Company Registration No: 201025088K

SPBD MICROFINANCE HOLDINGS (SINGAPORE) PTE. LTD.

(Incorporated in Singapore)

AND ITS SUBSIDIARY COMPANIES

DIRECTORS' STATEMENT AND FINANCIAL STATEMENTS

31 DECEMBER 2019

SPBD MICROFINANCE HOLDINGS (SINGAPORE) PTE. LTD.
(Incorporated in Singapore)

AND ITS SUBSIDIARY COMPANIES

31 DECEMBER 2019

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SPBD MICROFINANCE HOLDINGS (SINGAPORE) PTE. LTD.
(Incorporated in Singapore)

AND ITS SUBSIDIARY COMPANIES

DIRECTORS' STATEMENT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

The directors present their statement to the shareholder together with the audited financial statements of SPBD Microfinance Holdings (Singapore) Pte. Ltd. (the "Company") and the audited consolidated financial statements of the Company and its subsidiaries (the "Group") for the financial year ended 31 December 2019.

In the opinion of the directors:

(a) the accompanying financial statements of the Company and the consolidated financial statements of the Group are drawn up so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2019 and the financial performance, changes in equity and cash flows of the Group and the Company for the year then ended; and

(b) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

1 Directors

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

Gregory Francis Casagrande
Wu Pei Ngee Penny

2 Arrangements to Enable Directors to Acquire Shares or Debentures

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

3 Directors' Interests in Shares or Debentures

According to the register of directors' shareholdings kept by the Company under section 164 of the Singapore Companies Act, Chapter 50, the directors of the Company who held office at the end of the financial year had no interest in the shares or debentures of the Company and related corporations either at the beginning of the financial year or date of appointment or at the end of the financial year, except as follows:

	Registered in the name of director	
SPBD Microfinance Holdings (Delaware) L.L.C. (Immediate and Ultimate Holding Company)	At the beginning of the year	At the end of the year
	Percentage of equity interest	
Gregory Francis Casagrande	100%	100%

4 Share Options

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

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

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

5 Independent Auditor

Moore Stephens LLP has expressed its willingness to accept re-appointment as auditors.

Directors

GREGORY FRANCIS CASAGRANDE

WU PEI NGEE PENNY

15 May 2020

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDER OF

SPBD MICROFINANCE HOLDINGS (SINGAPORE) PTE. LTD.
(Incorporated in Singapore)

Report on the Audit of the Financial Statements

Opinion

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

In our opinion, the accompanying consolidated financial statements of the Group and the financial statements of the Company are properly drawn up in accordance with the provisions of the Companies Act, Chapter 50 (the Act) and the Financial Reporting Standards in Singapore ("FRSs") 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 of the financial performance, changes in equity and cash flows of the Company for the year ended on that date.

Basis for Opinion

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

Other Information

Management is responsible for the other information. The other information comprises the "Directors' Statement".

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.

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDER OF

SPBD MICROFINANCE HOLDINGS (SINGAPORE) PTE. LTD.
(Incorporated in Singapore)

(cont'd)

Responsibilities of Management and Directors for the Financial Statements

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDER OF

SPBD MICROFINANCE HOLDINGS (SINGAPORE) PTE. LTD.
(Incorporated in Singapore)

(cont'd)

Auditor's Responsibilities for the Audit of the Financial Statements (cont'd)

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion

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

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.

MOORE

MOORE STEPHENS LLP
CHARTERED ACCOUNTANTS OF SINGAPORE

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDER OF

SPBD MICROFINANCE HOLDINGS (SINGAPORE) PTE. LTD.
(Incorporated in Singapore)

(cont'd)

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 have been properly kept in accordance with the provisions of the Act.

Moore Stephens LLP

Moore Stephens LLP
Public Accountants and
Chartered Accountants

Singapore
15 May 2020

SPBD MICROFINANCE HOLDINGS (SINGAPORE) PTE. LTD.
(Incorporated in Singapore)

AND ITS SUBSIDIARY COMPANIES

STATEMENTS OF COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

		Group		Company	
	Note	2019	2018	2019	2018
		US$	US$	US$	US$
Financial revenue	4	7,406,404	6,409,261	836,352	838,036
Interest income		5,475,944	4,954,572	251,352	207,255
Others		1,930,460	1,454,689	585,000	630,781
Other income	5	358,787	194,945	104,984	43,153
Financial expenses	6	(1,697,484)	(1,530,877)	(395,162)	(363,190)
Allowance for loans losses		(163,014)	(228,350)	-	-
Others		(1,534,470)	(1,302,527)	(395,162)	(363,190)
Other operating expenses		(4,759,360)	(4,239,819)	(464,427)	(506,142)
Profit before income tax	7	1,308,347	833,510	81,747	11,857
Income tax expense	8	(267,548)	(217,087)	(104)	(4,678)
Profit for the financial year		1,040,799	616,423	81,643	7,179
Other comprehensive (loss)/income:					
Items that may be reclassified subsequently to profit or loss					
- Exchange differences on translation of foreign operations		(70,296)	100,116	-	-
Total comprehensive income for the financial year		970,503	716,539	81,643	7,179

The accompanying notes form an integral part of these financial statements

SPBD MICROFINANCE HOLDINGS (SINGAPORE) PTE. LTD.
(Incorporated in Singapore)

AND ITS SUBSIDIARY COMPANIES

STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2019

		Group		Company	
	Note	2019	2018	2019	2018
		US$	US$	US$	US$
ASSETS					
Non-Current Assets					
Goodwill	9	407,438	407,438	-	-
Property, plant and equipment	10	1,093,566	456,608	-	-
Investments in subsidiaries	11	-	-	1,887,669	1,887,669
Amount due from subsidiaries	12	-	-	4,506,566	3,592,997
Other receivables	14	232,256	-	-	-
		1,733,260	864,046	6,394,235	5,480,666
Current Assets					
Loans portfolio	13	16,612,599	13,363,386	-	-
Amount due from subsidiaries	12	-	-	1,102,632	579,353
Other receivables	14	277,128	304,437	9,925	2,248
Cash and bank balances	15	2,269,901	1,806,341	63,984	44,322
		19,159,628	15,474,164	1,176,541	625,923
Total Assets		20,892,888	16,338,210	7,570,776	6,106,589
EQUITY					
Attributable to equity holder of the Company					
Share capital	16	1,429,998	1,429,998	1,429,998	1,429,998
(Accumulated losses)/Retained earnings		(970,096)	(2,010,895)	270,575	188,932
Other reserve	17	(313,505)	(313,505)	-	-
Foreign currency translation reserve		(117,148)	(46,852)	-	-
Total Equity		29,249	(941,254)	1,700,573	1,618,930

The accompanying notes form an integral part of these financial statements

SPBD MICROFINANCE HOLDINGS (SINGAPORE) PTE. LTD.
(Incorporated in Singapore)

AND ITS SUBSIDIARY COMPANIES

STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2019

	Note	Group 2019 US$	Group 2018 US$	Company 2019 US$	Company 2018 US$
LIABILITIES					
Non-Current Liabilities					
Lease liabilities / finance lease liabilities	23	401,160	88,106	-	-
Amount due to a related party	18	67,454	70,615	-	-
Borrowings	19	9,121,932	7,581,917	2,190,714	3,036,689
		9,590,546	7,740,638	2,190,714	3,036,689
Current Liabilities					
Members' savings deposits	20	3,121,750	2,799,712	-	-
Other payables	21	617,843	503,561	75,786	100,943
Bank overdrafts	22	1,611,426	1,803,296	-	-
Lease liabilities / finance lease liabilities	23	292,521	74,692	-	-
Borrowings	19	5,437,420	4,258,875	3,603,703	1,350,027
Provision for taxation		192,133	98,690	-	-
		11,273,093	9,538,826	3,679,489	1,450,970
Total Liabilities		20,863,639	17,279,464	5,870,203	4,487,659
Total Equity and Liabilities		20,892,888	16,338,210	7,570,776	6,106,589

SPBD MICROFINANCE HOLDINGS (SINGAPORE) PTE. LTD.
(Incorporated in Singapore)

AND ITS SUBSIDIARY COMPANIES

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

	Share capital US$	Accumulated losses US$	Other reserve US$	Foreign currency translation reserve US$	Total US$
Group					
Balance as at 1 January 2019	1,429,998	(2,010,895)	(313,505)	(46,852)	(941,254)
Net profit for the year	-	1,040,799	-	-	1,040,799
Other comprehensive loss	-	-	-	(70,296)	(70,296)
Total comprehensive income	-	1,040,799	-	(70,296)	970,503
Balance as at 31 December 2019	1,429,998	(970,096)	(313,505)	(117,148)	29,249
Balance as at 1 January 2018	1,429,998	(2,627,318)	(313,505)	(146,968)	(1,657,793)
Net profit for the year	-	616,423	-	-	616,423
Other comprehensive income	-	-	-	100,116	100,116
Total comprehensive income	-	616,423	-	100,116	716,539
Balance as at 31 December 2018	1,429,998	(2,010,895)	(313,505)	(46,852)	(941,254)

The accompanying notes form an integral part of these financial statements

SPBD MICROFINANCE HOLDINGS (SINGAPORE) PTE. LTD.
(Incorporated in Singapore)

AND ITS SUBSIDIARY COMPANIES

STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

	Share capital US$	Retained earnings US$	Total US$
Company			
Balance as at 1 January 2019	1,429,998	188,932	1,618,930
Net profit for the year	-	81,643	81,643
Other comprehensive income	-	-	-
Total comprehensive income	-	81,643	81,643
Balance as at 31 December 2019	1,429,998	270,575	1,700,573
Balance as at 1 January 2018	1,429,998	181,753	1,611,751
Net profit for the year	-	7,179	7,179
Other comprehensive income	-	-	-
Total comprehensive income	-	7,179	7,179
Balance as at 31 December 2018	1,429,998	188,932	1,618,930

The accompanying notes form an integral part of these financial statements

SPBD MICROFINANCE HOLDINGS (SINGAPORE) PTE. LTD.
(Incorporated in Singapore)

AND ITS SUBSIDIARY COMPANIES

CONSOLIDATED CASH FLOW STATEMENT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

	Group	
	2019	2018
	US$	US$
Cash Flows from Operating Activities		
Profit before income tax	1,308,347	833,510
Adjustments for:		
Depreciation of property, plant and equipment	317,226	189,632
Interest expense (including amortisation of discount)	1,320,647	1,162,055
Interest expense on lease liabilities	53,272	-
Interest income	(5,475,944)	(4,954,572)
Unrealised foreign exchange loss	8,665	67,883
Allowance for loans losses	163,014	228,350
Gain on disposal of property, plant and equipment	(6,849)	(641)
Operating cash inflows before working capital changes	(2,311,622)	(2,473,783)
Changes in operating assets and liabilities:		
Loans portfolio	(3,778,254)	(2,204,596)
Other receivables	27,309	(105,160)
Members' savings deposits	405,320	478,008
Other payables	131,514	73,305
Net cash used in operations	(5,525,733)	(4,232,226)
Income tax paid	(165,960)	(238,218)
Interest received	5,475,944	4,954,572
Net cash (used in)/generated from operating activities	(215,749)	484,128
Cash Flows from Investing Activities		
Proceeds from disposal of property, plant and equipment	9,921	2,225
Purchase of property, plant and equipment	(231,532)	(109,788)
Increase in other investment (Note 14)	(232,256)	-
Net cash used in investing activities	(453,867)	(107,563)
Cash Flows from Financing Activities		
Proceeds from borrowings	6,200,902	3,699,435
Repayment of borrowings	(3,153,523)	(3,751,918)
Principal payment of lease liabilities	(206,134)	(64,475)
(Decrease)/Increase in bank overdrafts and fixed deposits pledged for bank overdrafts	(193,050)	656,496
Interest paid	(1,506,336)	(1,286,608)
(Increase)/Decrease in amount restricted to members' savings deposits	(16,897)	9,743
Net cash generated from/(used in) financing activities	1,124,962	(737,327)
Net increase/(decrease) in cash and cash equivalents	455,346	(360,762)
Cash and cash equivalents at the beginning of the year	901,780	1,257,810
Currency realignment	(9,863)	4,732
Cash and cash equivalents at the end of the year (Note 15)	1,347,263	901,780

The accompanying notes form an integral part of these financial statements

SPBD MICROFINANCE HOLDINGS (SINGAPORE) PTE. LTD.
(Incorporated in Singapore)

AND ITS SUBSIDIARY COMPANIES

CASH FLOW STATEMENT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

	Company	
	2019	2018
	US$	US$
Cash Flows from Operating Activities		
Profit before income tax	81,747	11,857
Adjustments for:		
Interest expense	395,162	363,190
Interest income	(251,352)	(207,255)
Unrealised foreign exchange gain	(15,862)	(19,950)
Operating cash inflows before working capital changes	209,695	147,842
Changes in operating assets and liabilities:		
Other receivables	(70,717)	(778)
Other payables	(25,157)	51,496
Net cash generated from operations	113,821	198,560
Income tax paid	(104)	(4,678)
Interest received	191,049	244,516
Net cash generated from operating activities	304,766	438,398
Cash Flows from Investing Activities		
Amount due from subsidiaries	(1,294,385)	669,647
Net cash (used in)/generated from investing activities	(1,294,385)	669,647
Cash Flows from Financing Activities		
Proceeds from borrowings	2,825,985	650,000
Repayment of borrowings	(1,404,158)	(1,441,503)
Interest paid	(412,545)	(457,444)
Net cash generated from/(used in) financing activities	1,009,281	(1,248,947)
Net increase/(decrease) in cash and cash equivalents	19,662	(140,902)
Cash and cash equivalents at the beginning of the year	44,322	185,224
Cash and cash equivalents at the end of the year (Note 15)	63,984	44,322

The accompanying notes form an integral part of these financial statements

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

1 General Information

SPBD Microfinance Holdings (Singapore) Pte. Ltd. (the "Company") is a private limited company, domiciled and incorporated in Singapore. The Company's registered office and place of business is located at 1 Goldhill Plaza, #03-39 Podium Block, Singapore 308899.

