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# ANNUAL REPORT 2019



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# 01 | CORPORATE DIRECTORY

## DIRECTORS

### DAVID CHIAM JOY YEOW

Independent and Non-Executive Director

### JOANNE KHOO SU NEE

Independent and Non-Executive Director

### ONG ENG GIN

Independent and Non-Executive Director

## AUDIT AND RISK COMMITTEE

### JOANNE KHOO SU NEE (CHAIRMAN)

### DAVID CHIAM JOY YEOW

### ONG ENG GIN

## REMUNERATION COMMITTEE

### DAVID CHIAM JOY YEOW (CHAIRMAN)

### JOANNE KHOO SU NEE

### ONG ENG GIN

## REGISTERED OFFICE

### NETCCENTRIC LIMITED

18 Roberts Lane, #04-01  
Goodland Building  
Singapore 218297

## SHARE REGISTRY

### Automatic Pty Ltd

GPO Box 5193  
Sydney NSW 2000

## COMPANY SECRETARIES

### LEE TAMPLIN

Automatic Pty Ltd  
GPO Box 5193  
Sydney NSW 2000

### SIN CHEE MEI

BDO Corporate Services Pte Ltd  
600 North Bridge Road  
#23-01 Parkview Square  
Singapore 188778

## AUDITOR

### RSM CHIO LIM LLP

Public Accountants and  
Chartered Accountants  
8 Wilkie Road  
#03-08 Wilkie Edge  
Singapore 228095

Partner-in-charge: Paul Lee Seng Meng

## BANKERS

### AUSTRALIA AND NEW ZEALAND BANKING GROUP LIMITED

### UNITED OVERSEAS BANK LIMITED

## STOCK EXCHANGE LISTING

### AUSTRALIAN SECURITIES EXCHANGE (ASX : NCL)

02

# ABOUT NETCCENTRIC LIMITED



(1) Entity has been disposed in 2019

## NETCCENTRIC LIMITED (“NETCCENTRIC” OR THE “COMPANY”)

is a digital media business established in 2006, which has revenues of SGD7.3 million in 2019. Netccentric operates multiple businesses in the digital advertising sector across various geographies, with the key markets being Malaysia, Singapore, Thailand and Taiwan.

### NETCCENTRIC OFFERS ITS ADVERTISERS THE FOLLOWING KEY SERVICES:

- a) Influencer Platform (approximately 64.2% of FY2019 revenue);
- b) Social Media Agency (approximately 18.9% of FY2019 revenue);
- c) Performance Marketing Agency (approximately 12.8% of FY2019 revenue); and
- d) Digital Asset Production (approximately 3.9% of FY2019 revenue).

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## NUFFNANG

Nuffnang is one of APAC's largest blog advertising communities allowing Advertisers to promote their products or services across a network of over 950,000 highly targeted blogs ("Publishers").



## RTV

Reelity.TV produces online video content for Advertisers for distribution through social networks.



## SASHIMI

Sashimi is a social media agency specialising in purchasing media, monitoring and managing social media accounts for a range of Advertisers.



## DEJITARU

Dejitaru is a social media agency specialising in advertising through digital content, communities and influencers.



## PLATA & PUNTA

Plata & Punta is a performance marketing agency specialising in digital media trading.

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**INTERIM CEO/  
REGIONAL FINANCE  
DIRECTOR'S  
MESSAGE**

**ANGELINE CHIAM**

**Dear Shareholders,**

In the 13 years since the Group's incorporation and 4.5 years since its listing on the Australian Securities Exchange, the Group has weathered many business cycles and ploughed through numerous obstacles along the way. In light of this, we are pleased to announce that the Group has recorded a pre-tax profit of approximately \$0.2 million in H2 2019. Furthermore, for the entire year under review, the pre-tax loss continued to be significantly lower - from S\$0.9 million in FY 2018 to S\$0.1 million in FY 2019 where the losses only occurred in H1 2019. Notably, a non-recurring loss from the disposal of our Thailand, Indonesia and one of our Singapore entities accounted for approximately 36% (S\$0.05 million) of the Group's pre-tax loss.

In FY 2019, the Group generated S\$7.3 million in revenue, a decrease of 17% from FY 2018 (FY 2018: S\$8.8 million). The decline was primarily caused by the disposal of some of our entities, namely Thailand and Indonesia, where they contributed only S\$0.4 million of revenue in FY 2019 as compared to S\$1.4 million in FY 2018. Excluding these disposed entities, Group revenue would reflect a decrease of 7%. The Group witnessed lower sales mainly from our Singapore and Taiwan entities where its total revenue fell by 28% from S\$2.5 million in FY 2018 to S\$1.8 million in FY 2019 as a result of increasing competition and a challenging environment in those markets. On the flip side, we have further strengthened our operations in Malaysia with Malaysia remaining the market leader - contributing 70% (FY 2018: 56%) of the Group's revenue.

With the rapid growth of influencer marketing in the social media space, competitors have been aggressively competing to gain market share. Despite this competition, the Group's gross profit margin improved from 46% in FY 2018 to 48% in FY 2019 due to long-term strategies we have in place. To ensure that our existing businesses continue to be sustainable and profitable, we focused on optimizing our operations as well as diversifying and innovating our product offerings while keeping costs in check. These were some of the contributing factors that helped the Group to achieve profitability in H2 2019.

**Outlook**

While we still expect our industry to remain highly competitive, it is imperative that we continuously remain agile in order to respond and react accordingly to market changes which in turn will drive new business opportunities.

We will also continue building a strong base in the form of partnerships and network with current and new clients as well as our community of influencers to not only fortify our existing businesses, but to also explore new business opportunities. Where necessary, a business model transformation will be carried out to strengthen the Group's strategic and financial position.

On behalf of the Board of Directors, I would like to take this opportunity to express my appreciation and give thanks for your unwavering support and patience over the years.

Onward and upward.



Interim CEO / Regional Finance Director

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# DIRECTOR'S REPORT

## DAVID CHIAM JOY YEOW



David Chiam was appointed to the Board of the Company on 4 July 2017. David has over 18 years of experience in the legal and governance sectors. Having begun his legal career in 2 reputable law firms in Malaysia specializing in intellectual property and brand protection law, he then undertook a 5 year government stint in 2004, handling a wide range of legal, administrative and policy matters for the Malaysian Ministry of Youth and Sports and subsequently, the Ministry of Tourism. Having left government service, David returned to the corporate sector by joining British American Tobacco Malaysia in 2010 as its Senior Legal Counsel and was subsequently promoted as Head of Legal and Secretarial Services in 2015.

In June 2017, David assumed his current role as Legal Director and Company Secretary at Dairy Farm Malaysia, a multi banner grocery and health & beauty retail operator in Malaysia and Brunei. In late 2018, David also assumed the role as Legal Director for the Dairy Farm Singapore businesses.

David is currently listed amongst the top 100 General Counsels in the 2018 GC PowerList SouthEast Asia by Legal 500. David holds a Bachelor of Laws (LLB) and Bachelor of Arts (Political Science) from the University of Melbourne, Australia. He is also a licensed Company Secretary with the Companies Commission of Malaysia.

## JOANNE KHOO SU NEE



Joanne Khoo Su Nee was appointed as an Independent and Non-Executive Director of the Company on 26 July 2017. She is currently a Director of Bowmen Capital Private Limited, a company that provides business and management consultancy services. She also serves as an Independent Director of Teho International Inc Ltd. and Excelpoint Technology Ltd, which are companies listed on the Singapore Exchange Securities Trading Limited. Joanne is also an Independent Director at PayLinks Pte Ltd, wholly owned by iPayLinks Limited. She was formerly an Independent Director at Kitchen Culture Holdings Ltd, listed on the Singapore Exchange Securities Trading Limited.

Joanne has more than 23 years of experience in corporate finance and business advisory services. From 2008 to 2012, she was a Director of corporate finance at Canaccord Genuity Singapore Pte. Ltd. (formerly known

as Collins Stewart Pte. Limited). Prior to this, she was involved in a wide range of corporate finance activities in the employment of Phillip Securities Pte Ltd and Hong Leong Finance Limited. From 2000 to 2004, she was with Stone Forest Consulting Pte Ltd where she was involved in providing consultancy services to companies seeking public listings in Singapore. From 1997 to 2000, she was with PricewaterhouseCoopers.

Joanne graduated with a Bachelor of Business in Accountancy from Royal Melbourne Institute of Technology University in 1996. She was admitted as a Certified Public Accountant by the CPA Australia in 1999 and a Chartered Accountant under the Malaysian Institute of Accountants in 2000. She was also a member of the Women Corporate Directors, the world's largest membership organization and community of women corporate board Directors.

## ONG ENG GIN



Ong Eng Gin is currently the Executive Director of Malayan Testing Laboratory Sdn Bhd, a company that provides commercial laboratory testing services and consultancy for the industrial sector. He oversees group commercial and operational activities.

Gin has been serving the family-run business for the last 15 years to date. He is primarily involved in the administrative and development of the business. He spent the last 15 years formulating marketing strategies, brand planning, business-development strategies to drive revenue growth, revamping pricing strategies as well as spearheading

operational improvements to drive productivity and reduce costs. He continues to lead the implementation of expansion strategies regionally. He has extensive experience as well as expertise in the facilitation of import and export of high grade natural rubber in the country.

Gin holds a Bachelor of Computing (Computer Science and Software Development) from Deakin University. He has also graduated from Commonwealth Executive Master of Business Administration (CeMBA) from Wawasan Open University.

## ANGELINE CHIAM

### Interim CEO / Regional Finance Director

Angeline Chiam was appointed as the Interim Chief Executive Officer of the Company on 1 January 2019 while concurrently upholding her role as Regional Finance Director. She has been with the Company since 2010 and played a critical role in getting it successfully listed on the Australian Securities Exchange (“ASX”) in 2015.

Prior to this, she commenced her career with KPMG in the audit services sector.

Angeline was admitted as a Certified Public Accountant by the CPA Australia in 2010 and holds a Bachelor of Commerce from The University of Queensland, Australia.

## DIRECTORS’ MEETINGS

|                              | Board Meetings |   | Audit and Risk Committee Meetings |   | Remuneration Committee Meetings |   |
|------------------------------|----------------|---|-----------------------------------|---|---------------------------------|---|
|                              | A              | B | A                                 | B | A                               | B |
| <b>Director</b>              |                |   |                                   |   |                                 |   |
| Tiah Ewe Tiam <sup>(1)</sup> | 1              | 1 | 1                                 | 1 | -                               | - |
| David Chiam Joy Yeow         | 4              | 4 | 2                                 | 2 | 1                               | 1 |
| Joanne Khoo Su Nee           | 4              | 4 | 2                                 | 2 | 1                               | 1 |
| Ong Eng Gin                  | 2              | 2 | 1                                 | 1 | 1                               | 1 |

**A** - Number of meetings attended.

**B** - Number of meetings held during the time the Director held office during the period.

(1) Tiah Ewe Tiam resigned as Director on 29 May 2019.

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# CORPORATE GOVERNANCE

The Company has adopted systems of control and accountability as the basis for the administration of corporate governance. The Board is committed to administering the Company's policies and procedures with openness and integrity, pursuing the true spirit of corporate governance commensurate with the Company's needs.

To the extent applicable, the Company has adopted the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations ("Recommendations").

The Company's main corporate governance policies and practices as at the date of this annual report are detailed below:

## Board of Directors

The Board is responsible for the corporate governance of the Company. The Board develops strategies for the Company, reviews strategic objectives and monitors performance against those objectives. Clearly articulating the division of responsibilities between the Board and management will help manage expectations and avoid misunderstandings about their respective roles and accountabilities.

**In general, the Board assumes (amongst others) the following responsibilities:**

- a) setting objectives, goals and strategic direction with a view to maximising investor value;
- b) oversight of control and accounting systems;
- c) monitoring investment policies;
- d) approving and monitoring progress of major capital expenditure, capital management, acquisitions and divestments;
- e) preparing annual operating and capital expenditure budgets;
- f) considering financial statements and reports for publication;
- g) monitoring financial performance;
- h) reviewing, ratifying and monitoring systems of risk management, internal compliance and control, codes of conduct, and external compliance;

- i) monitoring financial and other reporting;
- j) monitoring the implementation of business standards and codes of ethical behaviour;
- k) monitoring and approving financial benefits to related parties;
- l) determining the independence of Independent and Non-Executive Directors;
- m) determining the process of evaluation of the performance of the Board, its committees as well as Interim Chief Executive Officer / Regional Finance Director and Chief Operating Officer;
- n) monitoring and evaluating the desirable competencies of the Directors, including the range and experience of the Directors;
- o) considering Board succession planning issues; and
- p) appointing, reviewing and monitoring the independence of the external auditors.

The Company is committed to ensuring that appropriate checks are undertaken before the appointment of a Director and has in place written agreements with each Director which detail the terms of their appointment.

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### Composition of the Board

Election of Board members is substantially the province of the Shareholders in general meeting. The Board currently consists of three Independent and Non-Executive Directors.

As the Company's activities develop in size, nature and scope, the composition of the Board and the implementation of additional corporate governance policies and structures will be reviewed.

### Identification and management of risk

The Board's collective experience will assist in the identification of the principal risks that may affect the Company's business. Key operational risks and their management will be recurring items for deliberation at Board meetings.

### Ethical standards

The Board is committed to the establishment and maintenance of appropriate ethical standards.

### Independent professional advice

The Directors, at the Company's expense, may obtain independent professional advice on issues arising in the course of their duties.

### Remuneration Committee

The remuneration of the Interim Chief Executive Officer/Regional Finance Director and Chief Operating Officer will be decided by the Board following the recommendation of the Remuneration Committee. The Remuneration Committee is currently comprised of all Independent and Non-Executive Directors and is chaired by Independent and Non-Executive Director David Chiam Joy Yeow.

The Articles provide that the Non-Executive Directors will be paid by way of remuneration for their services as Directors a sum not exceeding such fixed sum per annum as may be determined by the Directors prior to the first annual general meeting of the Company or pursuant to a resolution passed at a general meeting of the Company (subject to complying with the Listing Rules and Singaporean law, as applicable). Until a different amount is determined, the amount of the remuneration is AUD\$160,000 per annum. Total remuneration paid to Directors for the year-ended 2019 is SG\$56,837.

### Remuneration Committee (continued)

In addition, subject to any necessary Shareholder approval, a Director may be paid fees or other amounts as the Directors determine where a Director performs special duties or otherwise performs services outside the scope of the ordinary duties of a Director.

Directors are also entitled to be reimbursed reasonable travel and other expenses incurred by them in the course of the performance of their duties as Directors.

The Remuneration Committee is responsible for setting and undertaking the review process for its senior executives and Board. Having completed those reviews, the Remuneration Committee makes recommendations to the Board regarding the Company's remuneration policy in order to ensure that the Company is able to attract and retain executives and Directors who will create value for Shareholders, having regard to the amount considered to be commensurate for an entity of the Company's size and level of activity as well as the relevant Directors' time, commitment and responsibility.

The Remuneration Committee is also responsible for reviewing any employee incentive and equity-based plans including the appropriateness of performance hurdles and total payments proposed.

### Securities trading policy

The Board has adopted a policy that sets out the guidelines on the sale and purchase of securities in the Company by its employees. The policy generally provides that employees must not deal in the Company's securities if in possession of inside information or during specific closed periods and provides the process to follow to seek approval to trade at all other times.

### Diversity policy

The Board values diversity and recognises the benefits it can bring to the organisation's ability to achieve its goals. Accordingly, the Company has set in place a diversity policy.

This policy outlines the Company's diversity objectives in relation to gender, age, cultural background and ethnicity. As at the date of this statement the Board has not developed measurable objectives for achieving diversity but will continue to review its diversity in line with its Diversity Policy.

### Code of Conduct

The Board recognises the need to observe the highest standards of corporate practice and business conduct. Accordingly, the Board has adopted a formal Code of Conduct ("Code") to be followed by all employees (including temporary employees and contractors) and officers.

#### The key aspects of this code are to:

- act with honesty, integrity and fairness in the best interests of the Company;
- act in accordance with all applicable laws, regulations, policies and procedures;
- have responsibility and accountability for individuals for report and investigating reports of unethical practices; and
- other matters including but not limited to ethical conduct, business conduct, confidentiality, privacy, security of information, and conflicts of interest.

### Audit and Risk Committee

The Company has established an Audit and Risk Committee which operates under an Audit and Risk Committee Charter which includes, but is not limited to, monitoring and reviewing any matters of significance affecting financial reporting and compliance, the integrity of the financial reporting of the Company, the Company's internal financial control system and the Company's risk management systems, the identification and management of business, economic, environmental and social sustainability risk and the external audit function. The Audit and Risk Committee is currently comprised of all Independent and Non-Executive Directors and is chaired by Independent and Non-Executive Director Joanne Khoo Su Nee.

### External audit

The Company in general meeting is responsible for the appointment of the external auditors of the Company, and the Board on an annual basis will review the scope, performance and fees of those external auditors following the recommendation from the Audit and Risk Committee.

### Audit and Non-audit fees

The amount of fees paid to the external auditors, in respect of audit and non-audit services for the year under review are as follows:

### Audit and Non-audit fees (continued)

- Audit and assurance-related fees

|  | \$             |
|--|----------------|
| RSM member firms   | 116,387        |
| Other audit firms auditing certain subsidiaries of the Group | 8,298          |
| <b>Total</b>   | <b>124,685</b> |

- Non-audit fees - Nil

### Internal audit

The Company does not have an internal audit function. The Board considers the Audit and Risk Committee and financial control function in conjunction with its risk management policy is sufficient for a Company of its size and complexity.

### Material Exposure to Risk

Recommendation 7.4 is that the Board should disclose whether it has any material exposure to economic, environmental and social sustainability risks and if so, how it manages those risks. The Company believes that the following operational risks are inherent in the industry in which the Company operates, having regard to the Company's circumstances (including financial resources, prospects and size):

- failure to retain existing clients and attract new ones;
- failure to expand into new markets;
- reliance on other social media platforms;
- control by existing shareholders and liquidity of shares;
- prevalence of related party leases;
- joint venture arrangements risk;
- capital required for expansion; and
- decline in growth of internet penetration and usage.

These risk areas are provided here to assist investors to understand better the nature of the risks faced by the Company, and are not necessarily an exhaustive list.

The Interim Chief Executive Officer/Regional Finance Director and Chief Operating Officer have reported and declared in writing to the Board that the Group's management of its material business risks is effective.

### Remuneration Details

The Directors are remunerated based on the provision of services provided to the Company for executive management and for their services as Directors. The Directors' fees are determined by the Board of Directors. Each Non-Executive Director receives a fixed fee for their services as Directors.

The remuneration structure for executive officers, including length of service, particular experience of the individual concerned, and overall performance of the Company. The contracts for service between the Company and Directors and Executives are on a continuing basis the terms of which are not expected to change in the immediate future. Upon retirement, Directors and Executives are paid employee benefit entitlements accrued to date of retirement.

Employment contracts for Directors and Executives stipulate a range of one to three month resignation periods. Termination payments are generally not payable on dismissal for serious misconduct. The Company may terminate an employment contract without cause by providing the appropriate written notice under each contract or making payment in lieu, based upon the individual's remuneration together with a severance benefit.

