. These lease payments have been recognised as right-of-use assets and lease liabilities on the statement of financial position as at 31 March 2020, except for short-term and low-value leases.

26 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The Group's activities expose it to credit risk, effect of changes in foreign exchange rate risk, interest rate risk and liquidity risk arising in the normal course of the Group's businesses.

VLCC SINGAPORE PTE. LTD. AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

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Credit risk

(i) Risk management

The Group has no significant concentration of credit risk and surplus funds are placed with reputable banks.

The Group performs ongoing credit evaluations of its customers' financial condition and generally requires no collateral to secure trade receivables. Limits are established and are regularly monitored in respect of single customer exposures.

The carrying amount of cash and bank balances, trade receivables, amount due from related companies and other receivables represent the Group's maximum exposure to credit risk in relation to financial assets.

(ii) Impairment of financial assets

The Group has the following financial assets that are subject to more than immaterial credit losses where the expected credit loss model has been applied:

Trade receivables from customers amounting to \$472,042 (2019: \$632,729)

The Group has applied the simplified approach by using the provision matrix to measure the lifetime expected credit losses for trade receivables from customers.

To measure the expected credit losses, these receivables have been grouped based on shared credit risk characteristics and days past due. In calculating the expected credit loss rates, the Group considers historical loss rates for each category of customers and adjusts for forward-looking macroeconomic data and factors specific to the debtors' ability to pay.

Receivables are written off when there is no reasonable expectation of recovery, such as a debtor failing to engage in a repayment plan with the Group or there is significant difficulty of the debtor or it is becoming probable that the debtor will enter bankruptcy or other financial reorganization. Where receivables have been written off, the Group continues to engage in enforcement activity to attempt to recover the receivables due. Where recoveries are made, these are recognised in profit or loss.

The Group's credit risk exposure in relation to trade receivables as at 31 March 2020 and 31 March 2019 are set out in the provision matrix as follows -

	Ageing				Total
	1 to 30 days	31 to 60 days	61 to 90 days	More than 90 days	
	\$	\$	\$	\$	\$
31 March 2020	208,819	137,152	60,722	65,349	472,042

	Ageing				Total
	1 to 30 days	31 to 60 days	61 to 90 days	More than 90 days	
	\$	\$	\$	\$	\$
31 March 2019	412,075	38,857	144,119	37,678	632,729

The management determines the expected loss rates for debts past due for 90 days and below is low and no loss allowances are made accordingly. Full provision has been made for debts past due more than 180 days.

Other receivables and amount due from related companies

The Group assessed the latest performance and financial position of the related companies, adjusted for the future outlook of the industry in which the related companies operate in, and concluded 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 loss allowance using 12-month ECL and determined that the ECL is insignificant.

VLCC SINGAPORE PTE. LTD. AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

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Liquidity risk

Liquidity risk refers to the risk that the Group will encounter difficulties in meeting its short-term obligations due to shortage of funds. The Group exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities. It is managed by matching the payment and receipt cycles. The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of stand-by credit facilities. The Group finances its working capital requirements through a combination of funds generated from operations and bank borrowings. The directors are satisfied that funds are available to finance the operations of the Group.

Analysis of financial instruments by remaining contractual maturities

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

	Carrying amount	Contractual cash flows	One year or less	Two to five years	More than five years
	\$	\$	\$	\$	\$
Group					
2020					
Financial assets:					
Trade and other receivables	580,686	580,686	580,686	-	-
Amount due from related companies	1,278,260	1,278,260	1,278,260	-	-
Cash and bank balances	675,387	675,387	675,387	-	-
Total undiscounted financial assets	2,534,333	2,534,333	2,534,333	-	-
Financial liabilities:					
Term loans	1,815,676	2,106,757	312,567	736,426	1,057,764
Lease liabilities	28,950	29,400	29,400	-	-
Trade and other payables	776,591	776,591	776,591	-	-
Amount due to related companies	63,575	63,575	63,575	-	-
Total undiscounted financial liabilities	2,684,792	2,976,323	1,182,133	736,426	1,057,764
Total net undiscounted financial assets/(liabilities)	(150,459)	(441,990)	1,352,200	(736,426)	(1,057,764)
Group					
2019					
Financial assets:					
Trade and other receivables	735,935	735,935	735,935	-	-
Amount due from related companies	2,391,011	2,391,011	2,391,011	-	-
Cash and bank balances	205,834	205,834	205,834	-	-
Total undiscounted financial assets	3,332,780	3,332,780	3,332,780	-	-
Financial liabilities:					
Term loans	1,800,001	2,116,354	273,864	725,124	1,117,366
Trade and other payables	572,551	572,551	572,551	-	-
Amount due to related companies	135,586	135,586	135,586	-	-
Total undiscounted financial liabilities	2,508,138	2,824,491	982,001	725,124	1,117,366
Total net undiscounted financial assets/(liabilities)	824,642	508,289	2,350,779	(725,124)	(1,117,366)