The principal activities of the Company are that of investment holding and provision of services. There have been no significant changes in the nature of these activities during the financial year. The principal activities of subsidiaries are disclosed in Note 11.

The Company's immediate and ultimate holding company is SPBD Microfinance Holdings (Delaware) L.L.C. (incorporated in the United States of America). The Company's ultimate controlling shareholder is Mr. Gregory Francis Casagrande.

The financial statements of the Group and the Company for the financial year ended 31 December 2019 are approved by the Board of Directors and authorised for issue on the date of the Directors' Statement.

2 Significant Accounting Policies

(a) Basis of Preparation

The consolidated financial statements of the Group and the financial statements of the Company have been prepared in accordance with the provisions of the Singapore Companies Act, Chapter 50 and Financial Reporting Standards in Singapore (FRSs). These financial statements have been prepared under the historical cost convention, except as disclosed in the accounting policies below.

The preparation of financial statements in conformity with FRSs requires management to exercise its judgement in the process of applying the Group's accounting policies. It also requires the use of certain critical accounting estimates and assumptions. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 3.

The accounting policies adopted are consistent with those of the previous financial year except that in the current financial year, the Group has adopted all the new and revised standards which are relevant to the Group and are effective for annual financial periods beginning on or after 1 January 2019. Except for the adoption of FRS 116 *Leases* described below, the adoption of these new and revised standards did not have any material effect on the financial performance or financial position of the Group and Company.

2 **Significant Accounting Policies** (cont'd)

(a) Basis of Preparation (cont'd)

Adoption of FRS 116 *Leases*

FRS 116 sets out a revised framework for the recognition, measurement, presentation and disclosure of leases and replaces FRS 17 *Leases*, INT FRS 104 *Determining whether an Arrangement contains a Lease*, INT FRS 15 *Operating Leases-Incentives* and INT FRS 27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*.

FRS 116 requires lessees to recognise right-of-use assets and lease liabilities for all leases with a term of more than 12 months, except where the underlying asset is of low value. The right-of-use assets are depreciated and interest expense is recognised on the lease liability. Lease incentives (e.g rent-free period) are recognised as part of the measurement of the right-of-use assets and lease liabilities. Right-of-use assets are tested for impairment in accordance with FRS 36 *Impairment of Assets*. The accounting requirements for lessors have not been changed substantially, and continue to be based on classification as operating and finance leases. Disclosure requirements have been enhanced for both lessors and lessees.

On 1 January 2019, the Group has applied a modified retrospective approach that does not restate comparative information, but recognises the cumulative effect of initially applying FRS 116 as an adjustment to the opening balance of retained earnings on 1 January 2019. The Group elected a practical expedient offered by FRS 116, exempting the Group from having to reassess whether pre-existing contracts contains a lease.

The Group has, on a lease-by-lease basis:

- applied a single discount rate to a portfolio of leases with reasonably similar characteristics;
- relied on previous assessments on whether leases are onerous as an alternative to performing an impairment review;
- excluded initial direct costs in the measurement of the right-of-use assets at the date of initial application; and
- used hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The Group has elected not to recognise right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

There are no significant changes to the accounting by the Group as a lessor.

2 **Significant Accounting Policies** (cont'd)

(a) Basis of Preparation (cont'd)

Adoption of FRS 116 *Leases* (cont'd)

For leases previously classified as operating leases, the Group chose to measure its right-of-use assets at a carrying amount as if FRS 116 had been applied since the commencement of the lease but discounted using the incremental borrowing rate at 1 January 2019. The Group recognised its lease liabilities by discounting the remaining lease payments as at 1 January 2019 using the incremental borrowing rate for each individual lease or, if applicable, the incremental borrowing rate for each portfolio of leases with reasonably similar characteristics. The difference between the carrying amounts of the right-of-use assets and lease liabilities as at 1 January 2019 is adjusted directly to opening retained earnings. Comparative information is not restated.

For leases previously classified as finance leases, the carrying amount of the leased assets and finance lease liabilities as at 1 January 2019 are determined as the carrying amount of the right-of-use assets and lease liabilities.

On 1 January 2019, the Group recognised right-of-use assets of US$461,942 and lease liabilities of US$461,942.

When measuring lease liabilities, the Group discounted lease payments using the incremental borrowing rate at 1 January 2019. The weighted-average rate applied is approximately 8.50% per annum.

The difference between the operating lease commitments disclosed applying FRS 17 in the Group's financial statements as at 31 December 2018 and the lease liabilities recognised in the statements of financial position as at 1 January 2019 is presented below:

	US$
Operating lease commitments disclosed as at 31 December 2018	420,873
Less: Commitments relating to short-term leases	(193,480)
Add: Extension options reasonably certain to be exercised	274,601
Discounted using the incremental borrowing rate at 1 January 2019	(40,052)
Discounted operating lease commitments as at 1 January 2019	461,942
Add: Finance lease liabilities as at 31 December 2018	162,798
Lease liabilities recognised at 1 January 2019	624,740

The adoption of FRS 116 does not have significant impact on the financial performance and financial position of the Company.

2 **Significant Accounting Policies** (cont'd)

(a) Basis of Preparation (cont'd)

Adoption of New/Revised FRS which are not yet effective

At the date of authorisation of the financial statements, the Group has not adopted the following new or revised FRSs that have been issued and which are relevant to the Group but will only be effective for the Group for the annual periods beginning on or after 1 January 2020, management is in the process to assess the impact of these new standards on the financial performance or financial positon of the Group.

- Amendments to FRS 103
  Business Combination: Definition of a business

The amendments confirm that a business must include inputs and a process. The amendments also clarify that the process must be substantive, and the inputs and process must significantly contribute to creating outputs. The revised definition of a business focuses on goods and services provided to customers and other income from ordinary activities, rather than on providing dividends or other economic benefits directly to investors or lowering costs. A new optional test is available to assess whether a business has been acquired, when the value assets acquired is concentrated in a single asset or group of similar assets.

- Amendments to FRS 1 and FRS 8
  Presentation of Financial Statements and *Accounting Policies, Changes in Accounting Estimates and Errors:* Definition of Material

The amendments refine the definition of "material", provide guidance on its application, and align the definitions used across FRSs. Based on the amendments, information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general-purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.

- Interest Rate Benchmark Reform – Amendments to FRS Financial Instruments, FRS 39 Financial Instruments: *Recognition and Measurement and FRS 107 Financial Instruments: Disclosures*

The amendments provide temporary relief to allow hedge accounting to continue for certain hedges during the period of certain hedges during the period of uncertainty before replacement of an existing Interbank Offered Rate benchmark (IBOR) with an alternative nearly Risk Free Rates (RFRs). The amendments are mandatory for all hedging relationships directly affected by the IBOR reform. Companies are required to assume that the interest rate benchmark that is the subject of a hedge of interest rate risk is unaltered by the reforms.

2 **Significant Accounting Policies** (cont'd)

(b) Going Concern

In the preparation of the financial statements, the directors of the Company believe that the use of the going concern assumption is appropriate after taking into consideration the following factors:

(i) Management has prepared a cash flow forecast and is of the view that the Group will have sufficient cash resources to satisfy its working capital requirements and to meet its obligations as and when they fall due; and

(ii) The immediate and ultimate holding company has indicated its intention to provide continuing financial support to enable the Group to meet its obligations as and when they fall due.

In the event the Group is unable to continue in operational existence for the foreseeable future, the Group may be unable to discharge its liabilities in the ordinary course of business and adjustments may have to be made to reflect the situation that assets may need to be realised other than in the ordinary course of business and at amounts which could differ from the amounts at which they are currently recorded in the statement of financial position. In addition, the Group may have to provide for further liabilities which may arise, and to reclassify non-current assets and non-current liabilities as current assets and current liabilities respectively. No such adjustments have been made to these financial statements.

(c) Currency Translation

Functional and presentation currency

The individual financial statements of each group entity are presented in the currency of the primary economic environment in which the entity operates (its functional currency). For the purpose of the consolidated financial statements, the results and financial position of each group entity are expressed in United States Dollar ("US$"), which is the functional currency of the Company and the presentation currency for the consolidated financial statements.

Transactions and balances

Transactions in a currency other than the functional currency ("foreign currency") are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Currency translation gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year-end exchange rates are recognised in profit or loss. Non-monetary items that are measured in terms of historical cost in a foreign currency shall be translated using the exchange rate at the date of the transaction; and non-monetary items that are measured at fair value in a foreign currency shall be translated using the exchange rates at the date when the fair value was determined.

2 **Significant Accounting Policies** (cont'd)

(c) Currency Translation (cont'd)

Translation of Group entities' financial statements

The results and financial position of all the group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- Assets and liabilities are translated at the closing rate at the reporting date;
- Income and expenses are translated at average exchange rates (unless the average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated using the exchange rates at the dates of the transactions); and
- All resulting exchange differences are recognised in other comprehensive income and accumulated in the foreign currency translation reserve. These currency translation differences are reclassified to profit or loss on disposal or partial disposal (i.e. loss of control) of the entity giving rise to such reserve.

(d) Group Accounting

Subsidiaries

Consolidation

Subsidiaries are all entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date on which control ceases.

When the Company has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Company considers all relevant facts and circumstances in assessing whether or not the Company's voting rights in an investee are sufficient to give power, including:

- the size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Company, other vote holders or other parties;
- rights arising from other contractual agreements; and

2 **Significant Accounting Policies** (cont'd)

(d) Group Accounting (cont'd)

Subsidiaries (cont'd)

Consolidation (cont'd)

- any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholder's meetings.

In preparing the consolidated financial statements, transactions, balances and unrealised gains on transactions between group entities are eliminated. Unrealised losses are also eliminated but are considered an impairment indicator of the asset transferred. The financial statements of the subsidiaries used in the preparation of the consolidated financial statements are prepared for the same reporting date as the Company. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests are that part of the net results of operations and of net assets of a subsidiary attributable to the interests which are not owned directly or indirectly by the equity holders of the Company. They are shown separately in the consolidated statement of comprehensive income, statement of changes in equity and statement of financial position.

Total comprehensive income is attributed to the non-controlling interests based on their respective interests in a subsidiary, even if this results in the non-controlling interests having a deficit balance.

Acquisition of businesses

The acquisition method of accounting is used to account for business combinations by the Group.

The consideration transferred for the acquisition of a subsidiary comprises the fair value of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred also includes the fair value of any contingent consideration arrangement and the fair value of any pre-existing equity interest in the subsidiary.

Acquisition-related costs are expensed as incurred.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date.

In business combinations achieved in stages, the Group recognises any non-controlling interest in the acquiree at the date of acquisition either at fair value or at the non-controlling interest's proportionate share of the acquiree's net identifiable assets.

2 **Significant Accounting Policies** (cont'd)

(d) Group Accounting (cont'd)

Subsidiaries (cont'd)

Acquisition of businesses (cont'd)

The Group elects for each individual business combination, whether non-controlling interest in the acquiree (if any) is recognised on the acquisition date at fair value, or at the non-controlling interest's proportionate share of the acquiree net identifiable assets.

Any excess of the sum of the fair value of the consideration transferred in the business combinations, the amount of non-controlling interest in the acquiree (if any), and the fair value of the Group's previously held equity interest in the acquiree (if any), over the net fair value of the acquiree's identifiable assets and liabilities is recorded as goodwill on the consolidated statement of financial position. In instances where the latter amount exceeds the former, the excess is recognised as a gain on bargain purchase in profit or loss on the acquisition date.

Disposals of subsidiaries or businesses

When a change in the Company's ownership interest in a subsidiary results in a loss of control over the subsidiary, the assets and liabilities of the subsidiary including any goodwill are derecognised. Amounts recognised in other comprehensive income in respect of that entity are also reclassified to profit or loss or transferred directly to retained earnings if required by a specific standard.