Names and positions held of consolidated and parent entity key management personnel in office at any time during the financial year are:

| Key Management Person | Position                                     |
|-----------------------|--|
| David Chiam Joy Yeow  | Independent and Non-Executive Director       |
| Joanne Khoo Su Nee    | Independent and Non-Executive Director       |
| Ong Eng Gin           | Independent and Non-Executive Director       |
| Tiah Ewe Tiam         | Non-Executive Director (Retired 29 May 2019) |

### Remuneration Report

The breakdown of remuneration of the Directors of the Group (in percentage term) is set out below:

| Name                 | Fixed salary / Fee |      |
|----------------------|--------------------|------|
|                      | 2019               | 2018 |
| <b>Directors:</b>    |                    |      |
| David Chiam Joy Yeow | 41%                | 29%  |
| Joanne Khoo Su Nee   | 41%                | 29%  |
| Tiah Ewe Tiam        | 14%                | 24%  |
| Ong Eng Gin          | 4%                 | -    |
| Martyn Thomas        | -                  | 18%  |

# 06 | STATEMENT BY DIRECTORS

The Directors of the Company are pleased to present the accompanying financial statements of the Company and of the Group for the reporting year ended 31 December 2019.

## 1. Opinion of the Directors

In the opinion of the Directors,

- a) the accompanying financial statements and the consolidated financial statements are drawn up so as to give a true and fair view of the financial position and performance of the Company and, of the financial position and performance of the Group for the reporting year covered by the financial statements or consolidated financial statements; 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.

The board of Directors approved and authorised these financial statements for issue.

## 2. Directors

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

**Ong Eng Gin** (Appointed on 1 July 2019)

**David Chiam Joy Yeow**

**Joanne Khoo Su Nee**

## 3. Directors' interests in shares and debentures

The Directors of the Company holding office at the end of the reporting year were not interested in shares in or debentures of the Company or other related body corporate as recorded in the register of Directors' shareholdings kept by the Company under section 164 of the Companies Act, Chapter 50 (the "Act").

David Chiam Joy Yeow, Joanne Khoo Su Nee and Ong Eng Gin have no interests in the shares or debentures of the Company and any related body corporates of the Company.

## 4. Arrangements to enable Directors to acquire benefits by means of the acquisition of shares and debentures

Neither at the end of the reporting year nor at any time during the reporting year did there subsist arrangements to which the Company is a party, being arrangements whose objects are, or one of whose objects is, to enable 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.

## 5. Options

During the reporting year, no option to take up unissued shares of the Company or other body corporate in the Group was granted.

During the reporting year, there were no shares issued by virtue of the exercise of an option to take up unissued shares.

At the end of the reporting year, there were no unissued shares under option except for those disclosed in Note 19 of the accompanying financial statements.

## 6. Independent auditor

RSM Chio Lim LLP has expressed their willingness to accept re-appointment.

## 7. Report of audit and risk committee

The members of the audit and risk committee at the date of this report are as follows:

**Joanne Khoo Su Nee** (Chairman of Audit and Risk Committee and Independent and Non-Executive Director)

**David Chiam Joy Yeow** (Independent and Non-Executive Director)

**Ong Eng Gin** (Independent and Non-Executive Director)

The audit and risk committee performs the functions specified by section 201B (5) of the Act. Among other functions, it performed the following:

- a. Reviewed with the independent external auditors their audit plan;
- b. Reviewed with the independent external auditors their evaluation of the Company's internal accounting controls that are relevant to their statutory audit, their report on the financial statements and the assistance given by the management to them;
- c. Reviewed the financial statements of the Group and the Company prior to their submission to the board of Directors of the Company for adoption; and
- d. Reviewed the interested person transactions.

Other functions performed by the audit and risk committee are described in the corporate governance report included in the annual report of the Company. It also includes an explanation of how the independent auditor's objectivity and independence is safeguarded where the independent auditor provides non-audit services.

The audit and risk committee has recommended to the board of Directors that RSM Chio Lim LLP be nominated for re-appointment as the independent auditor at the next annual general meeting of the Company.

## 8. Directors' opinion on the adequacy of internal controls

Based on the internal controls established and maintained by the Company, work performed by the external auditors, and reviews performed by management, other committees of the board, the audit and risk committee and the board are of the opinion that the Company's internal controls, addressing financial, operational and compliance risks, are adequate as at the end of the reporting year 31 December 2019.

## 9. Subsequent developments

There are no significant developments subsequent to the release of the Group's and the Company's preliminary financial statements, as announced on 28 February 2020, which would materially affect the Group's and the Company's operating and financial performance as of the date of this report.

On behalf of the Directors



.....  
Joanne Khoo Su Nee  
Director



.....  
David Chiam Joy Yeow  
Director

27 March 2020

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**INDEPENDENT  
AUDITOR'S REPORT  
TO THE MEMBERS OF  
NETCCENTRIC LIMITED**

**RSM Chio Lim LLP**

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Wilkie Edge, Singapore 228095

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www.RSMSingapore.sg

# INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF NETCCENTRIC LIMITED

## REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

### Opinion

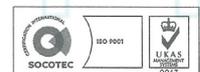
We have audited the accompanying financial statements of Netccentric Limited (the "Company") and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position of the Group and the statement of financial position of the Company as at 31 December 2019, and the consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows of the Group, and statement of changes in equity of the Company for the reporting year then ended, and notes to the financial statements, including accounting policies.

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

RSM Chio Lim LLP is a member of the RSM network and trades as RSM. RSM is the trading name used by the members of the RSM network. Each member of the RSM network is an independent accounting and consulting firm which practices in its own right. The RSM network is not itself a separate legal entity in any jurisdiction.



**Business Advisors to Growing Businesses**

# INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF NETCENTRIC LIMITED

## Key audit matters

### **Impairment of cost of investment and net receivables due from subsidiaries**

Refer to Notes 2A and 2C for the relevant accounting policy and the critical judgements, assumptions and estimation uncertainties used in impairment assessment of cost of investments in subsidiaries and amount due from subsidiaries at the reporting year end. Refer to Notes 13 and 15 for the investments in subsidiaries and amounts due from subsidiaries respectively.

The net cost of investment in subsidiaries and amount due from subsidiaries amounted to \$218,719 and \$326,038 respectively as at 31 December 2019. The net carrying amount of the investments and receivables accounted for 26% of the Company's total assets as at the end of the financial year. As the balances are significant, they are a key focus area for our audit.

For the non-performing subsidiaries or if they have significant negative equity balances, the Company will have exposure to loss on investments cost and amount due from the subsidiaries. Any impairment losses on the investments in subsidiaries and the related receivables from these subsidiaries have to be recognised in the Company's separate financial statements.

Management made a comparison of carrying values of the subsidiaries with the Company's share of net assets or liabilities of the subsidiaries to identify indications of impairment loss on these investments and related receivables. A total exposure of \$272,015 was considered. This amount comprised \$272,015 impairment of net receivables from subsidiaries. The total impairment loss allowance for the year was \$272,015.

We have reviewed and considered management's assessment on the net assets or liabilities of these subsidiaries. We have also assessed management's basis to determine potential impairment in both financial and non-financial assets of these subsidiaries. We also had discussions with management on the prospects and future plans of these subsidiaries.

We have also assessed the adequacy of the disclosures made in the financial statements.

### **Other information**

Management is responsible for the other information. The other information comprises the information included in the statement by Directors and the annual report, but does not include the financial statements and our auditor's report thereon.

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

In connection with our audit of the financial statements, 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 a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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# INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF NETCCENTRIC LIMITED

## 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 the financial reporting standards, 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:

- a) 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.
- b) 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.
- c) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- d) 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.
- e) 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.

# INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF NETCENTRIC LIMITED

## Auditor's responsibilities for the audit of the financial statements (continued)

- f) 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.

We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

## 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 auditor's report is Paul Lee Seng Meng.



RSM Chio Lim LLP  
Public Accountants and  
Chartered Accountants  
Singapore

27 March 2020

Engagement partner - effective from year ended 31 December 2016

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**CONSOLIDATED  
STATEMENT OF  
PROFIT OR LOSS  
AND OTHER  
COMPREHENSIVE  
INCOME**

# CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year Ended 31 December 2019

|   | Notes | Group       |             |
|---|-------|-------------|-------------|
|   |       | 2019        | 2018        |
|   |       | \$          | \$          |
| <b>Revenue</b>  | 5     | 7,274,194   | 8,791,884   |
| Cost of sales   |       | (3,788,706) | (4,735,752) |
| <b>Gross profit</b>   |       | 3,485,488   | 4,056,132   |
| Interest income   |       | 14,970      | 53,189      |
| Other gains   | 6     | 105,177     | 210,404     |
| Finance costs   | 7     | (11,467)    | (14,177)    |
| Administrative and operating expenses                                 | 8     | (3,759,324) | (4,923,695) |
| Other losses  | 6     | (68,167)    | (267,337)   |
| Share of profit (loss) from equity-accounted associates               | 14    | 87,708      | (42,168)    |
| <b>Loss before income tax</b>   |       | (145,615)   | (927,652)   |
| Income tax expense  | 9     | (89,042)    | (122,588)   |
| <b>Loss, net of tax</b>   |       | (234,657)   | (1,050,240) |
| <b>Other comprehensive income (loss):</b>                             |       |             |             |
| <b>Items that may be reclassified subsequently to profit or loss:</b> |       |             |             |
| Exchange differences on translating foreign operations, net of tax    |       | 13,655      | (65,688)    |
| <b>Other comprehensive income (loss), net of tax</b>                  |       | 13,655      | (65,688)    |
| <b>Total comprehensive loss</b>                                       |       | (221,002)   | (1,115,928) |
| <b>Loss for the year, net of tax attributable to:</b>                 |       |             |             |
| Owners of the parent  |       | (319,880)   | (1,340,604) |
| Non-controlling interests   |       | 85,223      | 290,364     |
|   |       | (234,657)   | (1,050,240) |
| <b>Total comprehensive loss for the year attributable to:</b>         |       |             |             |
| Owners of the parent  |       | (306,079)   | (1,406,290) |
| Non-controlling interests   |       | 85,077      | 290,362     |
|   |       | (221,002)   | (1,115,928) |
| <b>Loss per share:</b>  |       |             |             |
| Basic and diluted loss per share (cents)                              | 10    | (0.12)      | (0.51)      |

The accompanying notes form an integral part of these financial statements.

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# STATEMENTS OF **FINANCIAL POSITION**

# STATEMENTS OF FINANCIAL POSITION

As at 31 December 2019

|                                 | Notes | Group            |                  | Company          |                  |
|---------------------------------|-------|------------------|------------------|------------------|------------------|
|                                 |       | 2019             | 2018             | 2019             | 2018             |
|                                 |       | \$               | \$               | \$               | \$               |
| <b>ASSETS</b>                   |       |                  |                  |                  |                  |
| <b>Non-current assets</b>       |       |                  |                  |                  |                  |
| Plant and equipment             | 11    | 446,806          | 247,185          | -                | -                |
| Intangible assets               | 12    | 74,974           | 74,974           | -                | -                |
| Investments in subsidiaries     | 13    | -                | -                | 218,719          | 375,883          |
| Investments in associates       | 14    | 154,591          | 83,461           | 16,932           | 16,932           |
| Deferred tax assets             | 9     | 691              | -                | -                | -                |
| <b>Total non-current assets</b> |       | <b>677,062</b>   | <b>405,620</b>   | <b>235,651</b>   | <b>392,815</b>   |
| <b>Current assets</b>           |       |                  |                  |                  |                  |
| Trade and other receivables     | 15    | 1,871,005        | 2,469,912        | 468,796          | 501,346          |
| Other assets                    | 16    | 128,848          | 164,746          | 12,411           | 14,782           |
| Cash and cash equivalents       | 17    | 3,135,870        | 3,747,554        | 1,399,128        | 1,732,447        |
| <b>Total current assets</b>     |       | <b>5,135,723</b> | <b>6,382,212</b> | <b>1,880,335</b> | <b>2,248,575</b> |
| <b>Total assets</b>             |       | <b>5,812,785</b> | <b>6,787,832</b> | <b>2,115,986</b> | <b>2,641,390</b> |

The accompanying notes form an integral part of these financial statements.

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# STATEMENTS OF FINANCIAL POSITION

(continued)

|  | Notes | Group            |                  | Company          |                  |
|--|-------|------------------|------------------|------------------|------------------|
|  |       | 2019             | 2018             | 2019             | 2018             |
|  |       | \$               | \$               | \$               | \$               |
| <b>EQUITY AND LIABILITIES</b>                      |       |                  |                  |                  |                  |
| <b>Equity</b>                                      |       |                  |                  |                  |                  |
| Share capital                                      | 18    | 13,797,086       | 13,797,086       | 13,797,086       | 13,797,086       |
| Accumulated losses                                 |       | (9,936,696)      | (9,616,816)      | (12,483,800)     | (11,932,310)     |
| Share option reserve                               | 19    | 228,000          | 228,000          | 228,000          | 228,000          |
| Foreign currency translation reserves              | 20    | (392,465)        | (417,892)        | -                | -                |
| <b>Equity attributable to owners of the parent</b> |       | <b>3,695,925</b> | <b>3,990,378</b> | <b>1,541,286</b> | <b>2,092,776</b> |
| Non-controlling interests                          |       | 606,614          | 739,683          | -                | -                |
| <b>Total equity</b>                                |       | <b>4,302,539</b> | <b>4,730,061</b> | <b>1,541,286</b> | <b>2,092,776</b> |
| <b>Non-current liabilities</b>                     |       |                  |                  |                  |                  |
| Deferred tax liabilities                           | 9     | 7,433            | 503              | -                | -                |
| Lease liabilities, non-current                     | 23    | 115,555          | -                | -                | -                |
| Other financial liabilities, non-current           | 24    | -                | 32,730           | -                | -                |
| <b>Total non-current liabilities</b>               |       | <b>122,988</b>   | <b>33,233</b>    | <b>-</b>         | <b>-</b>         |
| <b>Current liabilities</b>                         |       |                  |                  |                  |                  |
| Income tax payable                                 |       | 17,345           | 32,791           | -                | -                |
| Trade and other payables                           | 21    | 1,228,687        | 1,908,310        | 574,700          | 548,614          |
| Other liabilities                                  | 22    | 25,696           | 69,435           | -                | -                |
| Lease liabilities, current                         | 23    | 115,530          | -                | -                | -                |
| Other financial liabilities, current               | 24    | -                | 14,002           | -                | -                |
| <b>Total current liabilities</b>                   |       | <b>1,387,258</b> | <b>2,024,538</b> | <b>574,700</b>   | <b>548,614</b>   |
| <b>Total liabilities</b>                           |       | <b>1,510,246</b> | <b>2,057,771</b> | <b>574,700</b>   | <b>548,614</b>   |
| <b>Total equity and liabilities</b>                |       | <b>5,812,785</b> | <b>6,787,832</b> | <b>2,115,986</b> | <b>2,641,390</b> |

The accompanying notes form an integral part of these financial statements.

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# STATEMENTS OF CHANGES IN EQUITY

# STATEMENTS OF CHANGES IN EQUITY

## Year Ended 31 December 2019

|   | Total equity     | Attributable to parent sub-total | Share capital     | Accumulated losses | Share option reserves | Foreign currency translation reserves | Non-controlling interests |
|---|------------------|----------------------------------|-------------------|--------------------|-----------------------|---------------------------------------|---------------------------|
|   | \$               | \$                               | \$                | \$                 | \$                    | \$                                    | \$                        |
| <b>Group:</b>   |                  |                                  |                   |                    |                       |                                       |                           |
| <b>Current year:</b>  |                  |                                  |                   |                    |                       |                                       |                           |
| Balance at 1 January 2019   | 4,730,061        | 3,990,378                        | 13,797,086        | (9,616,816)        | 228,000               | (417,892)                             | 739,683                   |
| <b>Changes in equity:</b>   |                  |                                  |                   |                    |                       |                                       |                           |
| Total comprehensive loss for the year   | (221,002)        | (306,079)                        | -                 | (319,880)          | -                     | 13,801                                | 85,077                    |
| Disposal of subsidiaries with change in control (Note 28)                       | (182,752)        | 11,626                           | -                 | -                  | -                     | 11,626                                | (194,378)                 |
| Dividend paid to non-controlling interests                                      | (23,768)         | -                                | -                 | -                  | -                     | -                                     | (23,768)                  |
| <b>Balance at 31 December 2019</b>  | <b>4,302,539</b> | <b>3,695,925</b>                 | <b>13,797,086</b> | <b>(9,936,696)</b> | <b>228,000</b>        | <b>(392,465)</b>                      | <b>606,614</b>            |
| <b>Previous year:</b>   |                  |                                  |                   |                    |                       |                                       |                           |
| Balance at 1 January 2018   | 5,612,947        | 5,286,760                        | 13,797,086        | (8,394,418)        | 228,000               | (343,908)                             | 326,187                   |
| <b>Changes in equity:</b>   |                  |                                  |                   |                    |                       |                                       |                           |
| Total comprehensive loss for the year   | (1,115,928)      | (1,406,290)                      | -                 | (1,340,604)        | -                     | (65,686)                              | 290,362                   |
| Acquisition of a non-controlling interest without a change of control (Note 27) | 297,131          | 109,908                          | -                 | 118,206            | -                     | (8,298)                               | 187,223                   |
| Disposal of subsidiaries with change in control (Note 28)                       | 135,104          | -                                | -                 | -                  | -                     | -                                     | 135,104                   |
| Dividend paid to non-controlling interests                                      | (199,193)        | -                                | -                 | -                  | -                     | -                                     | (199,193)                 |
| <b>Balance at 31 December 2018</b>  | <b>4,730,061</b> | <b>3,990,378</b>                 | <b>13,797,086</b> | <b>(9,616,816)</b> | <b>228,000</b>        | <b>(417,892)</b>                      | <b>739,683</b>            |

The accompanying notes form an integral part of these financial statements.

# STATEMENTS OF CHANGES IN EQUITY

(continued)

|  | Total equity     | Share capital     | Share option reserves | Accumulated losses  |
|--|------------------|-------------------|-----------------------|---------------------|
|  | \$               | \$                | \$                    | \$                  |
| <b>Company:</b>                            |                  |                   |                       |                     |
| <b>Current year:</b>                       |                  |                   |                       |                     |
| Opening balance at 1 January 2019          | 2,092,776        | 13,797,086        | 228,000               | (11,932,310)        |
| <b>Movements in equity:</b>                |                  |                   |                       |                     |
| Total comprehensive loss for the year      | (551,490)        | -                 | -                     | (551,490)           |
| <b>Closing balance at 31 December 2019</b> | <b>1,541,286</b> | <b>13,797,086</b> | <b>228,000</b>        | <b>(12,483,800)</b> |
| <b>Previous year:</b>                      |                  |                   |                       |                     |
| Opening balance at 1 January 2018          | 3,138,289        | 13,797,086        | 228,000               | (10,886,797)        |
| <b>Movements in equity:</b>                |                  |                   |                       |                     |
| Total comprehensive loss for the year      | (1,045,513)      | -                 | -                     | (1,045,513)         |
| <b>Closing balance at 31 December 2018</b> | <b>2,092,776</b> | <b>13,797,086</b> | <b>228,000</b>        | <b>(11,932,310)</b> |

The accompanying notes form an integral part of these financial statements.