VLCC SINGAPORE PTE. LTD. AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2020

(Expressed in Singapore Dollars)

Foreign exchange risk

The Group has exposure to changes in foreign exchange rate risk as a result of transactions denominated in foreign currencies arising mainly from sales and purchase of goods.

Exposure to currency risk is monitored on an on-going basis and the Group endeavours to keep the net exposure at an acceptable level.

The impact of changes in foreign exchange rates to profit after tax has been assessed by the Group and not expected to be significant.

Interest rate risk

The Group is exposed to interest rate risk for changes in interest rates primarily for the term loans.

The impact of changes in interest rates to profit after tax has been assessed by the Group and not expected to be significant.

27 FAIR VALUES OF FINANCIAL INSTRUMENTS

The table below represents assets and liabilities measured and carried at fair value and classified by level of the following fair value measurement hierarchy -

	Group			
	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
As at 31 March 2020 -				
Financial assets, at Fair Value through Profit or Loss ("FVPL")	-	-	81,766	81,766

	Group			
	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
As at 31 March 2019 -				
Financial assets, at Fair Value through Profit or Loss ("FVPL")	-	-	81,676	81,676

The financial assets at FVPL represents investment in life insurance plan. The fair value of the investment in life insurance plan is based on the cash value provided by the insurer without adjustment.

The carrying value less impairment provision of current trade receivables, trade payables and borrowings are approximate to their fair values due to the relatively short-term maturity of these financial instruments.

28 FINANCIAL INSTRUMENTS BY CATEGORY

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

	2020 \$	2019 \$
Group		
Financial assets measured at amortised cost		
Trade and other receivables (Note 10)	580,686	735,935
Amount due from related companies (Note 11)	1,278,260	2,391,011
Cash and bank balances (Note 12)	675,387	205,834
Total financial assets measured at amortised cost	<u>2,534,333</u>	<u>3,332,780</u>

VLCC SINGAPORE PTE. LTD. AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2020

(Expressed in Singapore Dollars)

	2020 \$	2019 \$
Financial assets measured at fair value through profit or loss (FVPL)		
Investment in life insurance plan (Note 8)	81,766	81,676
Total financial assets measured at FVPL	<u>81,766</u>	<u>81,676</u>
Group		
Financial liabilities measured at amortised cost		
Term loan (Note 15)	1,815,676	1,800,001
Lease liabilities (Note 5)	28,950	-
Trade and other payables (Note 16)	776,591	572,551
Amount due to related companies (Note 11)	63,575	135,586
Total financial liabilities measured at amortised cost	<u>2,684,792</u>	<u>2,508,138</u>
Company		
Financial assets measured at amortised cost		
Trade and other receivables (Note 10)	16,970	16,970
Amount due from related companies (Note 11)	484,785	653,083
Cash and bank balances (Note 12)	110,393	5,376
Total financial assets measured at amortised cost	<u>612,148</u>	<u>675,429</u>
Financial liabilities measured at amortised cost		
Trade and other payables (Note 16)	4,212	3,502
Total financial liabilities measured at amortised cost	<u>4,212</u>	<u>3,502</u>

29 CAPITAL MANAGEMENT

The Group manages its capital to ensure that the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance.

The capital structure of the Group consists of debt, which includes the amount due to related companies (Note 11) and issued capital (Note 13), net of accumulated losses.