Any retained interest in the entity is remeasured at fair value. The difference between the carrying amount of the retained investment at the date when control is lost and its fair value is recognised in profit or loss.

(e) Investments in Subsidiaries

Investments in subsidiaries are stated at cost less accumulated impairment losses in the Company's statement of financial position. On disposal of investments in subsidiaries, the difference between net disposal proceeds and the carrying amount of the investments is taken to profit or loss.

(f) Goodwill

Goodwill on acquisition of subsidiaries represents the excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the net identifiable assets acquired.

2 **Significant Accounting Policies** (cont'd)

(f) Goodwill (cont'd)

Subsequently, goodwill is carried at cost less any accumulated impairment losses. Goodwill is tested for impairment annually and whenever there is an indication that the goodwill may be impaired. If the Group's interest in the net fair value of the identifiable assets and liabilities exceeds the consideration transferred and the non-controlling interest in the acquiree, the Group will reassess whether it has correctly identified all of the assets acquired and liabilities assumed, and any excess thereafter is recognised as an income immediately.

On disposal of a subsidiary, the attributable amount of goodwill is included in the determination of profit and loss on disposal.

Goodwill and fair value adjustments arising on the acquisition of foreign operations are treated as assets and liabilities of the foreign operations and are recorded in the functional currency of the foreign operations and translated in accordance with the accounting policy set out in Note 2(c).

(g) Property, Plant and Equipment

Property, plant and equipment are carried at cost less accumulated depreciation and accumulated impairment losses. Cost represents all costs that are directly attributable to bringing the asset to its working location and condition for its intended use.

Depreciation is calculated on straight line basis to write off the cost of the property, plant and equipment less their residual values over their estimated useful lives using the straight line method. The estimated useful lives, residual values and depreciation method are reviewed at each year end, with effect of any changes in estimate accounted for on a prospective basis. The annual rates have been taken as follows:

Leasehold improvements	- 2 to 20 years
Furniture and fixtures	- 2 to 8 years
Office equipment	- 2 to 8 years
Computer equipment and peripherals	- 2 to 5 years
Motor vehicles	- 2 to 5 years
Software and electronics system	- 3 to 4 years

The useful lives of property, plant and equipment and their respective residual values at the end of each reporting period are reviewed and, where appropriate, adjusted. The adjustments, if any, are taken to the statement of comprehensive income.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

2 **Significant Accounting Policies** (cont'd)

(h) Impairment of Non-Financial Assets

(i) Goodwill

Goodwill is tested for impairment annually and whenever there is an indication that the goodwill may be impaired.

For the purpose of impairment testing of goodwill, goodwill is allocated to each of the Group's cash-generating-units ("CGU") expected to benefit from synergies arising from the business combination.

An impairment loss is recognised when the carrying amount of a CGU, including the goodwill, exceeds the recoverable amount of the CGU. Recoverable amount of a CGU is the higher of the CGU's fair value less cost to sell and value-in-use.

The total impairment loss of a CGU is allocated first to reduce the carrying amount of goodwill allocated to the CGU and then to the other assets of the CGU pro-rata on the basis of the carrying amount of each asset in the CGU.

An impairment loss on goodwill is recognised as an expense and is not reversed in a subsequent period.

(ii) Property, Plant and Equipment
Investments in Subsidiaries

Property, plant and equipment and investments in subsidiaries are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If such indication exists, the recoverable amount (i.e. the higher of the fair value less cost to sell and value in use) of the asset is estimated to determine the amount of impairment loss.

For the purpose of impairment testing, the recoverable amount is determined on an individual asset basis unless the asset does not generate cash flows that are largely independent of those from other assets. If this is the case, the recoverable amount is determined for the cash-generating unit ("CGU") to which the asset belongs. In assessing 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 which the estimates of future cash flows have not been adjusted.

If the recoverable amount of the asset (or CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or CGU) is reduced to its recoverable amount. The difference between the carrying amount and recoverable amount is recognised as an impairment loss in profit or loss.

2 **Significant Accounting Policies** (cont'd)

(h) Impairment of Non-Financial Assets (cont'd)

(ii) Property, Plant and Equipment
Investments in Subsidiaries (cont'd)

An impairment loss for an asset is reversed if, and only if, there has been a change in the estimates used to determine the assets' recoverable amount since the last impairment loss was recognised. The carrying amount is increased to its revised recoverable amount, provided that this amount does not exceed the carrying amount that would have been determined (net of any accumulated amortisation or depreciation) had no impairment loss been recognised for the asset in prior years. A reversal of impairment loss is recognised in profit or loss.

(i) Financial Assets

Classification and measurement

The Group classifies its financial assets as those to be measured at amortised cost.

The classification depends on the Group's business model for managing the financial assets and the contractual terms of the cash flows. The Group reclassifies debt investments when and only when its business model for managing those assets changes.

Initial Recognition

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

Financial assets measured at amortised costs are presented as "loans portfolio", "other receivables (excluding prepayment)", "amount due from subsidiaries" and "cash and bank balances" on the statement of financial position.

Subsequent Measurement

Debt instruments - Financial assets measured at amortised cost

Debt instruments mainly comprise of "loans portfolio", "other receivables (excluding prepayment)", "amount due from subsidiaries" and "cash and bank balances". Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. The Group's debt instruments are classified in the amortised cost category.

2 **Significant Accounting Policies** (cont'd)

(i) Financial Assets (cont'd)

Classification and measurement (cont'd)

Subsequent Measurement (cont'd)

Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. A gain or loss on a debt instrument that is subsequently measured at amortised cost and is not part of a hedging relationship is recognised in profit or loss when the asset is derecognised or impaired. For debt instrument that is measured at amortised cost that are not part of a designated hedging relationship, exchange differences are recognised in profit or loss. Impairment losses are deducted from the gross carrying amount of these assets and are presented as separate line item in the statement of profit or loss.

Impairment

The impairment methodology applied depends on whether there has been a significant increase in credit risk.

The Group assesses on a forward looking basis the expected credit losses associated with financial assets measured at amortised costs.

Loss allowances of the Group are measured on either of the following bases:

- 12-month expected credit losses – represents the expected credit losses that result from default events that are possible within the 12 months after the reporting date (or for a shorter period if the expected life of the instrument is less than 12 months); or
- Lifetime expected credit losses – represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument or contract asset.

General approach

The Group applies the general approach to provide for expected credit losses on loans portfolio and all other receivables, which requires the loss allowance to be measured at an amount equal to 12-month expected credit losses at initial recognition.

2 **Significant Accounting Policies** (cont'd)

(i) Financial Assets (cont'd)

Impairment (cont'd)

At each reporting date, the Group assesses whether the credit risk of a financial instrument has increased significantly since initial recognition. When credit risk has increased significantly since initial recognition, loss allowance is measured at an amount equal to lifetime expected credit losses. In assessing whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating expected credit losses, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information that is reasonable and supportable, including the Group's historical experience and forward-looking information that is available without undue cost or effort. Forward-looking information considered includes the future prospects of the industries in which the Group's debtors operate, obtained from economic expert reports, financial analysts, governmental bodies, and other similar organisations, as well as consideration of various external sources of actual and forecast economic information that relate to the Group's core operations.

If credit risk has not increased significantly since initial recognition or if the credit quality of the financial instruments improves such that there is no longer a significant increase in credit risk since initial recognition, loss allowance is measured at an amount equal to 12-month expected credit losses.

The Group considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that a financial asset to be in default when:

- the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or
- the financial asset is more than 90 days past due.

The maximum period considered when estimating expected credit losses is the maximum contractual period over which the Group is exposed to credit risk.

Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. At each reporting date, the Group assesses whether financial assets carried at amortised cost are credit-impaired.

2 **Significant Accounting Policies** (cont'd)

(i) Financial Assets (cont'd)

Impairment (cont'd)

Evidence that a financial asset is credit-impaired includes the observable data about the following events:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or past due;
- the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower or a concession(s) that the lender(s) would not other consider (e.g. the restructuring of a loan or advance by the Group on terms that the Group would not consider otherwise);
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for a security because of financial difficulties.

Measurement of expected credit losses

Expected credit losses are probability-weighted estimates of credit losses. Credit losses are measured at the, present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the amounts are over two years past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

Recognition and de-recognition

Financial assets are recognised when, and only when the Group becomes party to the contractual provisions of the instruments. All regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Group commits to purchase or sell the asset.

2 **Significant Accounting Policies** (cont'd)

(i) Financial Assets (cont'd)

Recognition and de-recognition (cont'd)

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

(j) Cash and Cash Equivalents

For the purpose of presentation in the cash flow statement, cash and cash equivalents comprise cash and bank balances less pledged/restricted bank balances with financial institutions, which are subject to an insignificant risk of change in value.

(k) Financial Liabilities

Financial liabilities are recognised on the statement of financial position when the Group becomes a party to the contractual provision of the financial instruments. Financial liabilities are included in "total liabilities (excluding provision for taxation and life insurance provision)" on the statement of financial position.

Financial liabilities are recognised initially at fair value plus transaction costs that are directly attributable to the acquisition or issuance. Subsequent to initial recognition, all financial liabilities are measured at amortised cost using the effective interest method, except for derivatives, which are measured at fair value.

A financial liability is derecognised when the obligation under the liability is extinguished. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Financial liabilities of the Group are presented as current liabilities unless the Group has an unconditional right to defer settlement for at least 12 months after the reporting date.

2 **Significant Accounting Policies** (cont'd)

(k) Financial Liabilities (cont'd)

Borrowings

Borrowings are initially measured at fair value, net of transaction costs and are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

(l) Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowing pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period using the effective interest method in which they are incurred.

(m) Financial Guarantees

The Company has issued corporate guarantees to banks for bank borrowings of its subsidiaries. These guarantees are financial guarantees as they require the Company to reimburse the banks if the subsidiaries fail to make principal or interest payments when due in accordance with the terms of their borrowings.

Financial guarantee contracts are recognised as a financial liability at the time the guarantee is issued. Financial guarantees are measured initially at their fair values and, if not designated as at FVPL and do not arise from a transfer of a financial asset, are subsequently measured at the higher of:

- the amount of the loss allowance determined in accordance with expected credit loss model under FRS 109.
- the amount initially recognised less, where appropriate, cumulative amount of income recognised in accordance with the principles of FRS 115.

2 **Significant Accounting Policies** (cont'd)

(m) Financial Guarantees (cont'd)

Expected credit losses are a probability-weighted estimate of credit losses. Expected credit losses are measured for financial guarantees issued as the expected payments to reimburse the holder less any amounts that the Company expects to recover. Loss allowances for expected credit losses for financial guarantees issued are presented in the Company's statement of financial position as "Borrowings".

Intra-group transactions with regards to the financial guarantees are eliminated on consolidation.

(n) Share Capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issuance of new ordinary shares are deducted against the share capital account.

(o) Preference Share Capital

Preference shares are classified as equity as it is redeemable only at the Company's option and any dividend is discretionary. Dividends thereon are recognised as distributions within equity.

(p) Revenue Recognition

Revenue is recognised to the extent it is probable that the economic benefits will flow to the Group and it can be measured reliably and also after obtaining reasonable assurance about its collectability. Revenue from rendering services is recognised upon delivery of services to the customers.

Management and professional service income

Management and professional service income are recognised over-time in the period when the services are rendered.

Interest income

Interest income is recognised on an accrual basis using the effective interest method.

Development fee

The Group charges certain percentage of 1% to 3% of principal loan amount which is used to cover the cost of training members, loan evaluation and monitoring. This fee is deducted from the loan proceeds, and is recognised over-time in the period when the services are rendered.

2 **Significant Accounting Policies** (cont'd)

(p) Revenue Recognition (cont'd)

Loan security fee

The Group charges and withholds 1% to 2% as an insurance on the principal loan amount plus interest issued to the borrowing members as security in case of death of the borrowing member before full payment of their loans. The loan security fee is recognised as income over-time when earned.

Death benefit fee

The Group offers a Death Benefit Product to help the families of the Group's members to reduce the burden of bereavement and funeral expenses when a borrowing member dies by charging a Death Benefit fee during disbursement of the principal loan amount. The fee is recognised at a point in time as income when earned.

Saving withdrawal fee

A fee is charged by the Group to its members when they make withdrawals from their savings account and is recognised at a point in time upon the withdrawals.

Membership fee

In South Pacific Business Development Microfinance (Fiji) (Ltd), a membership fee is charged to the members for entitlements given by the Group, and hence membership fees is non-refundable and recognised as income over-time over the duration of the membership.

Grant income

Grant income is recognised at a point in time when there is:

i) Entitlement to the grant;
ii) Virtual certainty that it will be received; and
iii) Sufficient measurability of the amount.

(q) Employee Benefits

Defined contribution plan

Defined contributions are recognised as an expense in the same period as the employment that gives rise to the contribution. The Group has no further payment obligations once the contributions have been paid.