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# CONSOLIDATED STATEMENT OF CASH FLOWS

# CONSOLIDATED STATEMENT OF CASH FLOWS

## Year Ended 31 December 2019

|   | Group     |             |
|---|-----------|-------------|
|   | 2019      | 2018        |
|   | \$        | \$          |
| <b>Cash flows from operating activities</b>           |           |             |
| Loss before tax                                       | (145,615) | (927,652)   |
| Adjustments for:                                      |           |             |
| Depreciation of plant and equipment                   | 101,498   | 121,996     |
| Depreciation of right-of-use-assets                   | 110,750   | -           |
| Loss on disposal and strike off of subsidiaries       | 52,534    | 135,104     |
| Write off of plant and equipment                      | 6,827     | 17,561      |
| Gain on disposal of plant and equipment               | (6,909)   | -           |
| Share of (profit) loss from associate                 | (87,708)  | 42,168      |
| Interest income                                       | (14,970)  | (53,189)    |
| Interest expenses                                     | 11,467    | 14,177      |
| Operating cash flow before changes in working capital | 27,874    | (649,835)   |
| Other assets  | 23,627    | (35,963)    |
| Trade and other receivables                           | 147,017   | 255,852     |
| Trade and other payables                              | (275,269) | (285,474)   |
| Other liabilities                                     | (43,739)  | 9,812       |
| Net cash used in operations                           | (120,490) | (705,608)   |
| Income taxes recovered (paid)                         | 29,168    | (349,400)   |
| Net cash used in operating activities                 | (91,322)  | (1,055,008) |
| <b>Cash flows from investing activities</b>           |           |             |
| Acquisition of subsidiaries, net of cash (Note 27)    | -         | *           |
| Dividend from associate                               | 16,578    | 32,362      |
| Interest received                                     | 14,970    | 53,189      |
| Proceeds from disposal of plant and equipment         | 12,360    | -           |
| Purchase of plant and equipment (Notes 11)            | (128,087) | (76,263)    |
| Disposal of subsidiaries (Note 28)                    | (232,447) | -           |
| Net cash (used in)/from investing activities          | (316,626) | 9,288       |

(\*) Amount is less than S\$1.

The accompanying notes form an integral part of these financial statements.

# CONSOLIDATED STATEMENT OF CASH FLOWS

(continued)

|   | Group            |                  |
|---|------------------|------------------|
|   | 2019             | 2018             |
|   | \$               | \$               |
| <b>Cash flows from financing activities</b>   |                  |                  |
| Dividend paid to non-controlling interests  | (23,768)         | (199,193)        |
| Lease liabilities - principal portion paid  | (115,839)        | -                |
| Repayment of other financial liabilities  | -                | (13,153)         |
| Movements in amount due to Director   | (92)             | (42,734)         |
| Movements in amount due to shareholder  | 6,224            | (254,421)        |
| Movements in amounts due to/from related parties                                    | (74,130)         | 160,831          |
| Interest paid   | (11,467)         | (14,177)         |
| Net cash used in financing activities   | (219,072)        | (362,847)        |
| <b>Net decrease in cash and cash equivalents</b>                                    | (627,020)        | (1,408,567)      |
| Cash and cash equivalents, statement of cash flows, beginning balance               | 3,747,554        | 5,218,143        |
| Effects of currency translation on cash and cash equivalent                         | 15,336           | (62,022)         |
| <b>Cash and cash equivalents, statement of cash flows, ending balance (Note 17)</b> | <b>3,135,870</b> | <b>3,747,554</b> |

The accompanying notes form an integral part of these financial statements.

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**NOTES TO THE  
FINANCIAL  
STATEMENTS**

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2019

## 1. General

The Company is incorporated in Singapore with limited liability. The financial statements are presented in Singapore dollars and they cover the Company (referred to as "parent") and its subsidiaries (referred to as "Group").

The board of Directors approved and authorised these financial statements for issue on the date of the statement by Directors. The Directors have the power to amend and reissue the financial statements.

The principal activities of the Company are those of investment holding. The principal activities of its subsidiaries are described in Note 13 below.

The Company is listed on the Australian Securities Exchange ("ASX").

The registered office is 18 Roberts Lane, #04-01 Goodland Building Singapore 218297. The Company is situated in Singapore.

### Statement of compliance with financial reporting standards

These financial statements have been prepared in accordance with the Singapore Financial Reporting Standards ("FRSs") and the related interpretations to FRS ("INT FRS") as issued by the Singapore Accounting Standards Council. They are in compliance with the provisions of the Companies Act, Chapter 50.

### Accounting convention

The financial statements are prepared on a going concern basis under the historical cost convention except where a financial reporting standard requires an alternative treatment (such as fair values) as disclosed where appropriate in these financial statements. The accounting policies in the financial reporting standards may not be applied when the effect of applying them is not material. The disclosures required by financial reporting standards may not be provided if the information resulting from that disclosure is not material.

### Basis of preparation of the financial statements

The preparation of financial statements in conformity with generally accepted accounting principles requires the management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting year. Actual results could differ from those estimates. The estimates and assumptions are reviewed on an ongoing basis. Apart from those involving estimations, management has made judgements in the process of applying the entity's accounting policies. The areas requiring management's most difficult, subjective or complex judgements, or areas where assumptions and estimates are significant to the financial statements, are disclosed at the end of this footnote, where applicable.

### Basis of presentation

The consolidated financial statements include the financial statements made up to the end of the reporting year of the Company and all of its subsidiaries. The consolidated financial statements are the financial statements of the Group (the parent and its subsidiaries) presented as those of a single economic entity and are prepared using uniform accounting policies for like transactions and other events in similar circumstances. All significant intragroup balances and transactions are eliminated on consolidation. Subsidiaries are consolidated from the date the reporting entity obtains control of the investee and cease when the reporting entity loses control of the investee.

## 1. General (continued)

### Basis of presentation (continued)

Changes in the Group's ownership interest in a subsidiary that do not result in the loss of control are accounted for within equity as transactions with owners in their capacity as owners. The carrying amounts of the Group's and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. When the Group loses control of a subsidiary it derecognises the assets and liabilities and related equity components of the former subsidiary. Any gain or loss is recognised in profit or loss. Any investment retained in the former subsidiary is measured at fair value at the date when control is lost and is subsequently accounted as equity investments financial assets in accordance with the financial reporting standard on financial instruments.

The Company's separate financial statements have been prepared on the same basis, and as permitted by the Companies Act, Chapter 50, the Company's separate statement of profit or loss and other comprehensive income is not presented.

The Group continued to incur losses in the current reporting year. The financial position of the entity, its cash flows, liquidity position and borrowings are described in the notes to the financial position. In addition, the notes to the financial statements include the objectives, policies and processes for managing capital, financial risk management objectives, details of financial instruments and its exposure to credit risk and liquidity risk. The entity has net current assets of \$3,734,908, including cash and cash equivalents of \$3,135,870 as at 31 December 2019. Taking into consideration operational plans of the Group for 2020, the management has a reasonable expectation that the entity has adequate resources to continue in operational existence for the foreseeable future. Accordingly, the management continues to adopt the going concern basis in preparing the financial statements.

## 2. Significant accounting policies and other explanatory information

### 2A. Significant accounting policies

#### Revenue recognition

The financial reporting standard on revenue from contracts with customers establishes a five-step model to account for revenue arising from contracts with customers. Revenue is recognised at an amount that reflects the consideration to which the entity expects to be entitled in exchange for transferring goods or services to a customer (which excludes estimates of variable consideration that are subject to constraints, such as right of return exists, trade discounts, volume rebates and changes to the transaction price arising from modifications), net of any related sales taxes and excluding any amounts collected on behalf of third parties. An asset (goods or services) is transferred when or as the customer obtains control of that asset. As a practical expedient the effects of any significant financing component is not adjusted if the payment for the good or service will be within one year.

Distinct goods or services created over time – For long-term service contracts and projects for constructing, manufacturing or developing an asset the customer value is created over time during the contract period and it is accounted for as a single performance obligation that is satisfied over time. This is because the customer simultaneously receives and consumes the benefits of the entity's performance in processing each transaction as and when each transaction is processed; the performance creates or enhances an asset (for example, work in progress) that the customer controls as the asset is created or enhanced; or the performance does not create an asset with an alternative use to the entity and the entity has an enforceable right to payment for performance completed to date. The revenue is recognised over time by using the output method.

## 2. Significant accounting policies and other explanatory information (continued)

### 2A. Significant accounting policies (continued)

#### Revenue recognition (continued)

For the output method the revenue is recognised on the basis of direct measurements of the value to the customer of the goods or services transferred to date relative to the remaining goods or services promised under the contract. Output methods include methods such as milestones reached. For the output method, as a practical expedient for a performance obligation satisfied over time, if the entity has a right to invoice the customer at an amount that corresponds directly with the value to the customer of the entity's performance to date, revenue is recognised at that amount (for example, in a goods or services contract an entity may have the right to bill a fixed amount for each unit of goods or service provided).

#### Other income

Interest income is recognised using the effective interest method.

#### Government grants

Government grants are recognised at fair value when there is reasonable assurance that the conditions attaching to them will be complied with and that the grants will be received. Grants in recognition of specific expenses are recognised in profit or loss on a systematic basis over the periods necessary to match them with the related costs that they are intended to compensate. The grant related to assets is presented in the statement of financial position by recognising the grant as deferred income that is recognised in profit or loss on a systematic basis over the useful life of the asset and in the proportions in which depreciation expense on those assets is recognised.

#### Employee benefits

Contributions to a defined contribution retirement benefit plan are recorded as an expense as they fall due. The entity's legal or constructive obligation is limited to the amount that it is obligated to contribute for the Singapore employees to an independently administered fund (such as the Central Provident Fund in Singapore, a government managed defined contribution retirement benefit plan). Certain subsidiaries overseas have defined contribution retirement benefit plans in which employees are entitled to join upon fulfilling certain conditions. The assets of the fund may or may not be held separately from those of the entity in an independently administered fund. The entity contributes an amount equal to a fixed percentage of the salary of each participating employee.

For employee leave entitlement the expected cost of short-term employee benefits in the form of compensated absences is recognised in the case of accumulating compensated absences, when the employees render service that increases their entitlement to future compensated absences; and in the case of non-accumulating compensated absences, when the absences occur.

A liability for bonuses is recognised where the entity is contractually obliged or where there is constructive obligation based on past practice.

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## 2. Significant accounting policies and other explanatory information (continued)

### 2A. Significant accounting policies (continued)

#### Share-based compensation

For the equity-settled share-based compensation transactions, the fair value of the share options is recognised as an expense. The total amount to be expensed on a straight-line basis over the vesting period is measured by reference to the fair value of the options granted ignoring the effect of non-market conditions such as profitability and sales growth targets. Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. The fair value is measured using a relevant option pricing model. The expected lives used in the model are adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations. At each end of the reporting year, a revision is made of the number of options that are expected to become exercisable. It recognises the impact of the revision of original estimates, if any, in profit or loss with a corresponding adjustment to equity.

#### Borrowing costs

Borrowing costs are interest and other costs incurred in connection with the borrowing of funds and are recognised as an expense in the period in which they are incurred. Interest expense is calculated using the effective interest rate method.

#### Foreign currency transactions

The functional currency is the Singapore dollar as it reflects the primary economic environment in which the entity operates. Transactions in foreign currencies are recorded in the functional currency at the rates ruling at the dates of the transactions. At each end of the reporting year, recorded monetary balances and balances measured at fair value that are denominated in non-functional currencies are reported at the rates ruling at the end of the reporting year and fair value measurement dates respectively. All realised and unrealised exchange adjustment gains and losses are dealt with in profit or loss except when a gain or loss on a non-monetary item is recognised in other comprehensive income, any exchange component of that gain or loss is recognised in other comprehensive income. The presentation is in the functional currency.

#### Translation of financial statements of other entities

Each entity in the Group determines the appropriate functional currency as it reflects the primary economic environment in which the relevant reporting entity operates. In translating the financial statements of such an entity for incorporation in the combined financial statements in the presentation currency the assets and liabilities denominated in other currencies are translated at end of the reporting year rates of exchange and income and expense items for each statement presenting other comprehensive income are translated at average rates of exchange for the reporting year. The resulting translation adjustments (if any) are recognised in other comprehensive income and accumulated in a separate component of equity until the disposal of that relevant reporting entity.

## 2. Significant accounting policies and other explanatory information (continued)

### 2A. Significant accounting policies (continued)

#### Income tax

The income taxes are accounted using the asset and liability method that requires the recognition of taxes payable or refundable for the current year and deferred tax liabilities and assets for the future tax consequence of events that have been recognised in the financial statements or tax returns. The measurements of current and deferred tax liabilities and assets are based on provisions of the enacted or substantially enacted tax laws; the effects of future changes in tax laws or rates are not anticipated. Tax expense (tax income) is the aggregate amount included in the determination of profit or loss for the reporting year in respect of current tax and deferred tax. Current and deferred income taxes are recognised as income or as an expense in profit or loss unless the tax relates to items that are recognised in the same or a different period outside profit or loss. For such items recognised outside profit or loss the current tax and deferred tax are recognised (a) in other comprehensive income if the tax is related to an item recognised in other comprehensive income and (b) directly in equity if the tax is related to an item recognised directly in equity. Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same income tax authority. The carrying amount of deferred tax assets is reviewed at each end of the reporting year and is reduced, if necessary, by the amount of any tax benefits that, based on available evidence, are not expected to be realised. A deferred tax amount is recognised for all temporary differences, unless the deferred tax amount arises from the initial recognition of an asset or liability in a transaction which (i) is not a business combination; and (ii) at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss).

A deferred tax liability or asset is recognised for all taxable temporary differences associated with investments in subsidiaries and associates except where the reporting entity is able to control the timing of the reversal of the taxable temporary difference and it is probable that the taxable temporary difference will not reverse in the foreseeable future or for deductible temporary differences, they will not reverse in the foreseeable future and they cannot be utilised against taxable profits.

#### Subsidiaries

A subsidiary is an entity including unincorporated and special purpose entity that is controlled by the reporting entity and the reporting entity is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. The existence and effect of substantive potential voting rights that the reporting entity has the practical ability to exercise (that is, substantive rights) are considered when assessing whether the reporting entity controls another entity.

In the reporting entity's separate financial statements, an investment in a subsidiary is accounted for at cost less any allowance for impairment in value. Impairment loss recognised in profit or loss for a subsidiary 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. The carrying value and the net book value of the investment in a subsidiary are not necessarily indicative of the amount that would be realised in a current market exchange.

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## 2. Significant accounting policies and other explanatory information (continued)

### 2A. Significant accounting policies (continued)

#### Associates

An associate is an entity including an unincorporated entity in which the reporting entity has a significant influence and that is neither a subsidiary nor a joint arrangement of the reporting entity. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies. An investment in an associate includes goodwill on acquisition, which is accounted for in accordance with the financial reporting standard on business combinations. However the entire carrying amount of the investment is tested under the financial reporting standard on impairment, by comparing its recoverable amount (higher of value in use and fair value) with its carrying amount, whenever application of the requirements in the financial reporting standard on financial instruments indicates that the investment may be impaired.

In the consolidated financial statements, the accounting for investments in an associate is on the equity method. Under the equity method the investment is initially recognised at cost and adjusted thereafter for the post-acquisition change in the investor's share of the investee's net assets. The carrying value and the net book value of the investment in the associate are not necessarily indicative of the amounts that would be realised in a current market exchange. The investor's profit or loss includes its share of the investee's profit or loss and the investor's other comprehensive income includes its share of the investee's other comprehensive income. Losses of an associate in excess of the reporting entity's interest in the relevant associate are not recognised except to the extent that the reporting entity has an obligation. Profits and losses resulting from transactions between the reporting entity and an associate are recognised in the financial statements only to the extent of unrelated reporting entity's interests in the associate. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates are changed where necessary to ensure consistency with the policies adopted by the reporting entity. The reporting entity discontinues the use of the equity method from the date that when its investment ceases to be an associate and accounts for the investment in accordance with the financial reporting standard on financial instruments from that date. Any gain or loss is recognised in profit or loss. Any investment retained in the former associate is measured at fair value at the date that it ceases to be an associate.

In the Company's separate financial statements, an investment in an associate is accounted for at cost less any allowance for impairment in value. Impairment loss recognised in profit or loss for an associate 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. The carrying value and the net book value of an investment in the associate are not necessarily indicative of the amounts that would be realised in a current market exchange.

## 2. Significant accounting policies and other explanatory information (continued)

### 2A. Significant accounting policies (continued)

#### Business combinations

A business combination is a transaction or other event which requires that the assets acquired and liabilities assumed constitute a business. It is accounted for by applying the acquisition method of accounting. The cost of a business combination includes the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the acquirer, in exchange for control of the acquiree. The acquisition-related costs are expensed in the periods in which the costs are incurred and the services are received except for any costs to issue debt or equity securities are recognised in accordance with the financial reporting standard on financial instruments. As of the acquisition date, the acquirer recognises, separately from goodwill, the identifiable assets acquired, the liabilities assumed and any non-controlling interest in the acquiree measured at acquisition-date fair values as defined in and that meet the conditions for recognition under the financial reporting standard on business combinations. If there is gain on bargain purchase, for the gain on bargain purchase a reassessment is made of the identification and measurement of the acquiree's identifiable assets, liabilities and contingent liabilities and the measurement of the cost of the business combination and any excess remaining after this reassessment is recognised immediately in profit or loss.

#### Non-controlling interests

The non-controlling interest is equity in a subsidiary not attributable, directly or indirectly, to the reporting entity as the parent. The non-controlling interest is presented in the consolidated statement of financial position within equity, separately from the equity of the owners of the parent. For each business combination, any non-controlling interest in the acquiree (subsidiary) is initially measured either at fair value or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets. Where the non-controlling interest is measured at fair value, the valuation techniques and key model inputs used are disclosed in the relevant Note. Profit or loss and each component of other comprehensive income are attributed to the owners of the parent and to the non-controlling interests. Total comprehensive income is attributed to the owners of the parent and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

#### Goodwill

Goodwill is an asset representing the future economic benefits arising from other assets acquired in a business combination that are not individually identified and separately recognised. Goodwill is recognised as of the acquisition date measured as the excess of (a) over (b); (a) being the aggregate of: (i) the consideration transferred which generally requires acquisition-date fair value; (ii) the amount of any non-controlling interest in the acquiree measured in accordance with the financial reporting standard on business combinations (measured either at fair value or as the non-controlling interest's proportionate share of the acquiree's net identifiable assets); and (iii) in a business combination achieved in stages, the acquisition-date fair value of the acquirer's previously held equity interest in the acquiree; and (b) being the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed measured in accordance with the financial reporting standard on business combinations.

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## 2. Significant accounting policies and other explanatory information (continued)

### 2A. Significant accounting policies (continued)

#### Goodwill (continued)

After initial recognition, goodwill acquired in a business combination is measured at cost less any accumulated impairment losses. Goodwill is not amortised. Irrespective of whether there is any indication of impairment, goodwill and also any intangible asset with an indefinite useful life or any intangible asset not yet available for use are tested for impairment at least annually. Goodwill impairment is not reversed in any circumstances.