30 EVENTS OCCURRING AFTER THE REPORTING PERIOD

Due to the COVID-19 outbreak in early 2020, a series of precautionary and control measures have been and continued to be implemented across the globe. The degree of impact will depend on the duration of this epidemic outbreak, the effectiveness of related prevention and control and the implementation of various regulatory policies.

The Group expects reduced sales and lower profits in the first half of 2020 and gradual recovery in the second half if the COVID-19 outbreak recedes by then. Given the dynamic nature of the COVID-19 outbreak, it is not practicable to provide a reasonable estimate of the overall impact on the Group's financial position, cash flows and operating results at the authorisation date of this financial statements. The Group will pay constant and close attention to the development of the situation, evaluate and actively respond to its potential impact on the Group.

VLCC SINGAPORE PTE. LTD. AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 March 2020

(Expressed in Singapore Dollars)

31 COMPARATIVE FIGURES

With effect from the current financial year, the Group and Company analysed their expenses recognised in the Statement of Profit or Loss using a classification based on their nature instead of by their function as in prior financial years. This change was made to be consistent with group companies' presentation.

The comparative financial year's expenses in the Statement of Profit or Loss have been reclassified to conform with the current financial year's presentation.

32 AUTHORISATION OF FINANCIAL STATEMENTS FOR ISSUE

The financial statements for the financial year ended 31 March 2020 were authorised for issue in accordance with a resolution of the Board of Directors of the Company on 26 June 2020.

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

VLCC SINGAPORE PTE. LTD. AND ITS SUBSIDIARIES

DETAILED STATEMENT OF PROFIT OR LOSS

For the financial year ended 31 March 2020

(Expressed in Singapore Dollars)

	2020	2020
	\$	\$
Revenue		5,018,052
Add: <u>Other income</u>		
Government grant	86,679	
Impairment allowance written back	2,660	
Gain on disposal of property, plant and equipment	27,146	
Unclaimed payable written back	5,500	
Fair value change of insurance plan	90	
Miscellaneous income	1,949	
		<u>124,024</u>
		5,142,076
Less: <u>Expenses</u>		
Cost of materials consumed	1,596,964	
Employee benefits	2,241,015	
Administrative and general expenses	1,153,634	
Depreciation of property, plant and equipment	217,490	
Depreciation of right-of-use assets	94,085	
Finance costs	47,500	
		<u>(5,350,688)</u>
Loss before tax and exceptional item		(208,612)
Less: Exceptional item		<u>(957,257)</u>
Loss before tax		(1,165,869)
Less: Income tax expense		<u>(21,161)</u>
Loss for the year		<u><u>(1,187,030)</u></u>

VLCC SINGAPORE PTE. LTD. AND ITS SUBSIDIARIES

DETAILED STATEMENT OF PROFIT OR LOSS

*For the financial year ended 31 March 2020**(Expressed in Singapore Dollars)*

	2020
	\$
ADMINISTRATIVE AND GENERAL EXPENSES	
Audit fees	18,604
Bank charges	21,128
Boarding and lodging expenses	7,270
Bad debts written off	58,794
Consultancy charges	154,136
Conveyance expenses	7,405
Discount and rebate schemes	31,087
Entertainment	19,736
Factory maintenance	9,639
Fees and subscription	8,709
Fines and penalties	571
Freight charges	236,692
Gift expenses	3,281
Insurance expenses	27,136
Internet and website expenses	2,622
Lab expenses and maintenance fees	9,376
Listing and registration fees	57,481
Loss on foreign currency exchange	41,253
Materials production and consumables costs	52,402
Materials testing fees	140
Miscellaneous expenses	729
Office expenses and maintenance fees	30,578
Printing and stationery	16,986
Professional fees	17,122
Property tax	10,156
Rental of premises	9,964
Repair and maintenance fees	18,262
Sales commission	119,380
Sales promotion and marketing	33,238
Secretarial fees	3,862
Staff recruitment expenses	4,996
Tax filing fees	1,362
Telephone expenses	29,379
Transport and travelling expenses	33,419
Utilities charges	47,267
Vehicle running and maintenance fees	9,472
	1,153,634