2 **Significant Accounting Policies** (cont'd)

(q) Employee Benefits (cont'd)

Employee leave entitlement

No provision has been made for employee's annual leave entitlements as generally any unconsumed annual leave not utilised will be forfeited.

(r) Leases (accounting for leases from 1 January 2019)

When the Group is the lessee:

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

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

Right-of-use assets are subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term.

Right-of-use assets are presented within "Property, plant and equipment" in the statements of financial position.

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

Lease payment included in the measurement of the lease liability comprise the following:

- fixed payments (including in-substance fixed payment), less any lease incentive receivables;
- variable lease payment that are based on an index or rate, initially measured using the index or rate at the commencement date;
- amount expected to be payable under residual value guarantees;
- the exercise price of a purchase option if its reasonably certain to exercise the option; and
- payment or penalties for terminating the lease, if the lease term reflects the Group exercising that option.

2 **Significant Accounting Policies** (cont'd)

(r) Leases (accounting for leases from 1 January 2019) (cont'd)

When the Group is the lessee: (cont'd)

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

Lease liabilities are measured at amortised cost, and are remeasured when:
- there is a change in future lease payments arising from changes in an index or rate;
- there is a change in the Group's assessment of whether it will exercise lease extension and termination options;
- there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee; or
- there is a modification to the lease term.

Where lease liabilities are re-measured, corresponding adjustments are made against the right-of-use assets. If the carrying amount of the right-of-use assets has been reduced to zero, the adjustments are recorded in the consolidated income statement.

The Group has elected to not recognise right-of-use assets and lease liabilities for short-term leases that have lease terms of 12 months or less and low value leases, except for sub-lease arrangements. Lease payments relating to these leases are expensed to consolidated income statement on a straight-line basis over the lease term.

Variable lease payments that are not based on an index or a rate are not included as part of the measurement and initial recognition of the lease liability. The Group shall recognise those lease payments in consolidated income statement in the periods that triggered those lease payments.

When the Group is the lessor:

Leases of property, plant and equipment where the Group retains a significant portion of the risks and rewards incidental to ownership are classified as operating leases. Rental income from operating leases (net of any incentives given to the lessees) are recognised in the consolidated income statement on a straight-line basis over the lease term. Contingent rents are recognised as income in the consolidated income statement when earned.

2 **Significant Accounting Policies** (cont'd)

(s) Leases (accounting for leases up to 31 December 2018)

When the Group is the lessee:

Finance leases

Lease where the Group assumes substantially all the risks and rewards of ownership are classified as finance leases.

The leased assets and the corresponding lease liabilities (net of finance charges) under finance leases are recognised on the statement of financial position as property, plant and equipment and finance lease respectively, at the inception of the lease based on the lower of the fair value of the leased assets and the present value of the minimum lease payments.

Each leased payment is apportioned between the finance lease and the reduction of the outstanding lease liability. The finance expense is recognised in profit or loss on a basis that reflects a constant periodic rate of interest on the finance lease liability.

Operating leases

Leases where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are recognised in the profit or loss on a straight-line basis over the period of the lease.

When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognised as an expense in the financial year in which termination takes place.

Contingent rents are recognised as an expense in the profit or loss when incurred. Rental costs under operating leases are charged to profit or loss on a straight-line basis over the period of the leases.

When the Group is the lessor:

Operating leases

Assets leased out under operating leases are included in property, plant and equipment.

Rental income from operating leases (net of any incentives given to the lessees) are recognised in the profit or loss on a straight-line basis over the lease term.

2 **Significant Accounting Policies** (cont'd)

(s) Leases (accounting for leases up to 31 December 2018) (cont'd)

<u>When the Group is the lessor</u>: (cont'd)

Operating leases (cont'd)

Initial direct costs incurred by the Group in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised as an expense in the profit or loss over the lease term on the same basis as the lease income.

Contingent rents are recognised as income in the profit or loss when earned.

(t) Income Tax

Current income tax for the current period is recognised at the amount expected to be paid to or recovered from the tax authorities, using the tax rates and tax laws that have been enacted and substantively enacted by reporting date.

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

Deferred tax assets and liabilities are recognised for all temporary differences, except in respect of deductible temporary differences and carry-forward of unutilised tax credits and tax losses, if it is not probable that taxable profits will be available against which those deductible temporary differences and carry-forward of unutilised tax credits and tax losses can be utilised.

Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on the tax rates and tax laws that have been enacted or substantially enacted at reporting date.

(u) Related Parties

A related party is defined as follows:

A related party is a person or entity that is related to the entity that is preparing its financial statements (referred to as the "reporting entity").

2 Significant Accounting Policies (cont'd)

(u) Related Parties (cont'd)

a. A person or a close member of that person's family is related to a reporting entity if that person:

i. has control or joint control over the reporting entity;
ii. has significant influence over the reporting entity; or
iii. is a member of the key management personnel of the reporting entity or of a parent of the reporting entity.

b. An entity is related to a reporting entity if any of the following conditions applies:

i. the entity and the reporting entity are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others);
ii. one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member);
iii. both entities are joint ventures of the same third party;
iv. one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
v. the entity is a post-employment benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity. If the reporting entity is itself such a plan, the sponsoring employers are also related to the reporting entity;
vi. the entity is controlled or jointly controlled by a person identified in (a);
vii. a person identified in (a) (i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); or
viii. the entity, or any member of a group of which it is a part, provides key management personnel services to the reporting entity or to the parent of the reporting entity.

3 Critical Accounting Judgements and Key Sources of Estimation Uncertainty

The preparation of financial statements and the application of the Group and Company's accounting policies, which are described in Note 2 above, requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities at the end of each reporting period. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Uncertainty about these estimates and assumptions could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in the future periods.

3 Critical Accounting Judgements and Key Sources of Estimation Uncertainty (cont'd)

(a) Critical Accounting Estimates and Assumptions

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future period.

Impairment of investments in subsidiaries

The Company assesses at each statement of financial position date whether there is any indication that the investments in subsidiaries are impaired. To determine whether there is any indication of impairment, the Company considers factors such as the subsidiaries' financial performance and financial position, changes in customer demand, consumer tastes and trends, and the overall economic environment.

No impairment losses has been recognised for the financial years ended 31 December 2019 and 2018. The carrying amounts of the Company's investments in subsidiaries as at the statement of financial position date are disclosed in Note 11.

Impairment of goodwill

The Group tests goodwill for impairment annually in accordance with the accounting policy as disclosed in Note 2(h)(i). The recoverable amounts of cash-generating units ("CGUs") have been determined based on value-in-use calculations. These calculations require the use of estimates and assumptions. Changes to the estimates and assumptions will result in changes in the carrying values of goodwill arising from the acquisition of business. No impairment losses has been recognised for the financial years ended 31 December 2019 and 2018. As at 31 December 2019, the carrying amount of goodwill is US$407,438 (2018: US$407,438).

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires that the directors estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value. Details of the estimation of the value in use are provided in Note 9.

Provision for expected credit losses of loans portfolio

The Group calculates the allowance for expected credit losses for loans portfolio which requires the loss allowance to be measured at an amount equal to 12-month expected credit losses at initial recognition.

3 Critical Accounting Judgements and Key Sources of Estimation Uncertainty (cont'd)

(a) Critical Accounting Estimates and Assumptions (cont'd)

Provision for expected credit losses of loans portfolio (cont'd)

At each reporting date, the Group assesses whether the credit risk of a financial instrument has increased significantly since initial recognition. When credit risk has increased significantly since initial recognition, loss allowance is measured at an amount equal to lifetime expected credit losses. The Group considers reasonable and supportable information that is relevant and available without undue cost or effort when estimating expected credit losses. This includes both quantitative and qualitative information that is reasonable and supportable, including the Group's historical experience and forward-looking information that is available without undue cost or effort. Forward-looking information considered includes various external sources of actual and forecast economic information that relate to the Group's core operations.

The Group recognised provision for expected credit losses amounting to US$163,014 (2018: US$228,350) in the profit or loss during the current financial year. The carrying amount of the Group's loan portfolio as at 31 December 2019 was US$16,612,599 (2018: US$13,363,386) as disclosed in Note 13.

(b) Critical Judgements in Applying the Group's Accounting Policies

Management is of the opinion that there are no significant judgements made in the process of applying the Group and Company's accounting policies that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next twelve months.

4 Financial Revenue

	Group		Company	
	2019	2018	2019	2018
	US$	US$	US$	US$
Type of revenue:				
- Development fee	682,916	526,716	-	-
- Interest on loans	5,475,944	4,954,572	251,352	207,255
- Loan security fee	507,559	380,272	-	-
- Death benefit fee	178,512	168,078	-	-
- Membership fee	244,781	270,579	-	-
- Management income	-	-	576,000	566,281
- Professional service	-	-	9,000	64,500
- Saving withdrawal fee	147,764	48,404	-	-
- Others	168,928	60,640	-	-
	7,406,404	6,409,261	836,352	838,036

4 Financial Revenue (cont'd)

	Group		Company	
	2019	2018	2019	2018
	US$	US$	US$	US$
Geographical location:				
- Samoa	2,488,695	2,108,541	-	-
- Tonga	1,765,355	1,631,857	-	-
- Fiji	1,719,871	1,396,557	-	-
- Solomon Islands	677,459	704,435	-	-
- Vanuatu	755,024	567,871	-	-
- Singapore	-	-	836,352	838,036
	7,406,404	6,409,261	836,352	838,036

5 Other Income

	Group		Company	
	2019	2018	2019	2018
	US$	US$	US$	US$
This is arrived at after crediting:				
Commission income	27,242	20,344	-	-
Grant and donation received	-	71,431	-	-
Grant income	163,843	-	-	-
Gain on disposal of property, plant and equipment	6,849	641	-	-
Financial booklet	33,166	47,948	-	-
Guarantee fee	-	-	34,530	18,640
Processing fee income	-	-	8,000	-
Recovery of loan previously written off	-	10,900	-	-
Rental income under operating lease	18,542	18,177	-	-
Training programs	62,945	-	-	-
Miscellaneous income	45,800	-	-	-
Foreign exchange gain, net	-	-	62,454	24,513

6 Financial Expenses

	Group		Company	
	2019 US$	2018 US$	2019 US$	2018 US$
Insurance fee and related claims	160,551	140,472	-	-
Interest on borrowings	1,220,850	1,113,142	395,162	363,190
Interest on lease liabilities	53,272	-	-	-
Interest on members' savings deposits	34,859	27,371	-	-
Allowance for loans losses	163,014	228,350	-	-
Amortisation of discount (Note 19)	64,938	21,542	-	-
	1,697,484	1,530,877	395,162	363,190

7 Profit before Income Tax

	Group		Company	
	2019 US$	2018 US$	2019 US$	2018 US$
This is arrived at after charging:				
Admin and management fee	561,488	525,142	264,000	264,000
Defined contribution plans	103,619	91,455	-	-
Depreciation of property, plant and equipment and right-of-use assets	317,226	189,632	-	-
Foreign exchange difference, net	37,044	21,034	-	-
Rental expenses (low-value and short-term leases)	77,514	-	-	-
Rental expenses under operating lease	-	257,361	-	-
Legal and professional fees	226,466	207,193	27,602	27,743
Travelling and transportation	489,585	579,755	2,316	7,898
Salaries and wages	1,452,650	1,071,830	54,000	63,710

8 Income Tax Expense

	Group		Company	
	2019 US$	2018 US$	2019 US$	2018 US$
Income tax expense on results for the year consists of:				
Current income tax				
- current year	267,444	212,409	-	-
- under provision in prior year	104	4,678	104	4,678
	267,548	217,087	104	4,678

Income tax varied from the amount of income tax determined by applying the Singapore income tax rate of 17% (2018: 17%) to profit before income tax as a result of the following differences:

	Group		Company	
	2019 US$	2018 US$	2019 US$	2018 US$
Profit before taxation	1,308,347	833,510	81,747	11,857
Income tax at 17%	222,419	141,697	13,897	2,016
Non-deductible expenses	3,394	50,179	-	15,890
Non-taxable income	(30,079)	(32,093)	(11,970)	(7,183)
Statutory tax exemption	(1,666)	(9,041)	(1,666)	(9,041)
Corporate tax rebate	(261)	(1,682)	(261)	(1,682)
Effect of higher tax rate in other country	83,479	78,269	-	-
Utilisation of deferred tax assets not recognise	(63,924)	(42,101)	-	
Unrecognised deferred tax assets	54,082	27,181	-	-
Under provision in prior year	104	4,678	104	4,678
	267,548	217,087	104	4,678

The corporate income tax rate for the Group's subsidiaries incorporated are calculated at the tax rates applicable in the country in which the subsidiaries are accessible for tax, based on existing legislations, interpretations and practices in respect thereof.