For the purpose of impairment testing and since the acquisition date of the business combination, goodwill is allocated to each cash-generating unit, or groups of cash-generating units that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the acquiree were assigned to those units or groups of units. Each unit or group of units to which the goodwill is so allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes and is not larger than a segment.

#### Plant and equipment

Plant and equipment are carried at cost on initial recognition and after initial recognition at cost less any accumulated depreciation and any accumulated impairment losses. Depreciation is provided on a straight-line basis to allocate the gross carrying amounts of the assets less their residual values over their estimated useful lives of each part of an item of these assets. The useful lives are as follows:

|                        |   |              |
|------------------------|---|--------------|
| Computer equipment     | - | 1 - 5 years  |
| Furniture and fittings | - | 1 - 10 years |
| Office equipment       | - | 1 - 10 years |
| Production equipment   | - | 3 years      |
| Motor vehicles         | - | 5 years      |
| Renovation             | - | 10 years     |
| Right-of-use assets    | - | 3 - 5 years  |

An asset is depreciated when it is available for use until it is derecognised even if during that period the item is idle. Fully depreciated assets still in use are retained in the financial statements.

The gain or loss arising from the derecognition of an item of plant and equipment is measured as the difference between the net disposal proceeds, if any, and the carrying amount of the item and is recognised in profit or loss. The residual value and the useful life of an asset is reviewed at least at each end of the reporting year and, if expectations differ significantly from previous estimates, the changes are accounted for as a change in an accounting estimate, and the depreciation charge for the current and future periods are adjusted.

Cost also includes acquisition cost, borrowing cost capitalised and any cost directly attributable to bringing the asset or component to the location and condition necessary for it to be capable of operating in the manner intended by management. Subsequent costs are recognised as an asset only when it is probable that future economic benefits associated with the item will flow to the entity and the cost of the item can be measured reliably. All other repairs and maintenance are charged to profit or loss when they are incurred.

## 2. Significant accounting policies and other explanatory information (continued)

### 2A. Significant accounting policies (continued)

#### Right-of-use assets

The right-of-use assets are accounted and presented as if they were owned such as property plant and equipment.

#### Leases

A lease is a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration. A right-of-use asset is capitalised in the statement of financial position, measured at the present value of the unavoidable future lease payments to be made over the lease term. A liability corresponding to the capitalised lease is also recognised, adjusted for lease prepayments, lease incentives received, initial direct costs incurred and an estimate of any future restoration, removal or dismantling costs. The right-of-use asset is depreciated over the earlier of the end of the useful life of the right-of-use asset or the end of the lease term and an interest expense on the recognised lease liability (included in finance costs). For short-term leases of 12 months or less and leases of low-value assets (such as personal computers and small office equipment) where an accounting policy choice exists under the lease standard, the lease payments are expensed to profit or loss as incurred on a straight line basis over the remaining lease term. For these leases, a right-of-use asset is recognised.

#### Intangible assets

An identifiable non-monetary asset without physical substance is recognised as an intangible asset at acquisition cost if it is probable that the expected future economic benefits that are attributable to the asset will flow to the entity and the cost of the asset can be measured reliably. After initial recognition, an intangible asset with finite useful life is carried at cost less any accumulated amortisation and any accumulated impairment losses. An intangible asset with an indefinite useful life is not amortised. An intangible asset is regarded as having an indefinite useful life when, based on an analysis of all of the relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows for the entity.

The amortisable amount of an intangible asset with finite useful life is allocated on a systematic basis over the best estimate of its useful life from the point at which the asset is ready for use.

Identifiable intangible assets acquired as part of a business combination are initially recognised separately from goodwill if the asset's fair value can be measured reliably, irrespective of whether the asset had been recognised by the acquiree before the business combination. An intangible asset is considered identifiable only if it is separable or if it arises from contractual or other legal rights, regardless of whether those rights are transferable or separable from the entity or from other rights and obligations.

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## 2. Significant accounting policies and other explanatory information (continued)

### 2A. Significant accounting policies (continued)

#### Impairment of non-financial assets

Irrespective of whether there is any indication of impairment, an annual impairment test is performed at about the same time every year on an intangible asset with an indefinite useful life or an intangible asset not yet available for use. The carrying amount of other non-financial assets is reviewed at each end of the reporting year for indications of impairment and where an asset is impaired, it is written down through profit or loss to its estimated recoverable amount. The impairment loss is the excess of the carrying amount over the recoverable amount and is recognised in profit or loss. The recoverable amount of an asset or a cash-generating unit is the higher of its fair value less costs of disposal and its value in use. When the fair value less costs of disposal method is used, any available recent market transactions are taken into consideration. When the value in use method is adopted, in assessing the value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). At each end of the reporting year non-financial assets other than goodwill with impairment loss recognised in prior periods are assessed for possible reversal of the impairment. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been measured, net of depreciation or amortisation, if no impairment loss had been recognised.

#### Financial instruments

Recognition and derecognition of financial instruments:

A financial asset or a financial liability is recognised in the statement of financial position when, and only when, the entity becomes party to the contractual provisions of the instrument. All other financial instruments (including regular-way purchases and sales of financial assets) are recognised and derecognised, as applicable, using trade date accounting or settlement date accounting. A financial asset is derecognised when the contractual rights to the cash flows from the financial asset expire or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the entity neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset. A financial liability is removed from the statement of financial position when, and only when, it is extinguished, that is, when the obligation specified in the contract is discharged or cancelled or expires. At initial recognition the financial asset or financial liability is measured at its fair value plus or minus, in the case of a financial asset or financial liability not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

## 2. Significant accounting policies and other explanatory information (continued)

### 2A. Significant accounting policies (continued)

#### Financial instruments (continued)

Classification and measurement of financial assets:

1. Financial asset classified as measured at amortised cost: A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at fair value through profit or loss (FVTPL), that is (a) the asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and (b) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. Typically trade and other receivables, bank and cash balances are classified in this category.
2. Financial asset that is a debt asset instrument classified as measured at fair value through other comprehensive income (FVTOCI): There were no financial assets classified in this category at reporting year end date.
3. Financial asset that is an equity investment classified as measured at fair value through other comprehensive income (FVTOCI): There were no financial assets classified in this category at reporting year end date.
4. Financial asset classified as measured at fair value through profit or loss (FVTPL): There were no financial assets classified in this category at reporting year end date.

Classification and measurement of financial liabilities:

Financial liabilities are classified as at fair value through profit or loss (FVTPL) in either of the following circumstances: (1) the liabilities are managed, evaluated and reported internally on a fair value basis; or (2) the designation eliminates or significantly reduces an accounting mismatch that would otherwise arise. All other financial liabilities are carried at amortised cost using the effective interest method. Reclassification of any financial liability is not permitted.

#### Cash and cash equivalents

Cash and cash equivalents include bank and cash balances, on demand deposits and any highly liquid debt instruments purchased with an original maturity of three months or less. For the statement of cash flows the item includes cash and cash equivalents less cash subject to restriction and bank overdrafts payable on demand that form an integral part of cash management.

#### Fair value of measurement

The fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. When measuring the fair value of an asset or a liability, market observable data to the extent possible is used. If the fair value of an asset or a liability is not directly observable, an estimate is made using valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs (eg by use of the market comparable approach that reflects recent transaction prices for similar items, discounted cash flow analysis, or option pricing models refined to reflect the issuer's specific circumstances). Inputs used are consistent with the characteristics of the asset / liability that market participants would take into account. The entity's intention to hold an asset or to settle or otherwise fulfil a liability is not taken into account as relevant when measuring fair value.

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## 2. Significant accounting policies and other explanatory information (continued)

### 2A. Significant accounting policies (continued)

#### Fair value of measurement (continued)

Fair values are categorised into different levels in a fair value hierarchy based on the degree to which the inputs to the measurement are observable and the significance of the inputs to the fair value measurement in its entirety: Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities. Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (ie as prices) or indirectly (ie derived from prices). Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs). Transfers between levels of the fair value hierarchy are recognised at the end of the reporting period during which the change occurred.

The carrying values of current financial instruments approximate their fair values due to the short-term maturity of these instruments and the disclosures of fair value are not made when the carrying amount of current financial instruments is a reasonable approximation of the fair value. The fair values of non-current financial instruments may not be disclosed separately unless there are significant differences at the end of the reporting year and in the event the fair values are disclosed in the relevant notes to the financial statements.

### 2B. Other explanatory information

#### Segment reporting

The Group discloses financial and descriptive information about its reportable segments. Reportable segments are operating segments or aggregations of operating segments that meet specified criteria. Operating segments are components about which separate financial information is available that is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing performance. Generally, financial information is reported on the same basis as is used internally for evaluating operating segment performance and deciding how to allocate resources to operating segments.

#### Provisions

A liability or provision is recognised when there is 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 a reliable estimate can be made of the amount of the obligation. A provision is made using best estimates of the amount required in settlement and where the effect of the time value of money is material, the amount recognised is the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense. Changes in estimates are reflected in profit or loss in the reporting year they occur.

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## 2. Significant accounting policies and other explanatory information (continued)

### 2C. Critical judgements, assumptions and estimation uncertainties

The critical judgements made in the process of applying the accounting policies that have the most significant effect on the amounts recognised in the financial statements and the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting year, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities currently or within the next reporting year are discussed below. These estimates and assumptions are periodically monitored to ensure they incorporate all relevant information available at the date when financial statements are prepared. However, this does not prevent actual figures differing from estimates.

#### Allowance for trade receivables

The trade receivables are subject to the expected credit loss model under the financial reporting standard on financial instruments. The expected lifetime losses are recognised from initial recognition of these assets. These assets are grouped based on shared credit risk characteristics and the days past due for measuring the expected credit losses. The allowance assessment is based on its historical observed default rates (over a period of certain months) over the expected life of the trade receivables and is adjusted for forward-looking estimates. At every reporting date the historical observed default rates are updated and changes in the forward-looking estimates are analysed. The loss allowance was determined accordingly. The carrying amounts might change materially within the next reporting year but these changes may not arise from assumptions or other sources of estimation uncertainty at the end of the reporting year. The carrying amount is disclosed in the Note on trade and other receivables.

#### Income tax amounts

The entity recognises tax liabilities and tax assets based on an estimation of the likely taxes due, which requires significant judgement as to the ultimate tax determination of certain items. Where the actual amount arising from these issues differs from these estimates, such differences will have an impact on income tax and deferred tax amounts in the period when such determination is made. In addition management judgement is required in determining the amount of current and deferred tax recognised and the extent to which amounts should or can be recognised. A deferred tax asset is recognised for unused tax losses if it is probable that the entity will earn sufficient taxable profit in future periods to benefit from a reduction in tax payments. This involves the management making assumptions within its overall tax planning activities and periodically reassessing them in order to reflect changed circumstances as well as tax regulations. Moreover, the measurement of a deferred tax asset or liability reflects the manner in which the entity expects to recover the asset's carrying value or settle the liability. As a result, due to their inherent nature assessments of likelihood are judgmental and not susceptible to precise determination. The income tax amounts are disclosed in the Note on income tax.

## 2. Significant accounting policies and other explanatory information (continued)

### 2C. Critical judgements, assumptions and estimation uncertainties (continued)

#### Measurement for impairment of subsidiaries

Where an investee is in net equity deficit and or has suffered losses a test is made whether the investment in the investee has suffered any impairment loss. This measurement requires significant judgement. An estimate is made of the future profitability of the investee, and the financial health of and near-term business outlook for the investee, including factors such as industry and sector performance, and operational and financing cash flow. It is impracticable to disclose the extent of the possible effects. It is reasonably possible, based on existing knowledge, that outcomes within the next reporting year that are different from assumptions could require a material adjustment to the carrying amount of the asset or liability affected. The carrying amount of the specific asset or liability (or class of assets or liabilities) at the end of the reporting year affected by the assumption is disclosed in Note 13.

## 3. Related party relationships and transactions

The financial reporting standard on related party disclosures requires the reporting entity to disclose: (a) transactions with its related parties; and (b) relationships between parents and subsidiaries irrespective of whether there have been transactions between those related parties. A party is related to a party if the party controls, or is controlled by, or can significantly influence or is significantly influenced by the other party.

Related companies in these financial statements include the members of the Group. Associates also include those that are associates of members of the Group.

### 3A. Related party transactions:

There are transactions and arrangements between the Group and related parties and the effects of these on the basis determined between the parties are reflected in these financial statements. The related party balances and any financial guarantees are unsecured, without fixed repayment terms and interest or charge unless stated otherwise.

In addition to the transactions and balances disclosed elsewhere in the notes to the financial statements, this item include the following:

|  | Group |           |
|--|-------|-----------|
|  | 2019  | 2018      |
|  | \$    | \$        |
| Rental expense paid to related party * | -     | (31,373)  |
| Legal fees paid for a Director         | -     | (128,989) |

\*Includes transactions with TBC Builders Pte Ltd, a firm belonging to the father of Cheo Ming Shen @ Tong Ming Shen, an ex-director of the Company until the date he ceased to be a Director of the Company.

### 3. Related party relationships and transactions (continued)

#### 3B. Key management compensation:

|   | Group   |         |
|---|---------|---------|
|   | 2019    | 2018    |
|   | \$      | \$      |
| Salaries and other short-term employee benefits | 189,844 | 425,256 |

The above amounts are included under employee benefits expense. Included in the above amounts are following items:

|   | Group   |         |
|---|---------|---------|
|   | 2019    | 2018    |
|   | \$      | \$      |
| Fees to Directors of the Company                        | 56,837  | 86,478  |
| Remuneration of key management personnel of the Company | 133,007 | 338,778 |

Further information about the remuneration of individual Directors is provided in the report on corporate governance.

Key management personnel include the Directors and those persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly. The above amounts for key management compensation are for the three current Directors (FY2018: three), Chief Executive Officer and Chief Operating Officer.

#### 3C. Other receivables from and other payables to related parties:

The trade transactions and the related receivables and payables balances arising from sales and purchases of goods and services are disclosed elsewhere in the notes to the financial statements.

The movements in other receivables from and other payables to related parties are as follows:

|  | Directors |          |         |      |
|--|-----------|----------|---------|------|
|  | Group     |          | Company |      |
|  | 2019      | 2018     | 2019    | 2018 |
|  | \$        | \$       | \$      | \$   |
| <b>Other receivables/(payables):</b>                                   |           |          |         |      |
| Balance at beginning of the year                                       | (51,001)  | (93,735) | -       | -    |
| Amounts paid out and settlement of liabilities on behalf of a Director | 92        | 42,734   | -       | -    |
| Balance at end of the year (Note 21)                                   | (50,909)  | (51,001) | -       | -    |

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### 3. Related party relationships and transactions (continued)

#### 3C. Other receivables from and other payables to related parties (continued):

|   | Shareholders    |           |         |           |
|---|-----------------|-----------|---------|-----------|
|   | Group           |           | Company |           |
|   | 2019            | 2018      | 2019    | 2018      |
|   | \$              | \$        | \$      | \$        |
| <b>Other receivables/(payables):</b>  |                 |           |         |           |
| Balance at beginning of the year  | 6,157           | (248,264) | 992     | (244,947) |
| Amounts paid in and settlement of liabilities on behalf of the Company          | (6,224)         | -         | -       | -         |
| Amounts paid out and settlement of liabilities on behalf of the shareholders    | -               | 260,645   | -       | 244,947   |
| Reclassified from Director  | -               | -         | -       | 992       |
| Allowance for impairment (Note 15)  | -               | (6,224)   | -       | -         |
| Balance at end of the year  | (67)            | 6,157     | 992     | 992       |
| Presented in the statement of financial position as follows:                    |                 |           |         |           |
| Other receivables (Note 15)   | 992             | 7,216     | 992     | 992       |
| Other payables (Note 21)  | (1,059)         | (1,059)   | -       | -         |
| Balance at the end of the year  | (67)            | 6,157     | 992     | 992       |
|   | Related parties |           |         |           |
|   | Group           |           | Company |           |
|   | 2019            | 2018      | 2019    | 2018      |
|   | \$              | \$        | \$      | \$        |
| <b>Other receivables/(payables):</b>  |                 |           |         |           |
| Balance at beginning of the year  | (75,091)        | 108,793   | -       | -         |
| Amounts paid out and settlement of liabilities on behalf of the related parties | 74,130          | -         | -       | -         |
| Amounts paid in and settlement of liabilities on behalf of the Company          | -               | (183,884) | -       | -         |
| Balance at end of the year (Note 21)  | (961)           | (75,091)  | -       | -         |

### 3. Related party relationships and transactions (continued)

#### 3C. Other receivables from and other payables to related parties (continued):

|  | Subsidiaries |           |
|--|--------------|-----------|
|  | 2019         | 2018      |
|  | \$           | \$        |
| <b>Company:</b>  |              |           |
| <b>Other receivables:</b>  |              |           |
| Balance at beginning of the year   | 121,626      | 99,464    |
| Amounts paid out and settlement of liabilities on behalf of subsidiaries | 29,729       | 120,342   |
| Allowance for impairment (Note 15)                                       | (90,033)     | (98,180)  |
| Amounts paid in and settlement of liabilities on behalf of the Company   | (154,232)    | -         |
| Balance at end of the year   | (92,910)     | 121,626   |
| Presented in the statement of financial position as follows:             |              |           |
| Other receivables (Note 15)  | 187,894      | 432,159   |
| Other payables (Note 21)   | (280,804)    | (310,533) |
| Balance at end of the year   | (92,910)     | 121,626   |

### 4. Financial information by operating segment

#### 4A. Information about reportable segment profit or loss, assets and liabilities

Disclosure of information about operating segments, products and services, the geographical areas, and the major customers are made as required by the financial reporting standard on operating segments. This disclosure standard has no impact on the reported financial performance or financial position of the reporting entity.

For management purposes, the Group is organised into the following major strategic operating segments that offer different products and services: (1) Influencer Platform, (2) Display Ad Network, (3) Social Media Agency, (4) Digital Asset Production, (5) Performance marketing agency and (6) Others. Such a structural organisation is determined by the nature of risks and returns associated with each business segment and it defines the management structure as well as the internal reporting system. It represents the basis on which the management reports the primary segment information that is available and that is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing the performance. They are managed separately because each business requires different strategies.

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#### 4. Financial information by operating segment (continued)

##### 4A. Information about reportable segment profit or loss, assets and liabilities (continued)

The principal segments and type of products and services are as follows:

|                                  |   |
|----------------------------------|---|
| (1) Influencer Platform          | Enables advertisers to engage social media influencers to promote their products and services.  |
| (2) Display Ad Network           | Enables advertisers to promote their products or services across a network of over 950,000 sites that attract over 35 million visitors per month.       |
| (3) Social Media Agency          | Digital marketing agency specialising in social media strategy and campaign management for advertisers.   |
| (4) Digital Asset Production     | Boutique all-in-one digital media production house specialising in web design and development; print & graphic designs; and corporate identity designs. |
| (5) Performance Marketing Agency | Performance marketing agency specialising in the manufacture and construction of advertising devices through any media.                                 |
| (6) Others                       | Others including media production house and mobile blogging applications.   |

Segment revenues are allocated based on the country in which the customer is located. The Group has a large number of customers to which it provides both products and services. The Group does not rely on any single customer to a significant portion of revenues. Segment results consist of costs directly attributable to a segment as well as those that can be allocated on a reasonable basis.