8 Income Tax Expense (cont'd)

	2019 %	2018 %
Tax rate applicable to the Company		
Singapore	17	17
Tax rate applicable to the Subsidiaries		
Independent State of Samoa	27	27
Kingdom of Tonga	25	25
Republic of Fiji	20	20
Solomon Islands	30	30
Republic of Vanuatu	0	0

As at the reporting date, the Group has unutilised tax losses amounting to approximately US$1,822,000 (2018: US$2,214,000) available for offsetting against future taxable income. The related tax benefits of approximately US$505,000 (2018: US$602,000) arising from these unutilised tax losses have not been recognised in the financial statements as there is no reasonable certainty of their realisation in the future periods, in accordance with the accounting policy as stated in Note 2(t) to the financial statements. The availability of the unabsorbed tax losses for set off against future taxable income is subject to the tax regulations of the respective countries in which the Group companies are incorporated and approval by the relevant tax authorities.

The breakdown of unutilised tax losses is as follows:

	Group		Company	
	2019 US$	2018 US$	2019 US$	2018 US$
Expiry dates				
31 December 2019	-	601,000	-	-
31 December 2020	522,000	548,000	-	-
31 December 2021	485,000	507,000	-	-
31 December 2022	445,000	469,000	-	-
31 December 2023	121,000	89,000	-	-
31 December 2024	249,000	-	-	-
	1,822,000	2,214,000	-	-

9 Goodwill

	Group	
	2019	2018
	US$	US$
The goodwill is made up as follows:		
Purchased goodwill	407,438	407,438

Purchased goodwill arose from the excess of purchase price paid by a subsidiary in acquiring a business since its formation in January 2000, representing the reputation established with clients, lenders, the government of Samoa and all other stakeholders.

Goodwill is assessed for impairment during the end of each financial year. An impairment loss is the amount by which the carrying amount of a CGU exceeds its recoverable amount. The recoverable amount of the CGU was determined based on value-in-use calculations. Cash flow projections used in these calculations were based on the financial budgets approved by management covering a one-year period. Cash flows from one to five year period were extrapolated using the estimated growth rates of 10% (2018: 10%) based on management's best estimates from market industry. A discount factor of 8.89% (2018: 7.59%) per annum was applied in the value in use calculations.

Sensitivity analysis

If the management's estimated growth rate used in the value in use calculation for the CGU is decreased by 5% (2018: 5%), the recoverable amount of the cash-generating unit is still in excess of its carrying amount.

10 Property, Plant and Equipment

	Leasehold improvements	Furniture and fixtures	Office equipment	Computer equipment and peripherals	Motor vehicles	Software and electronics systems	Intangible work in progress	Office premises	Total
	US$	US$	US$	US$	US$	US$	US$	US$	US$
Group									
2019									
Cost									
At beginning of the year	58,818	144,137	76,671	211,411	855,948	46,104	-	-	1,393,089
Adoption of FRS 116	-	-	-	-	-	-	-	461,942	461,942
Additions	68,851	26,821	13,016	30,092	89,287	-	3,465	287,487	519,019
Disposals	(11,713)	(12,043)	(2,247)	(10,325)	(96,464)	(478)	-	-	(133,270)
Translation adjustment	(3,365)	(4,256)	(2,448)	(6,042)	(19,703)	(1,151)	(28)	(13,113)	(50,106)
At end of the year	112,591	154,659	84,992	225,136	829,068	44,475	3,437	736,316	2,190,674
Accumulated depreciation									
At beginning of the year	38,105	103,805	46,630	148,929	560,308	38,704	-	-	936,481
Charge for the year	9,175	18,202	7,610	21,355	103,100	2,781	-	155,003	317,226
Disposals	(11,713)	(11,983)	(2,247)	(7,313)	(96,464)	(478)	-	-	(130,198)
Translation adjustment	(970)	(2,739)	(1,403)	(4,205)	(13,158)	(1,073)	-	(2,853)	(26,401)
At end of the year	34,597	107,285	50,590	158,766	553,786	39,934	-	152,150	1,097,108
Net book value									
At end of the year	77,994	47,374	34,402	66,370	275,282	4,541	3,437	584,166	1,093,566

10 Property, Plant and Equipment (cont'd)

	Leasehold improvements	Furniture and fixtures	Office equipment	Computer equipment and peripherals	Motor vehicles	Software and electronics systems	Total
	US$	US$	US$	US$	US$	US$	US$
Group							
2018							
Cost							
At beginning of the year	50,240	131,533	76,159	189,662	774,822	40,078	1,262,494
Additions	9,024	14,051	4,011	29,703	100,770	6,264	163,823
Disposals	-	-	(2,994)	(5,519)	(8,462)	-	(16,975)
Translation adjustment	(446)	(1,447)	(505)	(2,435)	(11,182)	(238)	(16,253)
At end of the year	58,818	144,137	76,671	211,411	855,948	46,104	1,393,089
Accumulated depreciation							
At beginning of the year	34,069	90,829	40,168	128,033	443,212	35,532	771,843
Charge for the year	4,529	13,946	8,740	27,396	131,728	3,293	189,632
Disposals	-	-	(1,938)	(4,991)	(8,462)	-	(15,391)
Translation adjustment	(493)	(970)	(340)	(1,509)	(6,170)	(121)	(9,603)
At end of the year	38,105	103,805	46,630	148,929	560,308	38,704	936,481
Net book value							
At end of the year	20,713	40,332	30,041	62,482	295,640	7,400	456,608

Right-of-use assets acquired under leasing arrangements are presented together with the owned assets of the same class. The details of such leased assets are disclosed in Note 23(a). During the financial year, the additions to property, plant and equipment included US$287,487.

During the financial year ended 31 December 2018, the Group acquired motor vehicles of US$54,035 under finance leases. The carrying value of property, plant and equipment under finance lease arrangements for the Group as at 31 December 2018 amounted to US$159,589.

11 Investments in Subsidiaries

	Company 2019 US$	Company 2018 US$
Unquoted shares, at cost		
Ordinary shares		
Balance as at beginning and end of the financial year	567,298	567,298
Preference shares		
Balance as at beginning of the financial year	1,320,371	1,320,371
Balance as at end of the financial year	1,887,669	1,887,669

Details of the subsidiary companies are as follows:

Name of subsidiaries, country of incorporation and place of business	Principal activities	% of equity held by the Company 2019 %	% of equity held by the Company 2018 %	Cost of investment 2019 US$	Cost of investment 2018 US$
South Pacific Business Development Microfinance Ltd. ("SPBD Tonga") [(a)] (Kingdom of Tonga)	Provision of financial services, training, on-going guidance and motivation to economically disadvantaged people	100	100	188,904	188,904
SPBD Microfinance (Samoa) Ltd. ("SPBD Samoa") [(b)] (Independent State of Samoa)	Provision of financial services, training, on-going guidance and motivation to economically disadvantaged people	100	100	40,000	40,000
South Pacific Business Development Microfinance (Fiji) Ltd ("SPBD Fiji") [(c)] (Republic of Fiji)	Provision of financial services, training, on-going guidance and motivation to economically disadvantaged people	100	100	1,463,318	1,463,318

11 Investments in Subsidiaries (cont'd)

Name of subsidiaries, country of incorporation and place of business	Principal activities	% of equity held by the Company		Cost of investment	
		2019	2018	2019	2018
		%	%	US$	US$
South Pacific Business Development Microfinance (Solomon Islands) Limited ("SPBD Solomon") [d] (Solomon Islands)	Provision of financial services, training, on-going guidance and motivation to economically disadvantaged people	100	100	145,447	145,447
SPBD Microfinance (Vanuatu) Ltd ("SPBD Vanuatu") [e] (Republic of Vanuatu)	Provision of financial services, training, on-going guidance and motivation to economically disadvantaged people	100	100	50,000	50,000
				1,887,669	1,887,669

[a] Audited by JK Chartered Accountants
[b] Audited by BDO Chartered Accountants
[c] Audited by BDO Chartered Accountants
[d] Audited by Morris & Sojnocki, Chartered Accountants
[e] Audited by Law Partners, Chartered Accountants

In 2014, the Company converted certain loans from subsidiaries amounting to US$1,543,123 into investment in the subsidiaries' preference shares. The preference shares have the following rights and subject to the following conditions:

(a) Redeemable at par value any time after 5 years from date of issue and as determined and deemed appropriate by the directors of the subsidiaries;

(b) Entitled to dividends not exceeding 6% per annum depending on the profitability and financial position of the subsidiaries, and prior consent of certain financial institutions which the subsidiary obtained finance and given covenant regarding dividends;

(c) Carry similar voting rights as that of ordinary shareholder; and

(d) Do not entitle holder to any additional seats on the board of the subsidiaries.

12 Amount due from Subsidiaries

	Company	
	2019	2018
	US$	US$
Loan receivables	5,468,031	4,154,527
Other receivables	141,167	17,823
	5,609,198	4,172,350
Less: Current portion	(1,102,632)	(579,353)
Non-current portion	4,506,566	3,592,997

The loan receivables are unsecured and carries an interest rate of 2% to 11% (2018: 2% to 11%) per annum. The final repayments of the loans range from 31 December 2019 to 31 December 2028 (2018: 31 March 2019 to 31 December 2028).

The other receivables are non-trade in nature, unsecured, interest-free and payable on demand.

13 Loans Portfolio

	Group	
	2019	2018
	US$	US$
Balance at beginning of the year	13,363,386	11,610,869
Loans disbursement during the year	28,190,317	22,245,962
Loans repayment during the year	(24,412,318)	(20,041,366)
Write-offs during the year	(94,812)	(224,843)
Translation adjustment	(230,057)	(39,893)
Gross loans portfolio	16,816,516	13,550,729
Less: Allowance for loans losses	(203,917)	(187,343)
	16,612,599	13,363,386

The loans earn interest at the rate ranging from 9% to 27% (2018: 9% to 27%) per annum.

The movement in the allowance for loans losses during the financial year are as follows:

	Group	
	2019	2018
	US$	US$
Balance at beginning of the year	187,343	171,905
Charge to profit or loss	163,014	228,350
Loans written off	(144,365)	(224,844)
Currency translation adjustment	(2,075)	11,932
Balance at end of the year	203,917	187,343

14 Other Receivables

	Group		Company	
	2019	2018	2019	2018
	US$	US$	US$	US$
Current:				
Deposits	50,878	41,787	-	-
Prepayments	60,484	123,800	8,470	778
Other receivables	165,766	138,850	1,455	1,470
	277,128	304,437	9,925	2,248
Non-current:				
Other investment	232,256	-	-	-

Other investment pertains to the term deposit with Fiji Development Bank for a period of 48 months subject to interest at a rate of 4.50% per annum.

15 Cash and Bank Balances

	Group		Company	
	2019	2018	2019	2018
	US$	US$	US$	US$
Cash on hand	43,229	36,319	-	-
Cash in banks	862,197	832,107	63,984	44,322
Vodafone M-Paisa account	347,989	2,626	-	-
Fixed deposits	1,016,486	935,289	-	-
	2,269,901	1,806,341	63,984	44,322

For the purpose of the presentation of the cash flow statement, the cash and cash equivalents as at the reporting date comprise the following:

	Group		Company	
	2019	2018	2019	2018
	US$	US$	US$	US$
Cash and bank balances	2,269,901	1,806,341	63,984	44,322
Less:				
Fixed deposits pledged for bank overdrafts (Note 22)	(585,808)	(584,628)	-	-
Restricted to members' savings deposits	(336,830)	(319,933)	-	-
Cash and cash equivalent	1,347,263	901,780	63,984	44,322

15 Cash and Bank Balances (cont'd)

As at the statement of financial position date, fixed deposits matured within twelve months (2018: twelve months) from the end of the financial year. Interest on fixed deposits are derived at rates ranging from 0.10% to 4.25% (2018: 0.10% to 3.50%) per annum.

16 Share Capital

	Group and Company			
	2019		2018	
	No. of shares	Share capital US$	No. of shares	Share capital US$
Ordinary shares				
Balance at beginning and end of the year	1,221,637	976,698	1,221,637	976,698
Preference shares				
Balance at beginning and end of the year	600,000	453,300	600,000	453,300
Total share capital	1,821,637	1,429,998	1,821,637	1,429,998

Both classes of shares have no par value. Ordinary shares have one vote each.

The preference shares carry a dividend of 8% per annum, if and when declared by the Board of Directors. The dividend rights are cumulative and the preference shareholder has no voting rights unless dividends declared remains in arrears and unpaid for more than six months after the due date.

17 Other Reserve

This relates to the difference between the cost of the acquisition and the amounts at which the acquired assets and liabilities are recorded for a business combination with an entity under common control.

18 Amount due to a Related Party

The amount due to a related party (non-current portion) is unsecured, non-trade in nature, bears 8% (2018: 8%) interest per annum and is repayable not later than 31 December 2023 (2018: 31 March 2020).

19 Borrowings

	Group		Company	
	2019 US$	2018 US$	2019 US$	2018 US$
Secured loans	5,732,409	5,502,252	366,531	1,099,914
Unsecured loans	8,932,519	6,346,418	5,427,886	3,286,802
Less: Unamortised discount	(105,576)	(7,878)	-	-
	14,559,352	11,840,792	5,794,417	4,386,716
Commercial loans				
Commercial loans (a)	366,531	1,099,914	366,531	1,099,914
Commercial loan (b)	936,245	577,215	-	-
Commercial loan (c)	445,483	157,321	-	-
Commercial loan (d)	3,156,039	2,741,813	-	-
Commercial loans (e)	828,111	826,750	-	-
Commercial loan (f)	-	99,239	-	-
	5,732,409	5,502,252	366,531	1,099,914
Term loans				
Term loan (a)	11,354	15,491	-	-
Term loans (b)	1,542,906	2,059,808	1,542,906	2,059,808
Term loans (c)	1,635,802	1,418,501		-
Term loans – related party (d)	1,492,957	1,188,873	890,000	650,000
Term loan (e)	200,237	133,994	200,237	133,994
Term loan (f)	-	196,630	-	-
Term loans (g)	759,730	482,744	-	43,000
Term loan (h)	11,938	16,715	-	-
Term loan (i)	377,276	425,784	-	-
Term loan – ultimate holding company (j)	2,670,000	400,000	2,670,000	400,000
Term loan (k)	124,743	-	124,743	-
	8,826,943	6,338,540	5,427,886	3,286,802
Total borrowings	14,559,352	11,840,792	5,794,417	4,386,716
Less: Current portion	(5,437,420)	(4,258,875)	(3,603,703)	(1,350,027)
Non-current portion	9,121,932	7,581,917	2,190,714	3,036,689

19 Borrowings (cont'd)

Movements in unamortised discount on borrowings are as follows:

	Group		Company	
	2019 US$	2018 US$	2019 US$	2018 US$
At the beginning of the year	7,878	32,665	-	-
Grant income during the year	163,843	-	-	-
Amortisation during the year	(64,938)	(21,542)	-	-
Currency realignment	(1,207)	(3,245)	-	-
At the end of the year	105,576	7,878	-	-

Commercial loans (a)
These comprise one (2018: two) commercial loans which are secured by guarantee from a related party for up to US$460,000 (2018: US$935,000) or 50% of the loan whichever is lesser and bear interest rate of 9.5% (2018: 9.5%) per annum. The final repayments of the loans is repayable by 31 March 2020 (2018: range from 31 March 2019 to 31 March 2020).

Commercial loan (b)
The loan is secured by guarantee from the Company (Note 26) and bears an interest rate of 10% (2018: 10%) per annum. The final repayment of the loan is due on 30 September 2022 (2018: 31 December 2020).

Commercial loan (c)
The loan is secured by a charge over a portion of the subsidiary's loan portfolio equal to 100% of the principal balance of the credit facility, and bears an interest rate of 11% (2018: 14%) per annum. The final repayment of the loan is due on 27 November 2024 (2018: 31 August 2019).

Commercial loan (d)
The loan is secured by a charge over a portion of the subsidiary's loan portfolio equal to 150% of the principal balance of the credit facility, and bears an interest rate of 9.5% (2018: 9.5%) per annum. The final repayment of the loan is due on 30 September 2022 (2018: 30 September 2022).

Commercial loans (e)
These comprise three (2018: three) commercial loans which are secured by a charge over a portion of the subsidiary's loan portfolio equal to 120% of the principal balance of the credit facility, and bear interest rates ranging from 8.5% to 9% (2018: 8.5% to 9%) per annum. The final repayments of the loans range from 31 March 2022 to 30 June 2023 (2018: 31 March 2022 to 30 June 2023).

19 Borrowings (cont'd)

Commercial loans (f)
These comprised two commercial loans which were secured by four vehicles and bore interest rates ranging from 9.11% to 9.65% per annum. The final repayment of the loans was on 25 May 2020.

Term loan (a)
The loan is unsecured, interest free and is repayable on demand.

Term loans (b)
These comprise four (2018: four) term loans which are unsecured and bear an interest rate of 8% (2018: 8%) per annum. The final repayments of the loans range from 30 September 2020 to 31 December 2021 (2018: 30 September 2020 to 31 December 2021).

Term loans (c)
These comprise four (2018: four) term loans which are unsecured, interest free and are repayable on demand.

Term loans (d)
These comprise fourteen (2018: twelve) term loans from the related party which are unsecured and bear interest rates ranging from 6.5% to 9.5% (2018: 3% to 11.5%) per annum. The final repayments of the loans range from 30 September 2020 to 31 December 2023 (2018: 31 March 2019 to 30 September 2022).

Term loan (e)
These comprise three (2018: two) term loans which are unsecured and bears an interest rate of 5% (2018: 5%) per annum. The final repayment of the loans is due from 31 December 2022 to 30 June 2023 (2018: 31 December 2022 to 30 June 2023).

Term loan (f)
The loan was unsecured and bore an interest rate of 8.5% per annum. The final repayment of the loan was on 8 April 2019.

Term loan (g)
These comprise five (2018: four) term loans which are unsecured and interest free. The final repayment of the loan is due by 30 June 2020.

Term loan (h)
The loan is unsecured, interest free and is repayable on demand.

Term loan (i)
These comprise three (2018: three) term loans which are unsecured and bear an interest rate ranging from 1.5% to 5% (2018: 1.5% to 5%) per annum. The final repayment of the loans is due from 30 June 2020 to 30 June 2024 (2018: 30 June 2020 to 30 June 2024).

19 Borrowings (cont'd)

Term loan (j)
These comprise ten (2018: three) term loans from the ultimate holding company which are unsecured and bear an interest rate of 8% (2018: 8%) per annum. The final repayment of the loans range from 31 March 2020 to 31 December 2022 (2018: 30 June 2021 to 31 December 2022).

Term loan (k)
These comprise six term loans from third parties which are unsecured and bear an interest rate of 6% per annum. The final repayment of the loans range from 31 December 2021 to 31 December 2022.

20 Members' Savings Deposits

Members in these financial statements refer to the Group's loan portfolio borrowers. The savings deposits earn interest at the rate ranging from 1.5% to 3.0% (2018: 1.5% to 3.0%) per annum and this rate may be modified by the Group based on the prevailing interest rates amongst commercial banks.

Members' savings deposits are recorded as current liabilities in the statement of financial position.

A savings account is required to be established by a borrowing member while availing a loan by depositing an initiation deposit amount of US$4 to US$5 (2018: US$4 to US$5). When the loan has been processed and approved, the members can regularly deposit and withdraw from their savings account which gets recorded in the members' savings account. Members with a current loan balance are required to maintain their savings account with a minimum required balance.

There is no limit on the amount of money the members can keep in the savings accounts. The minimum balance that a member can keep is US$5. Members can withdraw money from their savings account at any time for emergencies, however the savings account can be closed and fully withdrawn only after the loan outstanding is fully paid off.

21 Other Payables

	Group		Company	
	2019	2018	2019	2018
	US$	US$	US$	US$
Accruals	367,727	241,872	74,386	20,746
Interest payable	22,022	39,254	-	-
Life insurance provision	51,753	37,472	-	-
Other payables	176,341	184,963	1,401	80,197
	617,843	503,561	75,786	100,943

22 Bank Overdrafts

	Group	
	2019 US$	2018 US$
Bank overdrafts	1,611,426	1,803,296

Bank overdrafts of the Group are secured by the following:

(i) a standby letter of credit of GBP10,000 or equivalent US$13,116 (2018: GBP10,000 or equivalent US$12,690);
(iii) fixed deposits of US$585,808 (2018: US$584,628) (Note 15);
(iv) bank overdraft of US$838,541 (2018: US$856,567) is secured by guarantee from the Company (Note 27)

Interest on bank overdrafts ranges from 9.75% to 10.50% (2018: 9.75% to 10.50%) per annum.

23 Lease Liabilities

(a) The Group as a lessee

The Group has lease contracts for office premises and motor vehicles. The Group's obligations under these leases are secured by the lessor's title to the leased assets. The Group is restricted from assigning and subleasing the leased assets.

The Group also has certain leases of equipment with lease terms of 12 months or less and leases with low value. The Group applies the short-term lease and lease of low-value assets recognition exemptions for these leases.

The carrying amounts of right-of-use assets classified within property, plant and equipment are as follows:

	Group	
	31 December 2019 US$	1 January 2019 US$
Motor vehicles	99,969	159,589
Office premises	584,166	461,942

Additions of right-of-use assets classified within property, plant and equipment during the financial year are US$287,487. The Group has total cash outflows for leases of US$206,134 in financial year ended 31 December 2019.

23 **Lease Liabilities** (cont'd)

(a) The Group as a lessee (cont'd)

The amounts recognised in profit or loss are as follows:

	2019 US$
Depreciation of right-of-use assets	212,408
Interest expense on lease liabilities (Note 6)	53,272
Lease expense not capitalised in lease liabilities:	
- Expense relating to short-term and low-value leases (Note 7)	77,514
Total amount recognised in profit or loss	343,194

The carrying amounts of lease liabilities and the movements during the financial year are as follows:

	2019 US$
Lease liabilities:	
Current	292,521
Non-current	401,160
	693,681

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised.

The Group has some lease contracts that include extension options. These options are negotiated by management to provide flexibility in managing the leased-asset portfolio and align with the Group's business needs. The Group included the extension option in the lease term for leases of office premises because of the leasehold improvements made and the significant costs that would arise to replace the assets.

(b) The Group as a lessor

The Group has entered into an operating lease on its motor vehicles. Undiscounted lease payments from the operating leases to be received after the reporting date are set out in Note 24. The rental income from the lease of motor vehicles is disclosed in Note 5.

23 Lease Liabilities (cont'd)

(c) 31 December 2018 – Finance lease liabilities

As at 31 December 2018, the Group leases its motor vehicles under finance leases. The future minimum lease payments under finance leases and their present values as at 31 December 2018 are as follows:

	Minimum lease payments 2018 US$	Present value of minimum lease payments 2018 US$
Amounts payable under finance lease:		
Within 1 year	100,442	74,692
Between 1 year to 5 years	98,845	88,106
Total minimum lease payments	199,287	162,798
Less: future finance charge	(36,489)	-
Present value of minimum lease payments	162,798	162,798
Less: Amount due for settlement within 12 months		(74,692)
Amount due for settlement after 12 months		88,106

The finance lease obligations bear interest ranges from 6.5% to 11% per annum.

Finance lease liabilities were reclassified to lease liabilities on 1 January 2019 arising from the adoption of FRS 116. The impact of adoption is disclosed in Note 2(a).

24 Commitments

(a) Operating Lease Commitments - as Lessee

The Group leases its offices space from non-related parties under non-cancellable operating arrangements. These leases have varying terms and renewal rights.

As at 31 December 2018, the future minimum lease payables under non-cancellable operating leases contracted but not recognised as liabilities, are as follows:

	Group 2018 US$
Within 1 year	187,366
After 1 year but within 5 years	232,976
After 5 years	531
	420,873

As disclosed in Note 2(a), the Group has adopted FRS 116 on 1 January 2019. These lease payments have been recognised as right-of-use assets and lease liabilities on the statement of financial position as at 31 December 2019, except for short-term and low-value leases.

(b) The Group as a lessor

The Group has entered into an operating lease on its motor vehicles. This non-cancellable lease has remaining lease term of less than 5 years and with renewal rights.

	Group	
	2019 US$	2018 US$
Within one year	6,132	18,912
In the second to fifth years inclusive	-	6,304
	6,132	25,216

25 Related Party Transactions

Related parties refer to the entities controlled by the ultimate controlling shareholder, Mr. Gregory Francis Casagrande.

Other than the related party information disclosed elsewhere in the financial statements, the following are significant related party transactions entered into by the Group and the Company with related parties:

	Group		Company	
	2019	2018	2019	2018
	US$	US$	US$	US$
Subsidiaries				
-Guarantee remuneration	-	-	34,530	18,640
-Management income	-	-	576,000	566,281
-Professional fee income	-	-	9,000	64,500
-Interest on loans from the Company	-	-	251,352	207,255
-Processing fee income			8,000	-
Ultimate holding company				
-Administrative fees charged to the Group/Company	(132,000)	(132,000)	(132,000)	(132,000)
-Management fees charged to the Group/Company	(132,000)	(132,000)	(132,000)	(132,000)
-Dividend paid	-	-	-	-
-Loans to the Group/Company	2,345,000	400,000	2,345,000	400,000
-Interest on loans to the Group/Company	(78,781)	(9,189)	(78,781)	(9,189)
Related parties				
-Management fees charged to the Group	(297,488)	(261,142)	-	-
-Loans to the Group/Company	1,525,983	471,253	890,000	250,000
-Interest on loans to the Group/Company	(66,311)	(78,653)	54,685	(47,736)

The key management personnel comprise mainly directors who have the authority and responsibility for planning, directing and controlling the activities of the Company and the Group.