Inter-segment sales are measured on the basis that the entity actually used to price the transfers. Internal transfer pricing policies of the Group are as far as practicable based on market prices. The accounting policies of the operating segments are the same as those described in the significant accounting policies.

The following tables illustrate the information about revenue by business units and countries.

|                              | 2019             | 2018             |
|------------------------------|------------------|------------------|
|                              | \$               | \$               |
| <b>Business Units</b>        |                  |                  |
| Influencer platform          | 4,666,782        | 5,339,210        |
| Display ad network           | 2,799            | 19,707           |
| Digital asset production     | 286,476          | 407,680          |
| Social media agency          | 1,371,884        | 2,036,655        |
| Performance marketing agency | 928,753          | 749,076          |
| Others                       | 17,500           | 179,556          |
| <b>Total</b>                 | <b>7,274,194</b> | <b>8,791,884</b> |

#### 4. Financial information by operating segment (continued)

##### 4A. Information about reportable segment profit or loss, assets and liabilities (continued)

|  | 2019      | 2018      |
|--|-----------|-----------|
|  | \$        | \$        |
| <b>Country</b>                           |           |           |
| Singapore                                | 799,046   | 1,462,547 |
| Malaysia                                 | 5,078,102 | 4,914,513 |
| Thailand                                 | 238,465   | 933,868   |
| Taiwan                                   | 1,044,530 | 1,054,088 |
| Indonesia                                | 114,051   | 426,868   |
| Total                                    | 7,274,194 | 8,791,884 |
| <b>Information about major customers</b> |           |           |
| Top 1 customer                           | 1,799,524 | 1,270,312 |
| Top 2 customers                          | 2,300,403 | 1,845,230 |
| Top 3 customers                          | 2,572,874 | 2,163,602 |

Management has determined the operating segments based on reports reviewed by the board of Directors for making strategic decisions. The board of Directors has considered the business from both a geographical and business segment perspective and has identified the above reportable segments.

The chief operating decision maker evaluates the segment information by revenue streams. The remaining cost of sales, expenses, assets and liabilities are unallocated.

#### 5. Revenue

Revenue classified by type of service:

|                       | Group     |           |
|-----------------------|-----------|-----------|
|                       | 2019      | 2018      |
|                       | \$        | \$        |
| Rendering of services | 7,274,194 | 8,791,884 |

All the contracts are less than 12 months. The revenue is from rendering of services and is recognised over time. The customers are mostly commercial customers.

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**6. Other income and gains and (other losses)**

|   | Group    |           |
|---|----------|-----------|
|   | 2019     | 2018      |
|   | \$       | \$        |
| Allowance for impairment on trade receivables - reversal/(loss) (Note 15) | 73,344   | (114,672) |
| Foreign exchange adjustment (loss) / gain                                 | (8,806)  | 47,898    |
| Loss on strike off and disposal of subsidiaries (Note 28)                 | (52,534) | (135,104) |
| Gain on disposal of plant and equipment                                   | 6,909    | -         |
| Write off of plant and equipment  | (6,827)  | (17,561)  |
| Government grants   | 9,203    | 48,136    |
| Other income  | 15,721   | 114,370   |
| Net   | 37,010   | (56,933)  |
| Presented in profit or loss as:   |          |           |
| Other gains   | 105,177  | 210,404   |
| Other losses  | (68,167) | (267,337) |
| Net   | 37,010   | (56,933)  |

**7. Finance costs**

|                  | Group  |        |
|------------------|--------|--------|
|                  | 2019   | 2018   |
|                  | \$     | \$     |
| Interest expense | 11,467 | 14,177 |

**8. Administrative and operating expenses**

The major component includes employee benefits expenses as follows:

|  | Group     |           |
|--|-----------|-----------|
|  | 2019      | 2018      |
|  | \$        | \$        |
| Salaries and wages                         | 2,517,763 | 3,210,640 |
| Contributions to defined contribution plan | 288,857   | 282,966   |
| Other benefits                             | 75,919    | 101,289   |
| Total employee benefits expense            | 2,882,539 | 3,594,895 |

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## 9. Income tax

### 9A. Components of income tax recognised in profit or loss include:

|  | Group   |          |
|--|---------|----------|
|  | 2019    | 2018     |
|  | \$      | \$       |
| <b>Current tax expense:</b>                  |         |          |
| Current tax expense                          | 93,623  | 142,222  |
| Over adjustments in respect of prior periods | (2,796) | (19,027) |
| Subtotal                                     | 90,827  | 123,195  |
| <b>Deferred tax expense:</b>                 |         |          |
| Deferred tax (income) / expense              | (385)   | 698      |
| Over adjustments in respect of prior periods | (1,400) | (1,305)  |
| Subtotal                                     | (1,785) | (607)    |
| Total income tax expense                     | 89,042  | 122,588  |

The reconciliation of income taxes below is determined by applying the Singapore corporate tax rate. The income tax in profit or loss varied from the amount of income tax amount determined by applying the Singapore income tax rate of 17% (2018: 17%) to profit or loss before income tax as a result of the following differences:

|   | Group     |           |
|---|-----------|-----------|
|   | 2019      | 2018      |
|   | \$        | \$        |
| Loss before tax   | (145,615) | (927,652) |
| Share of (profit)/loss from equity-accounted associates | (87,708)  | 42,168    |
|   | (233,323) | (885,484) |
| Income tax income at the above rate                     | (39,665)  | (150,532) |
| Effect of different tax rates in foreign jurisdictions  | 13,482    | 39,063    |
| Income not subject to tax                               | (17,617)  | (26,495)  |
| Expenses not deductible for tax purposes                | 68,344    | 86,759    |
| Deferred tax assets not recognised                      | 38,520    | 220,742   |
| Partial income tax exemption                            | (2,622)   | (46,668)  |
| Over adjustments to tax in respect of prior periods     | (4,196)   | (20,332)  |
| Other minor items less than 3% each                     | 4,171     | 8,198     |
| Withholding tax   | 28,625    | 11,853    |
| Total income tax expense                                | 89,042    | 122,588   |

There are no income tax consequences of dividends to owners of the Company.

## 9. Income tax (continued)

### 9B. Deferred tax income/(expense) recognised in profit or loss includes:

|  | Group    |           |
|--|----------|-----------|
|  | 2019     | 2018      |
|  | \$       | \$        |
| <b>Deferred tax assets/(liabilities) recognised in profit or loss:</b> |          |           |
| Deferred tax assets not recognised                                     | 38,520   | (220,742) |
| Tax loss carryforwards   | (46,866) | 209,688   |
| Excess of book value of plant and equipment over tax values            | 6,171    | 6,442     |
| Exchange differences on translating foreign operations                 | 3,960    | 5,219     |
| Net balance  | 1,785    | 607       |

### 9C. Deferred tax balance in the statement of financial position:

|  | Group       |             |
|--|-------------|-------------|
|  | 2019        | 2018        |
|  | \$          | \$          |
| <b>Deferred tax assets/(liabilities) recognised in profit or loss:</b> |             |             |
| Deferred tax assets not recognised                                     | (1,975,943) | (2,014,463) |
| Deferred tax from share-based payments                                 | (38,760)    | (38,760)    |
| Tax loss carryforwards   | 1,964,885   | 2,011,751   |
| Excess of book value of plant and equipment over tax values            | 41,921      | 35,750      |
| Exchange differences on translating foreign operations                 | 1,155       | 5,219       |
| Net balance  | (6,742)     | (503)       |
| <b>Presented in statement of financial position as:</b>                |             |             |
| Deferred tax assets  | 691         | -           |
| Deferred tax liabilities   | (7,433)     | (503)       |
|  | (6,742)     | (503)       |

The above deferred tax assets have not been recognised in respect of the remaining balance, as the future profit streams are not probable against which the deductible temporary difference can be utilised. The realisation of the future income tax benefits from tax loss carryforwards and temporary differences from capital allowances is available for an unlimited future period subject to the conditions imposed by law including the retention of majority shareholders as defined. Temporary differences arising in connection with interests in subsidiaries and associates are insignificant.

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## 10. Loss per share

The following table illustrates the numerators and denominators used to calculate basic and diluted loss per share of no par value:

|   | 2019        | 2018        |
|---|-------------|-------------|
|   | \$          | \$          |
| A. Numerator: loss attributable to equity:                        |             |             |
| Continuing operations:  |             |             |
| Total basic and diluted loss attributable to owners of the parent | (326,794)   | (1,340,604) |
| B. Denominator: weighted average number of equity shares          |             |             |
| Basic and diluted   | 262,500,000 | 262,500,000 |

The weighted average number of equity shares refers to shares in circulation during the reporting year.

The losses earnings per share ratio is based on the weighted average number of ordinary shares outstanding during each reporting year. There is no difference between the basic and diluted weighted average number of shares.

There is no dilutive effect from the share options as they are anti-dilutive because their conversion to ordinary shares would increase earnings per share or decrease loss per share from continuing operations.

## 11. Plant and equipment

|   | Computer<br>Equipment | Furniture<br>and<br>fittings | Office and<br>production<br>equipment | Motor<br>vehicles | Renovation | Right-of<br>use | Total     |
|---|-----------------------|------------------------------|---------------------------------------|-------------------|------------|-----------------|-----------|
|   | \$                    | \$                           | \$                                    | \$                | \$         | \$              | \$        |
| <b>Group</b>  |                       |                              |                                       |                   |            |                 |           |
| <b>Cost:</b>  |                       |                              |                                       |                   |            |                 |           |
| At 1 January 2018   | 317,296               | 112,393                      | 86,993                                | 128,496           | 72,079     | -               | 717,257   |
| Additions   | 31,754                | 6,501                        | 3,077                                 | -                 | 34,931     | -               | 76,263    |
| Foreign exchange adjustments  | 1,076                 | 1,180                        | 149                                   | 313               | 305        | -               | 3,023     |
| Written off   | (27,142)              | (6,155)                      | (21,692)                              | -                 | (32,759)   | -               | (87,748)  |
| At 31 December 2018   | 322,984               | 113,919                      | 68,527                                | 128,809           | 74,556     | -               | 708,795   |
| At 1 January 2019   | 322,984               | 113,919                      | 68,527                                | 128,809           | 74,556     | -               | 708,795   |
| Recognition of right-of-use asset on initial application of FRS 116 | -                     | -                            | -                                     | -                 | -          | 212,443         | 212,443   |
| Adjusted balance at 1 January 2019                                  | 322,984               | 113,919                      | 68,527                                | 128,809           | 74,556     | 212,443         | 921,238   |
| Foreign exchange adjustments  | 520                   | 743                          | (108)                                 | (234)             | 322        | -               | 1,243     |
| Additions   | 14,281                | 23,317                       | 12,030                                | -                 | 78,459     | -               | 128,087   |
| Addition of right-of-use asset                                      | -                     | -                            | -                                     | -                 | -          | 94,545          | 94,545    |
| Disposals   | (4,363)               | (5,426)                      | (2,866)                               | -                 | -          | -               | (12,655)  |
| Written off   | -                     | -                            | -                                     | -                 | (11,183)   | -               | (11,183)  |
| Disposals of subsidiaries   | (42,435)              | (47,344)                     | -                                     | -                 | (12,143)   | -               | (101,922) |
| At 31 December 2019   | 290,987               | 85,209                       | 77,583                                | 128,575           | 130,011    | 306,988         | 1,019,353 |

## 11. Plant and equipment (continued)

|   | Computer<br>Equipment | Furniture<br>and fittings | Office and<br>production<br>equipment | Motor<br>vehicles | Renovation | Right-of<br>use | Total    |
|---|-----------------------|---------------------------|---------------------------------------|-------------------|------------|-----------------|----------|
|   | \$                    | \$                        | \$                                    | \$                | \$         | \$              | \$       |
| <b>Group (continued)</b>  |                       |                           |                                       |                   |            |                 |          |
| <b>Accumulated depreciation:</b>  |                       |                           |                                       |                   |            |                 |          |
| At 1 January 2018   | 220,643               | 60,452                    | 42,112                                | 56,569            | 27,774     | -               | 407,550  |
| Foreign exchange adjustments  | 681                   | 856                       | (71)                                  | (214)             | 322        | -               | 1,574    |
| Depreciation for the year   | 46,573                | 16,727                    | 13,523                                | 26,114            | 19,059     | -               | 121,996  |
| Written off   | (26,691)              | (2,394)                   | (19,873)                              | -                 | (20,552)   | -               | (69,510) |
| At 31 December 2018   | 241,206               | 75,641                    | 35,691                                | 82,469            | 26,603     | -               | 461,610  |
| At 1 January 2019   | 241,206               | 75,641                    | 35,691                                | 82,469            | 26,603     | -               | 461,610  |
| Recognition of right-of-use<br>asset on initial application of<br>FRS 116 | -                     | -                         | -                                     | -                 | -          | -               | -        |
| Adjusted balance at 1 January<br>2019                                     | 241,206               | 75,641                    | 35,691                                | 82,469            | 26,603     | -               | 461,610  |
| Depreciation for the year   | 34,234                | 12,386                    | 13,059                                | 25,723            | 16,096     | -               | 101,498  |
| Depreciation of right-of-use<br>asset                                     | -                     | -                         | -                                     | -                 | -          | 110,750         | 110,750  |
| Foreign exchange adjustments  | 386                   | 683                       | (57)                                  | (159)             | 292        | 550             | 1,695    |
| Disposals   | (2,822)               | (3,276)                   | (1,106)                               | -                 | -          | -               | (7,204)  |
| Written off   | -                     | -                         | -                                     | -                 | (4,356)    | -               | (4,356)  |
| Disposals of subsidiaries   | (36,496)              | (42,807)                  | -                                     | -                 | (12,143)   | -               | (91,446) |
| At 31 December 2019   | 236,508               | 42,627                    | 47,587                                | 108,033           | 26,492     | 111,300         | 572,547  |
| <b>Carrying value:</b>  |                       |                           |                                       |                   |            |                 |          |
| At 1 January 2018   | 96,653                | 51,941                    | 44,881                                | 71,927            | 44,305     | -               | 309,707  |
| At 31 December 2018   | 81,778                | 38,278                    | 32,836                                | 46,340            | 47,953     | -               | 247,185  |
| At 31 December 2019   | 54,479                | 42,582                    | 29,996                                | 20,542            | 103,519    | 195,688         | 446,806  |

### 11A. Right-to-use assets

There are restrictions or covenants imposed by the leases to sublet the asset to another party. The right-of-use asset can only be used by the lessee. Unless permitted by the owner, the lease prohibits from selling or pledging the underlying leased assets as security. Typically the leases are either non-cancellable or may only be cancelled by incurring a substantive termination fee. Some leases contain an option to purchase the underlying leased asset outright at the end of the lease, or to extend the lease for a further term. For leases over properties the leases require those properties in a good state of repair and return the properties in their original condition at the end of the lease. Insurance, and maintenance fees on right-of-use assets are usually required under the lease contracts.

Also see Note 23.

## 12. Intangible assets

|                     | Group  |        |
|---------------------|--------|--------|
|                     | 2019   | 2018   |
|                     | \$     | \$     |
| Goodwill (Note 12A) | 74,974 | 74,974 |

### 12A. Goodwill

|  | Group  |        |
|--|--------|--------|
|  | 2019   | 2018   |
|  | \$     | \$     |
| <b>Cost:</b>   |        |        |
| Balance at beginning of the year and end of the year | 74,974 | 74,974 |

Goodwill is allocated to cash-generating units for the purpose of impairment testing.

The goodwill arose from the Group's acquisition of Plata and Punta Sdn Bhd in 2017.

The goodwill was tested for impairment at the end of the reporting year. An impairment loss is the amount by which the carrying amount of an asset or a cash-generating unit ("CGU") exceeds its recoverable amount. The recoverable amount of an asset or a CGU is the higher of its fair value less costs of disposal or its value in use.

The value in use was measured by management. The value in use is a recurring fair value measurement (Level 3). The quantitative information about the value in use measurement using significant unobservable inputs for the cash generating unit are consistent with those used for the measurement last performed and is analysed as follows:

|   | Inputs  |         |
|---|---------|---------|
|   | 2019    | 2018    |
| <b>CGU - Performance Marketing Agency valuation technique and unobservable inputs</b>                                 |         |         |
| <b>Discounted cash flow method:</b>   |         |         |
| Estimated discount rates using pre-tax rates that reflect current market assessments at the risks specific to the CGU | 11%     | 14%     |
| Growth rate in FY2019 (2018: FY2018) based on cashflow projections by management                                      | -30%    | 25%     |
| Growth rates in FY2020 and FY2021 (2018: FY2019 and FY2020) based on industry growth forecast                         | 2%      | 3%      |
| Cash flow forecasts derived from the most recent financial budgets and plans approved by management                   | 3 years | 3 years |

## 12. Intangible assets (continued)

### 12A. Goodwill (continued)

Actual outcomes could vary from above estimates. The recoverable amount has been measured based on the value in use method and it is shown above. If the assumptions had been less favourable than management's estimates at the end of the reporting year by the following rates the recoverable amount would be equal to the carrying amount:

|  | 2019 | 2018 |
|--|------|------|
| <b>Discounted cash flow method:</b>                              |      |      |
| Revenue growth in FY2021 and FY2022<br>(2018: FY2020 and FY2021) | -1%  | -19% |
| Long-term growth rate for the relevant markets                   | -23% | -22% |
| Discount rates using pre-tax rates                               | 25%  | 25%  |

No impairment allowance was recognised because the carrying amount of Plata and Punta Sdn Bhd was lower than its recoverable amount.

## 13. Investments in subsidiaries

|   | Company     |             |
|---|-------------|-------------|
|   | 2019        | 2018        |
|   | \$          | \$          |
| <b>Movements during the year. At cost:</b>                    |             |             |
| Balance at beginning of the year                              | 375,883     | 388,090     |
| Acquisitions  | –           | *           |
| Disposals   | (157,164)   | –           |
| Allowance for impairment – reversal/(loss)                    | –           | (12,207)    |
| Cost at end of the year                                       | 218,719     | 375,883     |
| <b>Carrying value in the books of the Company comprising:</b> |             |             |
| Unquoted equity shares at cost                                | 1,067,474   | 1,503,076   |
| Quasi-equity loan   | 202,649     | 202,649     |
| Allowance for impairment                                      | (1,051,404) | (1,329,842) |
| Total at cost   | 218,719     | 375,883     |
| Net book value of subsidiaries                                | (731,234)   | (2,386,637) |
| * Amount is HKD 1 (less than S\$1 equivalent).                |             |             |

### 13. Investments in subsidiaries (continued)

Analysis of above amount denominated in non-functional currencies:

|  | 2019      | 2018      |
|--|-----------|-----------|
|  | \$        | \$        |
| Hong Kong Dollars                            | 148,755   | 148,755   |
| Malaysian Ringgit                            | 531,525   | 531,525   |
| Thai Baht                                    | -         | 79,803    |
| New Taiwan Dollars                           | 223,605   | 223,605   |
| Indonesian Rupiah                            | -         | 179,569   |
| <b>Movement in allowance for impairment:</b> |           |           |
| Balance at beginning of the year             | 1,329,842 | 1,435,247 |
| Impairment loss charged to profit or loss    | -         | 12,207    |
| Impairment allowance written off             | (278,438) | (117,612) |
| Balance at end of the year                   | 1,051,404 | 1,329,842 |

The decreasing performance of the subsidiaries were considered sufficient evidence to trigger an impairment assessment. The following subsidiaries are in a net liabilities position as at end of the reporting year with net losses. As such, an impairment loss amounting to \$Nil (2018: \$12,207) was charged to profit and loss.

|   | Company |        |
|---|---------|--------|
|   | 2019    | 2018   |
|   | \$      | \$     |
| <b>Impairment loss charged to profit or loss:</b> |         |        |
| Netcentric Sdn. Bhd.                              | -       | 12,207 |
| Balance at end of the year                        | -       | 12,207 |

The subsidiaries held by the Company and the Group are listed below:

| Name of subsidiaries, country of incorporation, place of operations, principal activities and independent auditors | Cost in books of Group |        | Effective percentage of equity held by Group |      |
|--|------------------------|--------|--|------|
|  | 2019                   | 2018   | 2019   | 2018 |
|  | \$                     | \$     | %  | %    |
| <b>Held by the Company</b>   |                        |        |  |      |
| Nom Nom Media Sdn. Bhd. <sup>(2)</sup>   | 11,986                 | 11,986 | 100  | 100  |
| Malaysia   |                        |        |  |      |
| Sales agent for advertising services   |                        |        |  |      |
| (RSM Malaysia)   |                        |        |  |      |
| Churp Churp Media Sdn. Bhd. <sup>(2)</sup>   | 1                      | 1      | 100  | 100  |
| Malaysia   |                        |        |  |      |
| Provision of online advertising and management services  |                        |        |  |      |
| (RSM Malaysia)   |                        |        |  |      |

### 13. Investments in subsidiaries (continued)

The subsidiaries held by the Company and the Group are listed below (continued):

| Name of subsidiaries, country of incorporation, place of operations, principal activities and independent auditors | Cost in books of Group |         | Effective percentage of equity held by Group |      |
|--|------------------------|---------|--|------|
|  | 2019                   | 2018    | 2019   | 2018 |
|  | \$                     | \$      | %  | %    |
| <b>Held by the Company (continued)</b>   |                        |         |  |      |
| Netcentric Sdn. Bhd. <sup>(2)</sup>  | 12,207                 | 12,207  | 100  | 100  |
| Malaysia   |                        |         |  |      |
| Internet advertising   |                        |         |  |      |
| (RSM Malaysia)   |                        |         |  |      |
| Nuffnang Sdn. Bhd. <sup>(2)</sup>  | 319,213                | 319,213 | 100  | 100  |
| Malaysia   |                        |         |  |      |
| Provision of online advertising and management services  |                        |         |  |      |
| (RSM Malaysia)   |                        |         |  |      |
| Nuffnang Pte. Ltd. <sup>(1)</sup>  | 335,639                | 335,639 | 100  | 100  |
| Singapore  |                        |         |  |      |
| Provision of online advertising and management services  |                        |         |  |      |
| (RSM Chio Lim LLP)   |                        |         |  |      |
| Churp Churp Pte. Ltd. <sup>(1)</sup>   | 1                      | 1       | 100  | 100  |
| Singapore  |                        |         |  |      |
| Provision of online advertising and management services  |                        |         |  |      |
| (RSM Chio Lim LLP)   |                        |         |  |      |
| Reality TV Private Limited <sup>(4)</sup>  | -                      | 176,020 | -  | 88   |
| Singapore  |                        |         |  |      |
| Advertising activities   |                        |         |  |      |
| FTW Tech Pte Ltd <sup>(5)</sup>  | -                      | 200     | -  | 100  |
| (previously known as NuffnangX Pte Ltd)  |                        |         |  |      |
| Singapore  |                        |         |  |      |
| Development of e-commerce applications   |                        |         |  |      |
| Nom Nom Media Private Limited <sup>(6)</sup>   | -                      | 10      | -  | 100  |
| Singapore  |                        |         |  |      |
| Sales agent for advertising services   |                        |         |  |      |

### 13. Investments in subsidiaries (continued)

The subsidiaries held by the Company and the Group are listed below (continued):

| Name of subsidiaries, country of incorporation, place of operations, principal activities and independent auditors | Cost in books of Group |         | Effective percentage of equity held by Group |      |
|--|------------------------|---------|--|------|
|  | 2019                   | 2018    | 2019   | 2018 |
|  | \$                     | \$      | %  | %    |
| <b>Held by the Company (continued)</b>   |                        |         |  |      |
| Sashimi Private Limited <sup>(1)</sup>   | 30,600                 | 30,600  | 51   | 51   |
| Singapore  |                        |         |  |      |
| Social media agency  |                        |         |  |      |
| (RSM Chio Lim LLP)   |                        |         |  |      |
| Nuffnang (Thailand) Co. Ltd <sup>(7)</sup>   | -                      | 79,803  | -  | 51   |
| Thailand   |                        |         |  |      |
| Provision of online advertising and management services  |                        |         |  |      |
| Nuffnang- ECpod Holding Limited <sup>(3)</sup>   | 148,755                | 148,755 | 100  | 100  |
| Hong Kong  |                        |         |  |      |
| Provision of online advertising and management   |                        |         |  |      |
| (Cheer Link CPA Limited)   |                        |         |  |      |
| Nuffnang Taiwan Limited <sup>(2)</sup>   | 223,605                | 223,605 | 100  | 100  |
| Taiwan   |                        |         |  |      |
| Provision of online advertising and management   |                        |         |  |      |
| (RSM Taiwan)   |                        |         |  |      |
| PT Nuffnang Indonesia Internasional <sup>(8)</sup>   | -                      | 179,569 | -  | 51   |
| Indonesia  |                        |         |  |      |
| Provision of online advertising and management   |                        |         |  |      |
| Plata and Punta Sdn Bhd <sup>(3)</sup>   | 188,082                | 188,082 | 51   | 51   |
| Manufacture and construct advertising devices  |                        |         |  |      |
| (Ahmad Abdullah & Goh)   |                        |         |  |      |
| Dejitaru Sdn Bhd <sup>(3)</sup>  | 34                     | 34      | 51   | 51   |
| Provision of online advertising and management   |                        |         |  |      |
| (Ahmad Abdullah & Goh)   |                        |         |  |      |

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### 13. Investments in subsidiaries (continued)

The subsidiaries held by the Company and the Group are listed below (continued):

| Name of subsidiaries, country of incorporation, place of operations and principal activities and independent auditors | Cost in books of Group |         | Effective percentage of equity held by Group |      |
|---|------------------------|---------|--|------|
|   | 2019                   | 2018    | 2019   | 2018 |
|   | \$                     | \$      | %  | %    |
| <b>Held by subsidiaries</b>   |                        |         |  |      |
| Sashimi Social Sdn Bhd <sup>(2)</sup>   | 11,929                 | 11,929  | 100  | 100  |
| Malaysia  |                        |         |  |      |
| Social media agency   |                        |         |  |      |
| (RSM Malaysia)  |                        |         |  |      |
| Sashimi SG Pte Ltd <sup>(5)</sup>   | -                      | 16,000  | -  | 41   |
| Singapore   |                        |         |  |      |
| Social media agency   |                        |         |  |      |
| Nuffnang China Limited <sup>(3)</sup>   | 176,569                | 176,569 | 52   | 52   |
| Hong Kong   |                        |         |  |      |
| Internet advertising  |                        |         |  |      |
| (Cheer Link CPA Limited)  |                        |         |  |      |
| Nuffnang Beijing WOFE <sup>(3)</sup>  | 310,247                | 310,247 | 100  | 100  |
| Internet advertising  |                        |         |  |      |
| China   |                        |         |  |      |
| (Beijing Yongqin CPA Co., Ltd)  |                        |         |  |      |

(1) Audited by RSM Chio Lim LLP.

(2) Audited by member firms of RSM International of which RSM Chio Lim LLP in Singapore is a member.

(3) Other independent auditors. Audited by firms of accountants other than member firms of RSM International of which RSM Chio Lim LLP in Singapore is a member.

(4) Reelity TV. Pte Ltd was struck off on 4 June 2019. See Note 28.

(5) FTW Tech Pte Ltd and Sashimi SG Pte Ltd were struck off on 4 September 2019. See Note 28.

(6) Nom Nom Media Private Limited was struck off on 4 November 2019. See Note 28.

(7) Nuffnang (Thailand) Co. Ltd was disposed on 1 April 2019. See Note 28.

(8) PT Nuffnang Indonesia Internasional was disposed on 9 September 2019. See Note 28.

**13. Investments in subsidiaries (continued)****13A. Subsidiaries with material non-controlling interests (“NCI”)**

The summarised financial information of the subsidiaries with non-controlling interests that are material to the Group after elimination of relevant intercompany transactions but not adjusted for the percentage ownership held by the Group is, as follows:

|  | Plata and Punta Sdn Bhd |         | Sashimi Private Limited |         |
|--|-------------------------|---------|-------------------------|---------|
|  | 2019                    | 2018    | 2019                    | 2018    |
|  | \$                      | \$      | \$                      | \$      |
| Profit / (loss) allocated to non-controlling interests of subsidiaries during the year | 34,600                  | 84,648  | 24,000                  | 112,199 |
| Accumulated non-controlling interests of subsidiaries at the end of the reporting year | 184,773                 | 150,290 | 384,186                 | 361,909 |

**Summarised statement of financial position**

|                         | Plata and Punta Sdn Bhd |           | Sashimi Private Limited |           |
|-------------------------|-------------------------|-----------|-------------------------|-----------|
|                         | 2019                    | 2018      | 2019                    | 2018      |
|                         | \$                      | \$        | \$                      | \$        |
| Non-current assets      | 27,971                  | 6,476     | 230,054                 | 111,109   |
| Current assets          | 556,028                 | 424,706   | 761,946                 | 806,522   |
| Total assets            | 583,999                 | 431,182   | 992,000                 | 917,631   |
| Current liabilities     | (179,356)               | (117,552) | (170,043)               | (160,103) |
| Non-current liabilities | (27,554)                | (6,915)   | (37,904)                | (18,938)  |
| Total liabilities       | (206,910)               | (124,467) | (207,947)               | (179,041) |
| Net assets              | 377,089                 | 306,715   | 784,053                 | 738,590   |

**Summarised statement of comprehensive income**

|   | Plata and Punta Sdn Bhd |          | Sashimi Private Limited |           |
|---|-------------------------|----------|-------------------------|-----------|
|   | 2019                    | 2018     | 2019                    | 2018      |
|   | \$                      | \$       | \$                      | \$        |
| Revenue                                 | 937,290                 | 813,457  | 1,292,949               | 1,793,860 |
| Profit before income tax                | 110,805                 | 211,039  | 55,241                  | 280,595   |
| Income tax expense                      | (40,195)                | (38,288) | (6,262)                 | (51,618)  |
| Total comprehensive income for the year | 70,610                  | 172,751  | 48,979                  | 228,977   |

### 13. Investments in subsidiaries (continued)

#### 13A. Subsidiaries with material non-controlling interests ("NCI") (continued)

##### Summarised statement of cash flow

|   | Plata and Punta Sdn Bhd |           | Sashimi Private Limited |           |
|---|-------------------------|-----------|-------------------------|-----------|
|   | 2019                    | 2018      | 2019                    | 2018      |
|   | \$                      | \$        | \$                      | \$        |
| Net cash (outflow)/inflow from operating activities       | (112,235)               | 176,726   | 147,779                 | 564,624   |
| Net cash (outflow)/inflow from investing activities       | (3,436)                 | 69,849    | (118,164)               | (13,377)  |
| Net cash inflow/(outflow) from financing activities       | 67,886                  | (131,920) | (34,388)                | (288,440) |
| Net (decrease) / increase in cash and cash equivalents    | (47,785)                | 114,655   | (4,773)                 | 262,807   |
| Cash and cash equivalents at beginning of financial year  | 279,013                 | 164,358   | 570,629                 | 307,822   |
| Cash and cash equivalent at the end of the financial year | 231,228                 | 279,013   | 565,856                 | 570,629   |

### 14. Investments in associates

|   | Group    |          | Company |        |
|---|----------|----------|---------|--------|
|   | 2019     | 2018     | 2019    | 2018   |
|   | \$       | \$       | \$      | \$     |
| <b>Movements in carrying value:</b>         |          |          |         |        |
| Balance at beginning of the year            | 83,461   | 158,425  | 16,932  | 16,932 |
| Foreign exchange adjustments                | -        | (434)    | -       | -      |
| Dividend income received                    | (16,578) | (32,362) | -       | -      |
| Share of the profit / (loss) for the year   | 87,708   | (42,168) | -       | -      |
| Total at end of the year                    | 154,591  | 83,461   | 16,932  | 16,932 |
| <b>Carrying value comprising:</b>           |          |          |         |        |
| Unquoted equity share at cost               | 16,932   | 16,932   | 16,932  | 16,932 |
| Share of profits, net of dividends received | 137,659  | 66,529   | -       | -      |
|   | 154,591  | 83,461   | 16,932  | 16,932 |
| Share of net book value of associate        | 154,591  | 83,461   | 154,591 | 83,461 |

#### 14. Investments in associates (continued)

The listing of and information on the associate is given below:

| Name of associate, country of incorporation, place of operations, principal activities and independent auditors | Cost in books of Group |        | Effective percentage of equity held by Group |      |
|---|------------------------|--------|--|------|
|   | 2019                   | 2018   | 2019   | 2018 |
|   | \$                     | \$     | %  | %    |
| Nuffnang Philippines Inc. <sup>(1)(2)</sup>   | 16,932                 | 16,932 | 40   | 40   |
| Marketing of internet placements<br>(Sycip Gorres Velayo & Co.)   |                        |        |  |      |

(1) Other independent auditors. Audited by firms of accountants other than member firms of RSM International of which RSM Chio Lim LLP in Singapore is a member.

(2) Entity is in the process of being struck off.

This associate is considered not material to the reporting entity. The summarised financial information of the associate and the amounts (and not the reporting entity's share of those amounts) based on the financial statements of the associate is as follows.

|  | Group   |           |
|--|---------|-----------|
|  | 2019    | 2018      |
|  | \$      | \$        |
| Profit / (loss) from continuing operations | 219,270 | (105,421) |
| Net assets of the associates               | 386,478 | 208,653   |

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## 15. Trade and other receivables

|  | Group     |           | Company     |             |
|--|-----------|-----------|-------------|-------------|
|  | 2019      | 2018      | 2019        | 2018        |
|  | \$        | \$        | \$          | \$          |
| <b>Trade receivables:</b>  |           |           |             |             |
| Outside parties  | 1,750,253 | 2,186,117 | 141,766     | 307         |
| Less allowance for impairment  | (24,000)  | (136,794) | -           | -           |
| Subsidiaries   | -         | -         | 1,482,856   | 1,665,180   |
| Less allowance for impairment  | -         | -         | (1,344,712) | (1,630,088) |
| Associate  | -         | 32,796    | -           | 32,796      |
| Net trade receivables - subtotal   | 1,726,253 | 2,082,119 | 279,910     | 68,195      |
| <b>Other receivables:</b>  |           |           |             |             |
| Outside parties  | 27,045    | 134,645   | -           | -           |
| Shareholder (Note 3)   | 992       | 7,216     | 992         | 992         |
| Allowance for impairment   | -         | (6,224)   | -           | -           |
| Subsidiaries (Note 3)  | -         | -         | 1,177,945   | 2,569,805   |
| Allowance for impairment   | -         | -         | (990,051)   | (2,137,646) |
| Tax recoverable  | 116,715   | 252,156   | -           | -           |
| Net other receivables - subtotal   | 144,752   | 387,793   | 188,886     | 433,151     |
| Total trade and other receivables  | 1,871,005 | 2,469,912 | 468,796     | 501,346     |
| <b>Movements in above allowance:</b>   |           |           |             |             |
| Balance at beginning of the year   | 143,018   | 28,346    | 3,767,734   | 3,293,431   |
| (Reversals) / charge for trade receivables to profit or loss included in other losses (Note 6) | (73,344)  | 108,448   | 181,982     | 376,123     |
| Charge for other receivables to profit or loss included in other losses (Note 6)               | -         | 6,224     | 90,033      | 98,180      |
| Disposals of subsidiaries  | (45,674)  | -         | -           | -           |
| Bad debts written off against allowance  | -         | -         | (1,704,986) | -           |
| Balance at end of the year   | 24,000    | 143,018   | 2,334,763   | 3,767,734   |

The trade receivables are subject to the expected credit loss model under the financial reporting standard on financial instruments. The methodology applied for impairment loss is the simplified approach to measuring expected credit losses (ECL) which uses a lifetime expected loss allowance for all trade receivables and contract assets. The expected lifetime losses are recognised from initial recognition of these assets. These assets are grouped based on shared credit risk characteristics and the days past due for measuring the expected credit losses. The allowance matrix is based on its historical observed default rates (over a period of 36 months) over the expected life of the trade receivables and is adjusted for forward-looking estimates. At every reporting date the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

**15. Trade and other receivables (continued)**

The loss allowance was determined as follows for trade receivables:

|                                 | Group            |                  |                |                |
|---------------------------------|------------------|------------------|----------------|----------------|
|                                 | Gross Amount     |                  | Loss Allowance |                |
|                                 | 2019             | 2018             | 2019           | 2018           |
|                                 | \$               | \$               | \$             | \$             |
| <b>Trade receivables:</b>       |                  |                  |                |                |
| Current                         | 1,031,650        | 1,004,836        | -              | -              |
| Past due less than three months | 525,097          | 697,929          | -              | -              |
| Past due three to six months    | 79,928           | 175,839          | -              | -              |
| Past due over six months        | 113,578          | 340,309          | 24,000         | 136,794        |
| <b>Total</b>                    | <b>1,750,253</b> | <b>2,218,913</b> | <b>24,000</b>  | <b>136,794</b> |

|                                 | Company          |                  |                  |                  |
|---------------------------------|------------------|------------------|------------------|------------------|
|                                 | Gross Amount     |                  | Loss Allowance   |                  |
|                                 | 2019             | 2018             | 2019             | 2018             |
|                                 | \$               | \$               | \$               | \$               |
| <b>Trade receivables:</b>       |                  |                  |                  |                  |
| Current                         | 370,569          | 32,796           | 207,206          | -                |
| Past due less than three months | -                | -                | -                | -                |
| Past due three to six months    | -                | -                | -                | -                |
| Past due over six months        | 1,254,053        | 1,665,487        | 1,137,506        | 1,630,088        |
| <b>Total</b>                    | <b>1,624,622</b> | <b>1,698,283</b> | <b>1,344,712</b> | <b>1,630,088</b> |

The amounts are written off when there are indications that there is no reasonable expectation of recovery or the failure of a debtor to make contractual payments over an extended period. There are no collateral held as security and other credit enhancements for the trade receivables.