Other than a nominee director's fee of US$1,459 (2018: US$1,728), no other remuneration was paid to the directors during the year.

26 Corporate Guarantee

As at 31 December 2019, the Company has corporate guarantee amounting to US$1,674,338 (2018: US$1,433,782) issued to bank for a subsidiary's bank borrowing and bank overdraft. The fair value of the corporate guarantee is estimated to be insignificant as the subsidiary has the ability to generate sufficient cash flows from their operations to finance their continuing operations and repay the bank borrowing.

27 Capital Management

The primary objective of the Group's capital management is to safeguard its ability to continue as a going concern and to maintain an optimal capital structure to support its business and maximise shareholder value. Capital is defined as equity attributable to the equity holders.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholder, return capital to shareholder or issue new shares.

There were no changes in the Group's approach to capital management during the year.

In the management of capital risk, management takes into consideration the net debt-to-equity ratio as well as the Group's working capital requirements. The Group regards equity as capital, and monitors capital using a net debt-to-equity ratio, which is net debt divided by total capital. Net debt is calculated as total liabilities (excluding provision for taxation) less cash and bank balances. Total equity comprises of share capital and reserves attributable to the equity holder of the Company. Total capital is calculated as total equity plus net debt.

	Group	
	2019 US$	2018 US$
Net debt	18,401,605	15,374,433
Total equity	29,249	(941,254)
Total capital	18,430,854	14,433,179
Net debt-to-equity ratio	1.00	1.07

The Group was not subject to any externally imposed capital requirements for the financial years ended 31 December 2019 and 2018.

28 Financial Instruments

(a) Financial Risk Management and Policies

The principal risks from the Group's financial instruments are credit risk, interest rate risk, liquidity risk and foreign exchange risk. The management reviews and manages these risks as follows:

(i) Credit risk

The carrying amounts of cash and cash equivalents, loans portfolio and other receivables represent the Group's maximum exposure to credit risk.

The Group has insignificant concentration of credit risk.

As part of its risk control procedures, an assessment of the credit quality of a new member, taking into account its financial position, past experience and other factors, is carried out prior to the credit approval. Individual credit risk limits are then set based on the assessments done. The utilisation of credit limits is regularly monitored. Loans to members are settled via weekly deductions.

The Group placed its surplus funds with licensed financial institutions in Singapore, Tonga, Fiji, Samoa, Solomon Islands and Vanuatu.

Credit risk grading guideline

The Group and Company has established the Group and Company's internal credit risk grading to the different exposures according to their degree of default risk. The internal credit risk grading which are used to report the Group and Company's credit risk exposure to key management personnel for credit risk management purposes are as follows:

Internal rating grades	Definition	Basis of recognition of expected credit loss (ECL)
i. Performing	The counterparty has a low risk of default and does not have any past-due amounts.	12-month ECL
ii. Under-performing	There has been a significant increase in credit risk since initial recognition (i.e. interest and/or principal repayment are more than 30 days past due).	Lifetime ECL (not credit-impaired)
iii. Non-performing	There is evidence indicating that the asset is credit-impaired (i.e. interest and/or principal repayments are more than 90 days past due).	Lifetime ECL (credit impaired)
iv. Write-off	There is evidence indicating that there is no reasonable expectation of recovery as the debtor is in severe financial difficulty (i.e. interest and/or principal repayments are more than 180 days past due).	Asset is written off

28 **Financial Instruments** (cont'd)

(a) Financial Risk Management and Policies (cont'd)

(i) Credit risk (cont'd)

Credit risk exposure and significant credit risk concentration

The credit quality of the Group and Company's financial assets, as well as maximum exposure to credit risk by credit risk rating grades is presented as follows:

	Internal credit rating	ECL	Gross carrying amount	Loss allowance	Net carrying amount
			US$	US$	US$
Group					
2019					
Loans portfolio (a)	Performing	12-month ECL	16,816,516	(203,917)	16,612,699
Other receivables (current and non-current) (b)	Performing	12-month ECL	448,900	-	448,900
Cash and bank balances (c)	Performing	12-month ECL	2,269,901	-	2,269,901
2018					
Loans portfolio (a)	Performing	12-month ECL	13,550,729	(187,343)	13,363,386
Other receivables (b)	Performing	12-month ECL	180,637	-	180,637
Cash and bank balances (c)	Performing	12-month ECL	1,806,341	-	1,806,341
Company					
2019					
Amount due from subsidiaries (b)	Performing	12-month ECL	5,609,198	-	5,609,198
Other receivables (b)	Performing	12-month ECL	1,455	-	1,455
Cash and bank balances (c)	Performing	12-month ECL	63,984	-	63,984
2018					
Amount due from subsidiaries (b)	Performing	12-month ECL	4,172,350	-	4,172,350
Other receivables (b)	Performing	12-month ECL	1,470	-	1,470
Cash and bank balances (c)	Performing	12-month ECL	44,322	-	44,322

28 **Financial Instruments** (cont'd)

(a) Financial Risk Management and Policies (cont'd)

(i) Credit risk (cont'd)

Credit risk exposure and significant credit risk concentration (cont'd)

Note a: Loans portfolio

The Group has applied the general approach in FRS 109 to measure loss allowance at an amount equal to 12-month ECL at initial recognition. The Group assessed whether the credit risk of a financial instrument has increased significantly since initial recognition. When credit risk has increased significantly since initial recognition, loss allowance is measured at an amount equal to lifetime ECLs. Accordingly, the Group determined that the provision for expected credit losses as at 31 December 2019 amounted to US$203,917 (2018: US$187,343).

Note b: Other receivables including amount due from subsidiaries

Other receivables are considered to have low credit risk as they are not due for payment at the end of the reporting period. The Group and Company assessed the latest financial performance and financial position of the counterparties, adjusted for the future outlook of the industry in which the counterparties operate in, and concluded that there has been no significant increase in the credit risk since the initial recognition of these financial assets. Accordingly, for the purpose of impairment assessment of other receivables, the Group and Company measured the impairment loss allowance using 12-month ECL and determined that the ECL is insignificant.

Note c: Cash at bank balances

Cash and bank balances were placed with reputable banks and financial institutions with high credit ratings and no history of default.

Impairment on cash and cash equivalents has been measured on the 12-month expected loss basis and reflects the short maturities of the exposures. The Group and Company considers that its cash at banks has low credit risk based on the external credit ratings of the counterparties. The Group and Company uses a similar approach for assessment of ECL for cash and cash equivalents to those used for debt investments. The amount of the allowance on cash and cash equivalents was immaterial.

(ii) Interest rate risk

Interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Group and the Company monitors its interest rate risks, and changes in fair values from time to time and any gains and losses are included in the profit or loss.

28 **Financial Instruments** (cont'd)

(a) Financial Risk Management and Policies (cont'd)

(ii) Interest rate risk (cont'd)

The Group and Company have cash balances placed with reputable banks and financial institutions. Such balances are placed on varying maturities and generate interest income for the Group and Company. The Group and Company manage its interest rate risks by placing such balances on varying maturities and interest rate terms.

The Group obtains additional financing through bank borrowings. The Group's borrowings are mainly on a fixed interest rate.

The table below sets out the Group's and the Company's exposure to interest rate risks and information on weighted average effective yield. Included in the table are the Group's assets and liabilities at carrying amounts, categorised by the earlier of contractual repricing or maturity dates.

	Fixed rate Within 1 year US$	Fixed rate 2 to 5 years US$	Non-interest bearing US$	Total US$	Effective interest rate %
Group					
2019					
Loans portfolio	16,612,599	-	-	16,612,599	9.00%-25.00%
Other receivables (excluding prepayments)	-	232,256	216,644	448,900	4.50%
Cash and cash equivalents	1,016,486	-	1,253,415	2,269,901	0.10% - 4.25%
Members' savings deposits	(3,121,750)	-	-	(3,121,750)	1.50%-3.00%
Other payables	-	-	(566,090)	(566,090)	-
Amount due to a related party	-	(67,454)	-	(67,454)	8.00%
Bank overdrafts	(1,611,426)	-	-	(1,611,426)	9.75%-10.50%
Lease liabilities	(292,521)	(401,160)	-	(693,681)	4.00%-11.00%
Borrowings	(4,471,587)	(7,668,941)	(2,418,824)	(14,559,352)	1.50%-11.00%
Net financial assets/(liabilities)	8,131,801	(7,905,299)	(1,514,855)	(1,288,353)	
2018					
Loans portfolio	13,363,386	-	-	13,363,386	9.00%-25.00%
Other receivables (excluding prepayments)	-	-	180,637	180,637	-
Cash and cash equivalents	935,289	-	871,052	1,806,341	0.10% - 3.50%
Members' savings deposits	(2,799,712)	-	-	(2,799,712)	1.50%-3.00%
Other payables	-	-	(466,089)	(466,089)	-
Amount due to a related party	-	(70,615)	-	(70,615)	8.00%
Bank overdrafts	(1,803,296)	-	-	(1,803,296)	9.75%-10.50%
Obligations under finance lease	(74,692)	(88,106)	-	(162,798)	6.50%-11.00%
Borrowings	(3,347,683)	(6,559,658)	(1,933,451)	(11,840,792)	1.50%-14.00%
Net financial assets/(liabilities)	6,273,292	(6,718,379)	(1,347,851)	(1,792,938)	

28 **Financial Instruments** (cont'd)

(a) Financial Risk Management and Policies (cont'd)

(ii) Interest rate risk (cont'd)

	Fixed rate				
	Within 1 year US$	2 to 5 years US$	Non-interest bearing US$	Total US$	Effective interest rate %
Company					
2019					
Amount due from subsidiaries	904,351	2,176,720	2,528,127	5,609,198	2.00%-11.00%
Other receivables	-	-	1,455	1,455	-
Cash and cash equivalents	-	-	63,984	63,984	-
Other payables	-	-	(75,786)	(75,786)	-
Borrowings	(3,603,703)	(2,190,714)	-	(5,794,417)	5.00%-9.50%
	(2,699,352)	(13,994)	2,517,780	(195,566)	
2018					
Amount due from subsidiaries	506,335	1,751,336	1,914,679	4,172,350	2.00%-11.00%
Other receivables	-	-	1,470	1,470	-
Cash and cash equivalents	-	-	44,322	44,322	-
Other payables	-	-	(100,943)	(100,943)	-
Borrowings	(1,306,866)	(3,036,850)	(43,000)	(4,386,716)	5.00%-9.50%
	(800,531)	(1,285,514)	1,880,555	(205,490)	

(iii) Liquidity risk

Liquidity risk is the risk that the Group and the Company will encounter difficulty in meeting its financial obligations as they fall due to the shortage of funds.

In the management of its liquidity risk, the Group and the Company monitor and maintain a level of cash and bank balances deemed adequate by management to finance the Group's and the Company's operations to mitigate the effects of fluctuations in cash flows.

The table below analyses Group's and Company's financial liabilities into relevant maturity groupings based on the remaining period at the end of financial year to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not expected to be significant.

28 **Financial Instruments** (cont'd)

(a) Financial Risk Management and Policies (cont'd)

(iii) *Liquidity risk* (cont'd)

	Carrying Amount US$	Contractual undiscounted cash flows Total US$	Within 1 year US$	Between 2 year and 5 years US$
Group				
2019				
Members' savings deposits	3,121,750	3,182,252	3,182,252	-
Other payables	566,090	566,090	566,090	-
Amount due to a related party	67,454	67,454	-	67,454
Bank overdrafts	1,611,426	1,780,470	1,780,470	-
Lease liabilities	693,681	776,390	331,504	444,886
Borrowings	14,559,352	16,095,978	6,451,379	9,644,599
Total	20,619,753	22,468,634	12,311,695	10,156,939
2018				
Members' savings deposits	2,799,712	2,853,996	2,853,996	-
Other payables	466,089	466,089	466,089	-
Amount due to a related party	70,615	70,615	-	70,615
Bank overdrafts	1,803,296	1,991,797	1,991,797	-
Obligations under finance lease	162,798	199,287	100,442	98,845
Borrowings	11,840,792	14,247,262	5,099,722	9,147,540
Total	17,143,302	19,829,046	10,512,046	9,317,000
Company				
2019				
Other payables	75,786	75,786	75,786	-
Borrowings	5,794,417	5,725,652	4,046,043	1,679,609
Total	5,870,203	5,801,438	4,121,829	1,679,609
2018				
Other payables	100,943	100,943	100,943	-
Borrowings	4,386,716	5,160,472	1,700,092	3,460,380
Total	4,487,659	5,261,415	1,801,035	3,460,380

28 Financial Instruments (cont'd)

(a) Financial Risk Management and Policies (cont'd)

(iv) Foreign exchange risk

The Group's exposures to changes in foreign currency rates relate primarily to its outstanding foreign currency bank balances, other receivables and other payables. The Group monitors exchange fluctuations and takes appropriate steps to minimise or reduce exchange losses.