At each subsequent reporting date, an evaluation is made whether there is a significant change in credit risk by comparing the debtor's credit risk at initial recognition (based on the original, unmodified cash flows) with the credit risk at the reporting date (based on the modified cash flows). Adjustment to the loss allowance is made for any increase or decrease in credit risk.

As part of the process of setting customer credit limits, different credit terms are used. The average credit period generally granted to trade receivable customers is about 30 to 60 days (2018: 30 to 60 days). But some customers take a longer period to settle the amounts.

## 15. Trade and other receivables (continued)

Concentration of trade receivables customers as at the end of the reporting year:

|                 | Group   |         | Company   |           |
|-----------------|---------|---------|-----------|-----------|
|                 | 2019    | 2018    | 2019      | 2018      |
|                 | \$      | \$      | \$        | \$        |
| Top 1 customer  | 240,571 | 148,193 | 888,667   | 892,010   |
| Top 2 customers | 434,069 | 255,044 | 1,261,642 | 1,062,131 |
| Top 3 customers | 549,714 | 352,508 | 1,367,719 | 1,156,800 |

The other receivables at amortised cost shown above are subject to the expected credit loss model under the financial reporting standard on financial instruments. The other receivables at amortised cost and which can be graded as low risk individually are considered to have low credit risk. At the end of the first reporting period a loss allowance is recognised at an amount equal to 12 month expected credit losses because there has not been a significant increase in credit risk since initial recognition. No loss allowance is necessary.

At each subsequent reporting date, an evaluation is made whether there is a significant change in credit risk by comparing the debtor's credit risk at initial recognition (based on the original, unmodified cash flows) with the credit risk at the reporting date (based on the modified cash flows). Adjustment to the loss allowance is made for any increase or decrease in credit risk.

Other receivables are normally with no fixed terms and therefore there is no maturity. Other receivables are regarded as of low credit risk if they have a low risk of default and the debtor has a strong capacity to meet its contractual cash flow obligations in the near term. Related company other receivables are regarded as of low credit risk if they are guaranteed by the parent or a related company with the ability to settle the amount. The methodology applied for impairment loss depends on whether there has been a significant increase in credit risk.

## 16. Other assets

|                             | Group   |         | Company |        |
|-----------------------------|---------|---------|---------|--------|
|                             | 2019    | 2018    | 2019    | 2018   |
|                             | \$      | \$      | \$      | \$     |
| Contract assets (Note 16A)  | 10,729  | 54,617  | -       | -      |
| Prepayments                 | 45,735  | 30,120  | 10,611  | 14,782 |
| Deposits to secure services | 72,384  | 80,009  | 1,800   | -      |
|                             | 128,848 | 164,746 | 12,411  | 14,782 |

**16. Other assets (continued)****16A. Contract assets**

|   | 2019     | 2018   |
|---|----------|--------|
|   | \$       | \$     |
| <b>The amount is made up of:</b>  |          |        |
| Consideration for work completed but not billed at the reporting date   | 10,729   | 54,617 |
| <b>The movements in contract assets are as follows:</b>   |          |        |
| At beginning of the year  | 54,617   | -      |
| Cost incurred during the year on completed contracts  | 10,729   | 54,617 |
| Transfers to trade receivables  | (54,617) | -      |
| At end of the year  | 10,729   | 54,617 |
| <b>Transaction price allocated to the remaining performance obligations (over time method):</b>   |          |        |
| The aggregate amount of the transaction price allocated to the performance obligations that are unsatisfied (or partially unsatisfied) as of the end of the reporting year: |          |        |
| Expected to be recognised as revenue within 1 year  | 10,729   | 54,617 |

The contract assets are for: entity's rights to consideration for work completed but not billed at the reporting date on the contracts; costs incurred to obtain or fulfil a contract with a customer; costs to obtain contracts with customers; pre-contract costs and setup costs; and the amount of amortisation and any impairment losses recognised in the reporting year. The contract assets are transferred to the receivables when the rights become unconditional. The contract liabilities primarily relate to the advance consideration received from customers for which transfer of control occurs, and therefore revenue is recognised (Note 22). The entity recognises revenue for each respective performance obligation when control of the product or service transfers to the customer.

**17. Cash and cash equivalents**

|                       | Group     |           | Company   |           |
|-----------------------|-----------|-----------|-----------|-----------|
|                       | 2019      | 2018      | 2019      | 2018      |
|                       | \$        | \$        | \$        | \$        |
| Not restricted in use | 3,135,870 | 3,747,554 | 1,399,128 | 1,732,447 |

The interest earning balances are not significant.

**17A. Reconciliation of liabilities arising from financing activities:**

The Group does not have any external borrowings except for finance leases that are not significant (Note 23). Movements in amounts due to related parties are disclosed in Note 3C.

## 18. Share capital

|   | Number of<br>shares issued | Share capital |
|---|----------------------------|---------------|
|   |                            | \$            |
| <b>Group and Company</b>  |                            |               |
| <b>Ordinary shares of no par value:</b>                             |                            |               |
| Balance at 1 January 2018, 31 December 2018 and at 31 December 2019 | 262,500,000                | 13,797,086    |

### Capital management:

The objectives when managing capital are: to safeguard the reporting entity's ability to continue as a going concern, so that it can continue to provide returns for owners and benefits for other stakeholders, and to provide an adequate return to owners by pricing the sales commensurately with the level of risk. The management sets the amount of capital to meet its requirements and the risk taken. There were no changes in the approach to capital management during the reporting year. The management manages the capital structure and makes adjustments to it where necessary or possible in the light of changes in conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the management may adjust the amount of dividends paid to owners, return capital to owners, issue new shares, or sell assets to reduce debt. Adjusted capital comprises all components of equity (that is, share capital and reserves).

There are insignificant external borrowings. The debt-to-adjusted capital ratio does not provide a meaningful indicator of the risk of borrowings.

## 19. Share option reserve

|   | Group and Company |         |
|---|-------------------|---------|
|   | 2019              | 2018    |
|   | \$                | \$      |
| Balance at beginning and at end of the year | 228,000           | 228,000 |

On 2 July 2015, pursuant to an Option Deed signed between the Company and Right Click Capital Management Pty Limited, the Company issued 1,312,500 share options as partial consideration of professional fees rendered in relation to the initial public offering of the Company. The share option has an exercise price of A\$0.22, expiring on 5 July 2020 (60 months after the date which the shares are first quoted on the ASX).

The estimate of the grant date fair value of each option issued was based on the Black-Scholes option pricing model (Level 3). In order to approximate the expectations that would be reflected in a current market or negotiated exchange price for these options, the calculations took into consideration factors like behavioural considerations and non-transferability of the options granted.

For the reporting year, the total charges to profit or loss included in administrative expenses amounted to \$Nil (2018: \$Nil).

**20. Foreign currency translation reserve**

|  | Group     |           |
|--|-----------|-----------|
|  | 2019      | 2018      |
|  | \$        | \$        |
| Balance at beginning of the year                       | (417,892) | (343,908) |
| Exchange differences on translating foreign operations | 13,803    | (65,686)  |
| Acquisition of a non-controlling interest              | -         | (8,298)   |
| Disposal of subsidiaries                               | 11,626    | -         |
| Balance at end of the year                             | (392,463) | (417,892) |

**21. Trade and other payables**

|   | Group     |           | Company |         |
|---|-----------|-----------|---------|---------|
|   | 2019      | 2018      | 2019    | 2018    |
|   | \$        | \$        | \$      | \$      |
| <b>Trade payables:</b>                  |           |           |         |         |
| Outside parties and accrued liabilities | 999,496   | 1,719,973 | 67,192  | 84,543  |
| Subsidiaries                            | -         | -         | 226,704 | 153,538 |
| Trade payables - subtotal               | 999,496   | 1,719,973 | 293,896 | 238,081 |
| <b>Other payables:</b>                  |           |           |         |         |
| Outside parties                         | 176,262   | 61,186    | -       | -       |
| Directors (Note 3)                      | 50,909    | 51,001    | -       | -       |
| Related parties (Note 3)                | 961       | 75,091    | -       | -       |
| Shareholders (Note 3)                   | 1,059     | 1,059     | -       | -       |
| Subsidiaries (Note 3)                   | -         | -         | 280,804 | 310,533 |
| Other payables - subtotal               | 229,191   | 188,337   | 280,804 | 310,533 |
| Total trade and other payables          | 1,228,687 | 1,908,310 | 574,700 | 548,614 |

**22. Other liabilities**

|                                 | Group  |        | Company |      |
|---------------------------------|--------|--------|---------|------|
|                                 | 2019   | 2018   | 2019    | 2018 |
|                                 | \$     | \$     | \$      | \$   |
| Contract liabilities (Note 22A) | 25,696 | 69,435 | -       | -    |

## 22. Other liabilities (continued)

### 22A. Contract liabilities

|   | 2019     | 2018     |
|---|----------|----------|
|   | \$       | \$       |
| <b>The amount is made up of:</b>  |          |          |
| Contract liabilities on long term contracts (over time method)  | 25,696   | 69,435   |
| <b>The movements in contract liabilities are as follows:</b>  |          |          |
| At beginning of the year  | 69,435   | 59,623   |
| Consideration received or receivable  | 25,696   | 69,435   |
| Performance obligation satisfied - revenue recognised   | (69,435) | (59,623) |
| At end of the year  | 25,696   | 69,435   |
| <b>Transaction price allocated to the remaining performance obligations:</b>  |          |          |
| The aggregate amount of the transaction price allocated to the performance obligations that are unsatisfied (or partially unsatisfied) as of the end of the reporting year: |          |          |
| Expected to be recognised within 1 year   | 25,696   | 69,435   |

## 23. Lease liabilities

The leases are for office space. The lease contracts are usually for fixed periods of 3 to 5 years but may have extension options. Lease terms contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

At the date of date of transition to the new standard on leases, management elected to measure the right-of-use assets at an amount equal to the lease liability adjusted for any prepaid or accrued lease payments that existed at the date of transition (applied to leases previously classified as finance leases or operating leases). The lease liability does not include the short-term leases and leases of low-value underlying assets. Variable lease payments which do not depend on an index or a rate or based on a percentage of revenue are not included from the initial measurement of the lease liability and the right-to-use assets.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

Lease liabilities are presented in the statement of financial position as follows:

|                                | Group   |
|--------------------------------|---------|
|                                | 2019    |
|                                | \$      |
| <b>Lease liabilities</b>       |         |
| Lease liabilities, current     | 115,530 |
| Lease liabilities, non-current | 115,555 |
|                                | 231,085 |

**23. Lease liabilities (continued)**

Movements of lease liabilities for the reporting year are as follows:

|   | Group          |
|---|----------------|
|   | 2019           |
|   | \$             |
| Total lease liabilities recognised at 1 January 2019 on adoption of FRS 116 | 259,175        |
| Operating lease entered into during the year                                | 94,545         |
| Accretion of interest   | 9,077          |
| Lease payments - principal portion paid                                     | (115,839)      |
| Interest paid   | (9,077)        |
| Foreign exchange adjustments  | (6,796)        |
| Total lease liabilities at end of reporting year                            | <u>231,085</u> |

The new standard on leases has been applied using the modified retrospective transition approach. Therefore no comparative amounts for the year ended 31 December 2018 are presented.

The lease liability above does not include the short-term leases of less than 12 months and leases of low-value underlying assets. Variable lease payments which do not depend on an index or a rate or based on a percentage of revenue are not included from the initial measurement of the lease liability and the right-of-use assets. The right-of-use assets are disclosed in Note 11.

On transition to the new standard on leases the weighted average incremental borrowing rate applied to lease liabilities recognised was 5.67% per annum. The finance leases, the right-of-use asset and lease liability before the date of initial application are measured at the same amounts as under the new standard.

Also see Notes 11 and 11A.

Reconciliation of lease commitments and lease liability at the date of initial application:

|   | Group          |
|---|----------------|
|   | 2019           |
|   | \$             |
| Operating lease commitments as at 31 December 2018          | 260,348        |
| Relief option for short-term leases                         | (37,171)       |
| Subtotal - Operating lease liabilities before discounting   | 223,177        |
| Discounted using incremental borrowing rate                 | (10,734)       |
| Finance lease obligations recognized as at 31 December 2018 | 46,732         |
| Total lease liabilities recognised at 1 January 2019        | <u>259,175</u> |

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### 23. Lease liabilities (continued)

A summary of the maturity analysis of lease liabilities that shows the remaining contractual maturities is as follows:

|  | Minimum payments | Finance charges | Present value |
|--|------------------|-----------------|---------------|
|  | \$               | \$              | \$            |
| <b>2019</b>                            |                  |                 |               |
| <b>Minimum lease payments payable:</b> |                  |                 |               |
| Due within one year                    | 122,030          | (6,500)         | 115,530       |
| Due within two to five years           | 118,135          | (2,580)         | 115,555       |
| Total                                  | 240,165          | (9,080)         | 231,085       |

Other disclosures on leases:

|  | 2019   |
|--|--------|
|  | \$     |
| Expense relating to short-term leases included in other expenses | 37,171 |
| Total commitments on short-term leases at year end date          | 18,153 |

### 24. Other financial liabilities

|                               | 2019 | 2018   |
|-------------------------------|------|--------|
|                               | \$   | \$     |
| <b>Finance leases</b>         |      |        |
| Non-current                   | -    | 32,730 |
| Current                       | -    | 14,002 |
| Total non-current and current | -    | 46,732 |

#### 24A. Finance leases

|  | Minimum payments | Finance charges | Present value |
|--|------------------|-----------------|---------------|
|  | \$               | \$              | \$            |
| <b>2018</b>  |                  |                 |               |
| <b>Minimum lease payments payable:</b>                     |                  |                 |               |
| Due within one year  | 15,910           | (1,908)         | 14,002        |
| Due within two to five years                               | 34,447           | (1,717)         | 32,730        |
| Total  | 50,357           | (3,625)         | 46,732        |
| Net book value of plant and equipment under finance leases |                  |                 | 46,340        |

## 24. Other financial liabilities (continued)

### 24A. Finance leases (continued)

There are leased assets under finance leases. All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments. The obligations under finance leases are secured by the lessor's charge over the leased assets. Other details are as follows:

|   | 2019 | 2018  |
|---|------|-------|
| Average lease term, in years              | -    | 6     |
| Average effective borrowing rate per year | -    | 2.60% |

Finance lease liabilities were included in other financial liabilities until 31 December 2018, but were reclassified to lease liabilities on 1 January 2019 on adoption of FRS 116. See note 23.

## 25. Operating lease payment commitments - as lessee

At the end of the reporting year the total of future minimum lease payment commitments under non-cancellable operating leases are as follows:

|   | Group |         | Company |       |
|---|-------|---------|---------|-------|
|   | 2019  | 2018    | 2019    | 2018  |
|   | \$    | \$      | \$      | \$    |
| Not later than one year                           | -     | 120,312 | -       | -     |
| Later than one year and not later than five years | -     | 140,036 | -       | -     |
|   | -     | 260,348 | -       | -     |
| Rental expense for the year                       | -     | 200,925 | -       | 7,500 |

Rental expense is included under administrative and operating expenses in profit and loss.

Operating lease payments represent rentals payable by the Group and Company for certain of its leasehold properties and plant and equipment. The lease rental terms are negotiated for term of 1 to 4 years (2018: 1 to 4 years).

## 26. Financial instruments: Information on financial risks

### 26A. Categories of financial assets and liabilities

The following table categorises the carrying amount of financial assets and liabilities recorded at the end of the reporting year:

|   | Group     |           | Company   |           |
|---|-----------|-----------|-----------|-----------|
|   | 2019      | 2018      | 2019      | 2018      |
|   | \$        | \$        | \$        | \$        |
| <b>Financial assets:</b>                |           |           |           |           |
| Financial assets at amortised cost      | 4,890,160 | 5,965,310 | 1,867,924 | 2,233,793 |
| <b>Financial liabilities:</b>           |           |           |           |           |
| Financial liabilities at amortised cost | 1,459,772 | 1,955,042 | 574,700   | 548,614   |

Further quantitative disclosures are included throughout these financial statements.

## 26. Financial instruments: Information on financial risks (continued)

### 26B. Financial risk management

The main purpose for holding or issuing financial instruments is to raise and manage the finances for the entity's operating, investing and financing activities. There are exposures to the financial risks on the financial instruments such as credit risk, liquidity risk and market risk comprising interest rate, currency risk and price risk exposures. Management has certain practices for the management of financial risks. However these are not formally documented in written form. The guidelines include the following:

1. Minimise interest rate, currency and credit risk for all kinds of transactions.
2. All financial risk management activities are carried out and monitored by senior management staff.
3. All financial risk management activities are carried out following acceptable market practices.

There have been no changes to the exposures to risk; the objectives, policies and processes for managing the risk and the methods used to measure the risk.

### 26C. Fair values of financial instruments

The analyses of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 are disclosed in the relevant notes to the financial statements. These include the significant financial instruments stated at amortised cost and at fair value in the statement of financial position. The carrying values of current financial instruments approximate their fair values due to the short-term maturity of these instruments and the disclosures of fair value are not made when the carrying amount of current financial instruments is a reasonable approximation of the fair value.

### 26D. Credit risk on financial assets

Financial assets that are potentially subject to concentrations of credit risk and failures by counterparties to discharge their obligations in full or in a timely manner. These arise principally from cash balances with banks, cash equivalents, receivables and other financial assets. The maximum exposure to credit risk is the total of the fair value of the financial assets at the end of the reporting year. Credit risk on cash balances with banks and any other financial instruments is limited because the counter-parties are entities with acceptable credit ratings. For expected credit losses (ECL) on financial assets, the three-stage approach in the financial reporting standard on financial instruments is used to measure the impairment allowance. Under this approach the financial assets move through the three stages as their credit quality changes. However, a simplified approach is permitted by the financial reporting standards on financial instruments for financial assets that do not have a significant financing component, such as trade receivables. On initial recognition, a day-1 loss is recorded equal to the 12 month ECL (or lifetime ECL for trade receivables), unless the assets are considered credit impaired. For credit risk on trade receivables an ongoing credit evaluation is performed on the financial condition of the debtors and an impairment loss is recognised in profit or loss. Reviews and assessments of credit exposures in excess of designated limits are made. Renewals and reviews of credits limits are subject to the same review process.

Note 17 discloses the maturity of the cash and cash equivalents balances. Cash and cash equivalents are also subject to the impairment requirements of the standard on financial instruments. There was no identified impairment loss.

**26. Financial instruments: Information on financial risks (continued)****26E. Liquidity risk - financial liabilities maturity analysis**

The liquidity risk refers to the difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. It is expected that all the liabilities will be settled at their contractual maturity. There are no liabilities contracted to fall due after twelve months at the end of the reporting year. The liquidity risk refers to the difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. It is expected that all the liabilities will be settled at their contractual maturity. The average credit period taken to settle trade payables is about 60 days (2018: 60 days). The other payables are with short-term durations. The classification of the financial assets is shown in the statement of financial position as they may be available to meet liquidity needs and no further analysis is deemed necessary.

The following table analyses the non-derivative financial liabilities by remaining contractual maturity (contractual and undiscounted cash flows).

|  | Less than<br>one year | One to five<br>years | Total     |
|--|-----------------------|----------------------|-----------|
|  | \$                    | \$                   | \$        |
| <b>Non-derivative financial liabilities:</b> |                       |                      |           |
| <b>Group</b>                                 |                       |                      |           |
| <b>2019:</b>                                 |                       |                      |           |
| Gross finance lease obligations              | 122,030               | 118,135              | 240,165   |
| Trade and other payables                     | 1,228,687             | -                    | 1,228,687 |
| At end of the year                           | 1,350,717             | 118,135              | 1,468,852 |
| <b>2018:</b>                                 |                       |                      |           |
| Gross finance lease obligations              | 15,910                | 34,447               | 50,357    |
| Trade and other payables                     | 1,908,310             | -                    | 1,908,310 |
| At end of the year                           | 1,924,220             | 34,447               | 1,958,667 |
| <b>Non-derivative financial liabilities:</b> |                       |                      |           |
| <b>Company</b>                               |                       |                      |           |
| <b>2019:</b>                                 |                       |                      |           |
| Trade and other payables                     | 574,700               | -                    | 574,700   |
| At end of the year                           | 574,700               | -                    | 574,700   |
| <b>2018:</b>                                 |                       |                      |           |
| Trade and other payables                     | 548,614               | -                    | 548,614   |
| At end of the year                           | 548,614               | -                    | 548,614   |

## 26. Financial instruments: Information on financial risks (continued)

### 26F. Interest rate risk

The interest rate risk exposure is from changes in fixed interest rates and floating interest rates and it mainly concerns financial liabilities. The interest from financial assets including cash balances is not significant.

### 26G. Foreign currency risks

Foreign exchange risk arises on financial instruments that are denominated in a foreign currency, ie in a currency other than the functional currency in which they are measured. For the purpose of this financial reporting standard on financial instruments: disclosures, currency risk does not arise from financial instruments that are non-monetary items or from financial instruments denominated in the functional currency.

Analysis of significant amounts denominated in non-functional currencies:

|                           | Australian Dollars | Great British Pounds | United States Dollars | Total     |
|---------------------------|--------------------|----------------------|-----------------------|-----------|
|                           | \$                 | \$                   | \$                    | \$        |
| <b>Group</b>              |                    |                      |                       |           |
| <b>2019:</b>              |                    |                      |                       |           |
| <b>Financial assets:</b>  |                    |                      |                       |           |
| Cash and cash equivalents | 831,269            | 143,897              | 355,624               | 1,330,790 |
| Total financial assets    | 831,269            | 143,897              | 355,624               | 1,330,790 |
| <b>2018:</b>              |                    |                      |                       |           |
| <b>Financial assets:</b>  |                    |                      |                       |           |
| Cash and cash equivalents | 958,403            | 141,327              | 362,329               | 1,462,059 |
| Total financial assets    | 958,403            | 141,327              | 362,329               | 1,462,059 |

|   | Australian Dollars | Great British Pounds | Malaysian Ringgit | United States Dollars | Thai Baht | Others  | Total     |
|---|--------------------|----------------------|-------------------|-----------------------|-----------|---------|-----------|
|   | \$                 | \$                   | \$                | \$                    | \$        | \$      | \$        |
| <b>Company</b>  |                    |                      |                   |                       |           |         |           |
| <b>2019:</b>  |                    |                      |                   |                       |           |         |           |
| <b>Financial assets:</b>                              |                    |                      |                   |                       |           |         |           |
| Cash and cash equivalents                             | 831,269            | 143,897              | -                 | 355,624               | -         | -       | 1,330,790 |
| Loans and receivables                                 | -                  | -                    | 202,486           | 4,202                 | -         | 124,451 | 331,139   |
| Total financial assets                                | 831,269            | 143,897              | 202,486           | 359,826               | -         | 124,451 | 1,661,929 |
| <b>Financial liabilities:</b>                         |                    |                      |                   |                       |           |         |           |
| Trade and other payables                              | 13,074             | -                    | 501,106           | 2,335                 | -         | -       | 516,515   |
| Total financial liabilities                           | 13,074             | -                    | 501,106           | 2,335                 | -         | -       | 516,515   |
| Net financial assets (liabilities) at end of the year | 818,195            | 143,897              | (298,620)         | 357,491               | -         | 124,451 | 1,145,414 |

## 26. Financial instruments: Information on financial risks (continued)

## 26G. Foreign currency risks (continued)

|   | Australian Dollars | Great British Pounds | Malaysian Ringgit | United States Dollars | Thai Baht | Others  | Total     |
|---|--------------------|----------------------|-------------------|-----------------------|-----------|---------|-----------|
|   | \$                 | \$                   | \$                | \$                    | \$        | \$      | \$        |
| <b>Company (continued)</b>                            |                    |                      |                   |                       |           |         |           |
| <b>2018:</b>  |                    |                      |                   |                       |           |         |           |
| <b>Financial assets:</b>                              |                    |                      |                   |                       |           |         |           |
| Cash and cash equivalents                             | 958,403            | 141,327              | -                 | 362,329               | -         | -       | 1,462,059 |
| Loans and receivables                                 | -                  | -                    | 414,715           | 2,819                 | 54,492    | 181,945 | 653,971   |
| Total financial assets                                | 958,403            | 141,327              | 414,715           | 365,148               | 54,492    | 181,945 | 2,116,030 |
| <b>Financial liabilities:</b>                         |                    |                      |                   |                       |           |         |           |
| Trade and other payables                              | 6,735              | -                    | 460,287           | 3,784                 | -         | 15,001  | 485,807   |
| Total financial liabilities                           | 6,735              | -                    | 460,287           | 3,784                 | -         | 15,001  | 485,807   |
| Net financial assets (liabilities) at end of the year | 951,668            | 141,327              | (45,572)          | 361,364               | 54,492    | 166,944 | 1,630,223 |

## Sensitivity analysis:

|  | Group    |          | Company  |          |
|--|----------|----------|----------|----------|
|  | 2019     | 2018     | 2019     | 2018     |
|  | \$       | \$       | \$       | \$       |
| A hypothetical 3% strengthening in the exchange rate of the functional currency \$ against AUD with all other variables held constant would have an (adverse) / favourable effect on pre-tax profit of   | (24,938) | (28,752) | (24,546) | (28,550) |
| A hypothetical 2% strengthening in the exchange rate of the functional currency \$ against GBP with all other variables held constant would have an (adverse) / favourable effect on pre-tax profit of   | (2,878)  | (2,827)  | (2,878)  | (2,827)  |
| A hypothetical 3% strengthening in the exchange rate of the functional currency \$ against USD with all other variables held constant would have a favourable / (adverse) effect on pre-tax profit of    | (10,669) | (10,870) | (10,725) | (10,841) |
| A hypothetical 2% strengthening in the exchange rate of the functional currency \$ against MYR with all other variables held constant would have a favourable / (adverse) effect on pre-tax profit of    | NA       | NA       | 5,972    | 911      |
| A hypothetical 1% strengthening in the exchange rate of the functional currency \$ against THB with all other variables held constant would have a favourable / (adverse) effect on pre-tax profit of    | NA       | NA       | NA       | (545)    |
| A hypothetical 1% strengthening in the exchange rate of the functional currency \$ against Others with all other variables held constant would have a favourable / (adverse) effect on pre-tax profit of | NA       | NA       | (1,245)  | (1,669)  |

The above table shows sensitivity to a hypothetical percentage variation in the functional currency against the relevant non-functional foreign currencies. The sensitivity rate used is the reasonably possible change in foreign exchange rates. For similar rate weakening of the functional currency against the relevant foreign currencies above, there would be comparable impacts in the opposite direction on the profit or loss.

## 26. Financial instruments: Information on financial risks (continued)

### 26G. Foreign currency risks (continued)

Sensitivity analysis (continued):

In management's opinion, the above sensitivity analysis is unrepresentative of the foreign currency risks as the historical exposure does not reflect the exposure in future.

The hypothetical changes in exchange rates are not based on observable market data (unobservable inputs). The sensitivity analysis is disclosed for each currency to which the entity has significant exposure at end of reporting year. The analysis above has been carried out on the basis that there are no hedged transactions.

## 27. Acquisition of subsidiaries

### Acquisition in 2018

On 6 June 2018, the Company acquired the minority interest of 37% of existing subsidiary Nuffnang-Ecpod Holding Limited for HKD 1 (S\$0.17 equivalent) settled in cash. This increased the equity interest from 63% to 100%. Changes in the ownership interest in a subsidiary that do not result in a change in control are accounted for as transactions with owners in their capacity as owners (as equity transactions). 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 interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to the owners of the parent. The schedule below shows the effects of the changes.

|   | Before 2018 | After 2018 | Change 2018 |
|---|-------------|------------|-------------|
|   | \$          | \$         | \$          |
| <b>Group:</b>   |             |            |             |
| Proportionate share of the carrying amount of the net liabilities of Nuffnang-Ecpod Holding Limited has been transferred from non-controlling interests | 187,223     | -          | 187,223     |
| Gain on acquisition included in accumulated losses  | -           | 118,206    | 118,206     |
| <b>Company:</b>   |             |            |             |
| Investment in subsidiary  | 148,755     | 148,755    | *           |

(\*) Amount is less than S\$1.

## 28. Strike-off and disposal of subsidiaries

### Strike off in 2019

The following subsidiaries were struck off as follows:

|                               | Date control lost |
|-------------------------------|-------------------|
| <b>Subsidiaries:</b>          |                   |
| Reality TV. Private Limited   | 4 June 2019       |
| FTW Tech Pte Ltd              | 4 September 2019  |
| Sashimi SG Pte Ltd            | 4 September 2019  |
| Nom Nom Media Private Limited | 4 November 2019   |

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**28. Strike-off and disposal of subsidiaries (continued)****Strike off in 2019 (continued)**

The loss on strike off for the reporting year from the strike off of the subsidiaries is as follows:

|                                | 2019     |
|--------------------------------|----------|
|                                | \$       |
| Total consideration            | -        |
| Add: Non-controlling interests | (33,660) |
| Net loss on disposal           | (33,660) |

**Disposals in 2019**

The following subsidiaries were disposed as follows:

|                                     | Date control lost |
|-------------------------------------|-------------------|
| <b>Subsidiaries:</b>                |                   |
| Nuffnang (Thailand) Co., Ltd        | 1 April 2019      |
| PT Nuffnang Indonesia Internasional | 9 September 2019  |

The loss on disposal of the subsidiaries is as follows:

|                                  | 2019      |
|----------------------------------|-----------|
|                                  | \$        |
| <b>Disposal of subsidiaries:</b> |           |
| Total consideration              | 2         |
| Add: Non-controlling interests   | 228,038   |
| Less: Net assets                 | (235,288) |
| Less: Translation reserve        | (11,626)  |
| Net loss on disposal             | (18,874)  |
| Net cash outflow on disposal:    |           |
| Cash consideration               | 2         |
| Cash balance disposed of         | (232,449) |
| Net cash outflow                 | (232,447) |

Subsequent to the disposal of PT Nuffnang Indonesia Internasional, cash amounting to S\$141,461 was received by the Company from PT Nuffnang Indonesia Internasional as return of capital on 2 January 2020.

## 28. Strike-off and disposal of subsidiaries (continued)

### Strike off in 2018

The subsidiary Nuffnang Ltd was struck off on 30 January 2018.

The loss on strike off for the reporting year from the strike off of the subsidiary was as follows:

|                               | 2018      |
|-------------------------------|-----------|
|                               | \$        |
| Total consideration           | -         |
| Add: Non-controlling interest | (135,104) |
| Net loss on disposal          | (135,104) |

## 29. Contingent liabilities

|   | 2019      | 2018      |
|---|-----------|-----------|
|   | \$        | \$        |
| Undertaking to support subsidiaries with deficits | 3,616,900 | 5,141,236 |

## 30. Events after the end of the reporting year

There are current uncertainties in the economy related to the recent COVID-19 outbreak, where uncertainties may create questions about the impairment or recoveries of certain assets. It is reasonably possible that COVID-19 may therefore have an adverse impact on the revenues and results of the Group for the next financial year, the extent of which will depend on how long the outbreak lasts.

## 31. Changes and adoption of financial reporting standards

For the current reporting year new or revised financial reporting standards were issued by the Singapore Accounting Standards Council. Those applicable to the reporting entity are listed below. Those applicable new or revised standards did not require any significant modification of the measurement methods or the presentation in the financial statements except for FRS 116 leases which are disclosed in note 23.

| FRS No.     | Title   |
|-------------|---|
| FRS 116     | Leases (and Leases - Illustrative Examples & Amendments to Guidance on Other Standards) |
| FRS 1-28    | Amendments to Long-term Interests in Associates and Joint Ventures                      |
| INT FRS 123 | Uncertainty over Income Tax Treatments  |
| FRS 12      | Improvements (2017) - Amendments: Income Taxes  |

**32. New or amended standards in issue but not yet effective**

For the future reporting years certain new or revised financial reporting standards were issued by the Singapore Accounting Standards Council and these will only be effective for future reporting years. Those applicable to the reporting entity for future reporting years are listed below. The transfer to the applicable new or revised standards from the effective dates is not expected to result in any significant modification of the measurement methods or the presentation in the financial statements for the following year from the known or reasonably estimable information relevant to assessing the possible impact that application of the new or revised standards may have on the entity's financial statements in the period of initial application.

| FRS No.     | Title   | Effective date for periods beginning on or after |
|-------------|---|--|
| FRS 1 and 8 | Definition of Material - Amendments to The Conceptual Framework for Financial Reporting | 1 January 2020                                   |

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## 13

# ADDITIONAL INFORMATION

The shareholder information set out below was applicable as at 17 March 2020.

Analysis of number of equity security holders by size of holding:

| Size of Holding     | Number of Holders of Equity Securities | Equity Securities Hold | % of Issued Equity Securities |
|---------------------|--|------------------------|-------------------------------|
| 100,001 and Over    | 47                                     | 259,235,134            | 98.76%                        |
| 10,001 to 100,000   | 80                                     | 2,679,225              | 1.02%                         |
| 5,001 to 10,000     | 51                                     | 497,768                | 0.19%                         |
| 1,001 to 5,000      | 26                                     | 87,079                 | 0.03%                         |
| 1 to 1,000          | 55                                     | 794                    | 0.00%                         |
| <b>Total</b>        | <b>259</b>                             | <b>262,500,000</b>     | <b>100%</b>                   |
| Unmarketable Parcel | 154                                    |                        |                               |

## SUBSTANTIAL HOLDERS

The substantial holder in the Company is set out below:

| Name of Holder      | Ordinary Shares Hold |
|---------------------|----------------------|
| Ganesh Kumar Bangah | 220,915,517          |

## Voting rights

The voting rights attached to the Company's securities are set out below:

## CHES Depository Interests

As CHES Depository Interest ("CDI") holders are not the legal owners of underlying Shares, CHES Depository Nominees ("CDN"), which holds legal titles to the Shares underlying the CDIs, is entitled to vote at shareholder meetings of the Company on the instruction of the CDI holders on a poll, not on a show of hands. CDI holders are entitled to give instructions for one vote for every underlying Share held by CDN. Any notice of meeting issued to CDI holders will include a form permitting the holder to direct CDN to cast proxy votes in accordance with the holder's instructions.

## On-market buy-back

There is currently no on-market buy-back program for any of Netccentric Limited's listed securities.

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**Listing Rule 3.13.1 and 14.3**

In accordance with Listing Rule 3.13.1 and Listing Rule 14.3, the Annual General Meeting of Netccentric Limited is scheduled for 22 May 2020.

You may submit written questions to the Company or the Company's external auditor in advance of the AGM about the business of the Company, the Resolutions put forward at the upcoming AGM, or the Annual Report. If the question is directed to the external auditor, it must be relevant to either the:

1. conduct of the audit; or
2. preparation and content of the auditor's report; or
3. accounting policies adopted by the Company in relation to the preparation of the financial statements; or
4. independence of the auditor in relation to the conduct of the audit.

Investors are encouraged to receive communications from the Company electronically and can elect to do so by contacting the Company's share registry.

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## EQUITY SECURITY HOLDERS

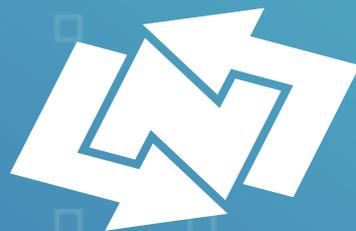
- Twenty largest quoted equity security holders
- The names of the twenty largest holders of quoted equity securities are listed below:

| Rank | Name  | No of Equity Securities | % of Issued equity securities |
|------|---|-------------------------|-------------------------------|
| 1    | HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED                         | 222,161,267             | 84.63%                        |
| 2    | TASEC NOMINEES (ASING) SDN BHD                                    | 4,620,000               | 1.76%                         |
| 3    | WEIJIE LIONEL CHIN  | 4,550,000               | 1.73%                         |
| 4    | KEVIN TSAI SHAO CHUNG   | 3,750,000               | 1.43%                         |
| 5    | CITICORP NOMINEES PTY LIMITED                                     | 3,043,870               | 1.16%                         |
| 6    | TASEC NOMINEES (TEMPATAN) SDN BHD                                 | 2,940,000               | 1.12%                         |
| 7    | MR PANG TEE CHEW  | 2,500,000               | 0.95%                         |
| 8    | HUI WEN YANG  | 1,925,103               | 0.73%                         |
| 9    | BNP PARIBAS NOMS PTY LTD <DRP>                                    | 1,499,363               | 0.57%                         |
| 10   | MR MATTHEW REGOS & MRS SILVIA REGOS <REGOS FAMILY SUPER FUND A/C> | 1,097,556               | 0.42%                         |
| 11   | MS SOO WAH TAN  | 1,020,000               | 0.39%                         |
| 12   | MR ROBERT GERARD STARCEVICH <STARCEVICH FAMILY A/C>               | 1,000,000               | 0.38%                         |
| 13   | BNP PARIBAS NOMS PTY LTD <UOB KAY HIAN PRIV LTD DRP>              | 604,666                 | 0.23%                         |
| 14   | MS SOO KIAN TAN   | 500,000                 | 0.19%                         |
| 15   | STONE COLD INDUSTRIES PTY LTD                                     | 488,362                 | 0.19%                         |
| 16   | MISS ISSADA TRAKARNWIJITR   | 467,604                 | 0.18%                         |
| 17   | GARETH DAVIES   | 431,958                 | 0.16%                         |
| 17   | CHENG LEONG FOONG   | 431,958                 | 0.16%                         |
| 18   | SHOOTINGFISH PTY LTD <STONE COLD SUPER FUND A/C>                  | 400,000                 | 0.15%                         |
| 19   | MRS POOI CHIN TONG  | 340,000                 | 0.13%                         |
| 20   | YANYAN WENDY CHENG  | 339,609                 | 0.13%                         |
| 20   | ALVIN KIT WAN CHAN  | 339,609                 | 0.13%                         |
|      | <b>Total</b>  | <b>254,450,925</b>      | <b>96.92%</b>                 |
|      | <b>Balance of register</b>  | <b>8,049,075</b>        | <b>3.08%</b>                  |
|      | <b>Grand total</b>  | <b>262,500,000</b>      | <b>100.00%</b>                |

Unquoted equity securities: Nil

Holders of 20% or more of unquoted equity securities: Nil

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