The Group is exposed to foreign exchange risk in respect of its investments in the Kingdom of Tonga, the Republic of Fiji, Independent State of Samoa, the Solomon Islands and the Republic of Vanuatu. As these investments are held on long-term basis, these exposures are not hedged.

The transactions in those countries take place in the local currencies of the countries concerned. As the foreign exchange rates of those operational currencies are set by their respective central banks based on a prescribed basket of foreign currencies, the Group tries to hedge the assets in those countries against significant fluctuations in foreign exchange valuation by borrowing in non-local currencies, in proportions which match, as close as possible, the foreign currencies utilised by the local central banks to fix their exchange rates, to the best of management's ability. No other specific currency hedging is performed.

28 **Financial Instruments** (cont'd)

(a) Financial Risk Management and Policies (cont'd)

(iv) *Foreign exchange risk* (cont'd)

The Group and Company's exposure to foreign currency risk is as follows:

Group 2019	United States Dollar US$	Fiji Dollar US$	Samoan Tala US$	Solomon Islander Dollar US$	Tongan Pa'anga US$	Vanuatu Vatu US$	Singapore Dollar US$	Euro US$	New Zealand Dollar US$	Australian Dollar US$	Total US$
Financial Assets											
Loans portfolio	-	3,372,263	6,536,746	1,333,786	4,081,891	1,287,913	-	-	-	-	16,612,599
Other receivables (current and non-current)	-	294,436	109,462	18,627	9,333	15,587	1,455	-	-	-	448,900
Cash and cash equivalents	210,101	434,358	858,475	175,053	376,049	173,164	5,129	8,131	15,592	13,849	2,269,901
Financial Liabilities											
Members' savings deposits	-	(1,621,959)	(336,830)	(400,788)	(475,833)	(286,340)	-	-	-	-	(3,121,750)
Other payable	(33,000)	(244,202)	(12,950)	(53,007)	(150,820)	(29,325)	(42,786)	-	-	-	(566,090)
Amount due to a related party	-	-	-	-	-	-	-	-	(67,454)	-	(67,454)
Bank overdrafts	-	-	(1,458,896)	-	(152,530)	-	-	-	-	-	(1,611,426)
Obligations under finance lease	-	(311,848)	(150,339)	(95,679)	(65,164)	(70,651)	-	-	-	-	(693,681)
Borrowings	(5,871,218)	(962,660)	(3,601,520)	(233,378)	(1,307,098)	(267,622)	-	-	(1,024,982)	(1,290,874)	(14,559,352)
Net financial (liabilities)/assets	(5,694,117)	960,388	1,944,148	744,614	2,315,828	822,726	(36,202)	8,131	(1,076,844)	(1,277,025)	(1,288,353)
Less: Net financial liabilities/ (assets) denominated in the respective entities' functional currency	2,144,570	(960,388)	(1,944,148)	(744,614)	(2,312,720)	(822,726)	-	-	-	-	(4,640,026)
Currency exposure	(3,549,547)	-	-	-	-	-	(36,202)	8,131	(1,076,844)	(1,277,025)	(5,931,487)

28 Financial Instruments (cont'd)

(a) Financial Risk Management and Policies (cont'd)

(iv) *Foreign exchange risk* (cont'd)

Group (cont'd) 2018	United States Dollar US$	Fiji Dollar US$	Samoan Tala US$	Solomon Islander Dollar US$	Tongan Pa'anga US$	Vanuatu Vatu US$	Singapore Dollar US$	Euro US$	New Zealand Dollar US$	Australian Dollar US$	Total US$
Financial Assets											
Loans portfolio	-	2,917,692	5,512,560	915,339	3,099,411	918,384	-	-	-	-	13,363,386
Other receivables	-	20,416	111,366	12,521	26,032	8,832	1,470	-	-	-	180,637
Cash and cash equivalents	200,523	41,750	741,209	64,715	553,317	160,397	6,939	8,547	2,147	26,797	1,806,341
Financial Liabilities											
Members' savings deposits	-	(1,528,729)	(319,933)	(412,905)	(345,135)	(193,010)	-	-	-	-	(2,799,712)
Other payable	(33,000)	(201,929)	(18,570)	(96,658)	(30,293)	(17,696)	(67,943)	-	-	-	(466,089)
Amount due to a related party	-	-	-	-	-	-	-	-	(70,615)	-	(70,615)
Bank overdrafts	-	-	(1,591,257)	-	(212,039)	-	-	-	-	-	(1,803,296)
Obligations under finance lease	-	(20,834)	(141,964)	-	-	-	-	-	-	-	(162,798)
Borrowings	(4,083,276)	(644,755)	(2,921,260)	(235,768)	(1,276,140)	-	-	-	(1,624,741)	(1,054,852)	(11,840,792)
Net financial (liabilities)/assets	(3,915,753)	583,611	1,372,151	247,244	1,815,153	876,907	(59,534)	8,547	(1,693,209)	(1,028,055)	(1,792,938)
Less: Net financial liabilities/(assets) denominated in the respective entities' functional currency	431,677	(583,611)	(1,372,151)	(247,244)	(1,815,153)	(876,907)	-	-	-	-	(4,463,389)
Currency exposure	(3,484,076)	-	-	-	-	-	(59,534)	8,547	(1,693,209)	(1,028,055)	(6,256,327)

28 Financial Instruments (cont'd)

(a) Financial Risk Management and Policies (cont'd)

(iv) Foreign exchange risk (cont'd)

Company	United States Dollar US$	Fiji Dollar US$	Singapore Dollar US$	New Zealand Dollar US$	Australian Dollar US$	Tongan Pa'anga US$	Total US$
2019							
Financial Assets							
Amounts due from subsidiaries	2,667,314	-	-	1,125,625	1,417,537	398,722	5,609,198
Other receivables	-	-	1,455	-	-	-	1,455
Cash and cash equivalents	29,428	-	5,129	15,592	13,835	-	63,984
Financial Liabilities							
Other payable	(33,000)	-	(42,786)	-	-	-	(75,786)
Borrowings	(3,926,531)	-	-	(577,012)	(1,290,874)	-	(5,794,417)
Net financial (liabilities)/assets	(1,262,789)	-	(36,202)	564,205	140,498	398,722	(195,566)
Less: Net financial liabilities denominated in the functional currency of the Company	1,262,789	-	-	-	-	-	1,262,789
Currency exposure	-	-	(36,202)	564,205	140,498	398,722	1,067,223
2018							
Financial Assets							
Amounts due from subsidiaries	1,785,533	37,739	-	941,075	1,408,003	-	4,172,350
Other receivables	-	-	1,470	-	-	-	1,470
Cash and cash equivalents	8,704	-	6,939	2,147	26,532	-	44,322
Financial Liabilities							
Other payable	(33,000)	-	(67,943)	-	-	-	(100,943)
Borrowings	(2,192,914)	-	-	(1,138,950)	(1,054,852)	-	(4,386,716)
Net financial (liabilities)/assets	(431,677)	37,739	(59,534)	(195,728)	379,683	-	(269,517)
Less: Net financial liabilities denominated in the functional currency of the Company	431,677	-	-	-	-	-	431,677
Currency exposure	-	37,739	(59,534)	(195,728)	379,683	-	162,160

28 **Financial Instruments** (cont'd)

(a) Financial Risk Management and Policies (cont'd)

(iv) Foreign exchange risk (cont'd)

A 5% strengthening of the United States Dollar against the following currencies at the statement of financial position date would increase/(decrease) the profit or loss by the amounts shown above. This analysis assumes that all other variables, in particular interest rates, remain constant.

	Group Increase/ (decrease) Profit or loss US$	**Company** Increase/ (decrease) Profit or loss US$
2019		
Singapore Dollar	(1,810)	(1,810)
Euro	407	-
New Zealand Dollar	(53,842)	28,210
Australian Dollar	(63,851)	7,025
Tongan Pa'anga	-	19,936
2018		
Fiji Dollar	-	1,887
Singapore Dollar	(2,977)	(2,977)
Euro	427	-
New Zealand Dollar	(84,660)	(9,786)
Australian Dollar	(51,403)	18,984

(b) Fair Values

Fair Value Hierarchy

The Group categorise fair value measurement using a fair value hierarchy that is depended on the valuation inputs used as follows:

(a) Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
(b) Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is as prices) or indirectly (i.e. derived from prices); and
(c) Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

28 Financial Instruments (cont'd)

(b) Fair Values (cont'd)

Fair value measurement

The following summarises the significant methods and assumption used in estimating fair values of financial instruments of the Group and Company that are not measured at fair value on a recurring basis.

(i) Long term financial assets and financial liabilities

The carrying amounts of amount due from subsidiaries, borrowings and obligations under finance leases approximate fair value (Level 2 of fair value hierarchy) as they bear interest at rates which approximate the current incremental borrowing rate for similar types of lending and borrowing arrangements.

(ii) Other financial assets and liabilities

The carrying amounts of financial assets and liabilities with a maturity of less than one year are assumed to approximate their fair values because of the short period to maturity.

29 Financing Activities in the Cash Flow Statements

The reconciliation of movement to cash flows arising from the financing activities is presented below.

Group

		←	Cash flows	→		
	1 January US$	Proceeds US$	Repayments US$	Interest paid US$	Others* US$	31 December US$
2019						
Fixed deposits pledged to bank overdrafts	(584,628)	-	(1,180)	-	-	(585,808)
Cash (restricted to members' savings deposits)	(319,933)	-	(16,897)	-	-	(336,830)
Bank overdrafts	1,803,296	-	(191,870)	-	-	1,611,426
Members' savings deposits	2,799,712	-	-	(34,859)	356,897	3,121,750
Interest payable	39,254	-	-	(755,826)	738,594	22,022
Amounts due to related parties	70,615	-	-	-	(3,161)	67,454
Lease liabilities	162,798	-	(206,134)	(53,272)	790,289	693,681
Borrowings	11,840,792	6,200,902	(3,153,523)	(662,379)	333,560	14,559,352
	15,811,906	6,200,902	(3,569,604)	(1,506,336)	2,216,179	19,153,047

29 Financing Activities in the Cash Flow Statements (cont'd)

Group (cont'd)

		←	Cash flows	→		
	1 January US$	**Proceeds** US$	**Repayments** US$	**Interest paid** US$	**Others*** US$	**31 December** US$
2018						
Fixed deposits pledged to bank overdrafts	(697,730)	113,102	-	-	-	(584,628)
Cash (restricted to members' savings deposits)	(329,676)	9,743	-	-	-	(319,933)
Bank overdrafts	1,259,902	543,394	-	-	-	1,803,296
Members' savings deposits	2,351,888	-	-	(27,371)	475,195	2,799,712
Interest payable	90,792	-	-	(801,793)	750,255	39,254
Amounts due to related parties	72,981	-	-	-	(2,366)	70,615
Obligation under finance leases	172,266	-	(64,475)	-	55,007	162,798
Borrowings	12,193,485	3,699,435	(3,751,918)	(457,444)	157,234	11,840,792
	15,113,908	4,365,674	(3,816,393)	(1,286,608)	1,435,325	15,811,906

* Others comprise of interest expense, unrealised foreign exchange differences and movement under operating activities.

Company

		←	Cash flows	→		
	1 January US$	**Proceeds** US$	**Repayments** US$	**Interest paid** US$	**Others**** US$	**31 December** US$
2019						
Borrowings	4,386,716	2,825,985	(1,404,158)	(412,545)	398,420	5,794,417
2018						
Borrowings	5,422,365	650,000	(1,441,503)	(457,444)	213,298	4,386,716

** Others comprise of interest expense and unrealised foreign exchange differences.

SPBD MICROFINANCE HOLDINGS (SINGAPORE) PTE. LTD.
(Incorporated in Singapore)

THE FOLLOWING DETAILED INCOME STATEMENT

HAS BEEN PREPARED FOR MANAGEMENT PURPOSES ONLY

AND DOES NOT FORM PART OF THE AUDITED FINANCIAL STATEMENTS

SPBD MICROFINANCE HOLDINGS (SINGAPORE) PTE. LTD.
(Incorporated in Singapore)

DETAILED INCOME STATEMENT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

	2019 US$	2018 US$
REVENUE		
Management income	576,000	566,281
Interest income	251,353	207,255
Professional fee income	9,000	64,500
	836,353	838,036
OTHER INCOME	104,984	43,153
LESS: EXPENSES		
FINANCIAL EXPENSE	395,162	363,190
OTHER OPERATING EXPENSES		
Auditor's remuneration	25,000	23,718
Bank charges	9,754	7,227
Director's fee	1,459	1,728
Other expenses	310	6,224
Legal and professional fee	27,602	27,743
Management fee	132,000	132,000
Salaries and wages	54,000	63,710
Service fee	132,000	132,000
Travelling expenses	2,316	7,898
Withholding tax expenses	79,986	103,894
	464,427	506,142
PROFT BEFORE INCOME TAX	81,747	11,857