

ANNUAL REPORT 2018
Audited Financial Statements
And Other Financial Information

SWELECT ENERGY SYSTEMS PTE. LTD.
(Registration No.: 200402543C)
(Incorporated in the Republic of Singapore)

31 MARCH 2018

SWELECT ENERGY SYSTEMS PTE. LTD.

(Registration No: 200402543C)

(Incorporated in the Republic of Singapore)

CONTENTS

Directors' Statement	.....	2 -3
Independent Auditors' Report	.....	4 - 6
Statement of Financial Position	.....	7
Statement of Profit or Loss and Other Comprehensive income	.....	8
Statement of Changes in Equity	.....	9
Statement of Cash Flows	.....	10
Notes to the Financial Statements	.....	11

SWELECT ENERGY SYSTEMS PTE. LTD.

(Registration No: 200402543C)

(Incorporated in the Republic of Singapore)

DIRECTORS' STATEMENT

The directors are pleased to present their statement to the members of the Company together with the audited financial statements of Swelect Energy Systems Pte. Ltd. for the financial year ended 31 March 2018.

In the opinion of directors:

- (a) the financial statements of the Company are drawn up so as to give a true and fair view of the financial positions of the Company as at 31 March 2018 and of the financial performance, changes in equity and cash flows of the Company for the financial year 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.

The Board of Directors has, on the date of this statement, authorised these financial statements for issue.

DIRECTORS

The directors in office at the date of this report are:

Ramasamy Gounder Chellappan
Venkatagiri Chellappan Raghunath

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 object 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.

DIRECTORS' INTEREST IN SHARES OR DEBENTURES

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

<u>Name of directors</u>	<u>Shareholdings registered in the name of directors</u>		<u>Shareholdings in which the directors are deemed to have an interest</u>	
	<u>As at 01/04/2017</u>	<u>As at 31/03/2018</u>	<u>As at 01/04/2017</u>	<u>As at 31/03/2018</u>
<u>The Company</u> (Ordinary shares of S\$1.00 each)				
Ramasamy Gounder Chellappan	--	--	12,232,500	12,232,500
Venkatagiri Chellappan Raghunath	--	--	--	--
<u>The Immediate and Ultimate Holding Company</u> (Ordinary shares of Rs10.00 each)				
Ramasamy Gounder Chellappan	4,747,054	4,747,054	82,086	82,086

SWELECT ENERGY SYSTEMS PTE. LTD.

(Registration No: 200402543C)

(Incorporated in the Republic of Singapore)

DIRECTORS' CONTRACTUAL BENEFITS

Except as disclosed in the financial statements, since the end of the last financial year, no director has received or become entitled to receive a benefit by reason of a contract made by the Company or a related corporation with the director or with a firm of which he is a member, or with a Company in which he has a substantial financial interest.

SHARE OPTIONS

During the financial year, no option was granted to take up unissued shares of the Company. There were no shares issued during the financial year by virtue of the exercise of an option granted to take up unissued shares of the Company. There were no unissued shares under option as at the end of the financial year.

INDEPENDENT AUDITORS

The independent auditors, Messrs. Wu Chiaw Ching & Company, Public Accountants and Chartered Accountants, have expressed their willingness to accept re-appointment as auditors.

On behalf of the Board of Directors,



Ramasamy Gounder Chellappan
Director



Venkatagiri Chellappan Raghunath
Director

Singapore, 16 MAY 2018



WU CHIAW CHING & COMPANY

吳喬青特許會計師事務所

Public Accountants and Chartered Accountants, Singapore
Reg No. S87PF0299A

SWELECT ENERGY SYSTEMS PTE. LTD.

**INDEPENDENT AUDITORS' REPORT
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2018**

Report on the Audited of the Financial Statements

Opinion

We have audited the financial statements of **SWELECT ENERGY SYSTEMS PTE. LTD.** (the "Company"), which comprise the statement of financial position of the Company as at **31 March 2018**, the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows of the Company for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements are properly drawn up in accordance with the provisions of the Companies Act, Chapter 50 (the Act) and Financial Reporting Standards in Singapore (FRSs) so as to give a true and fair view of the financial position of the Company as at **31 March 2018** and of the financial performance, changes in equity and cash flows of the Company for the financial year ended on that date.

Basis for Opinion

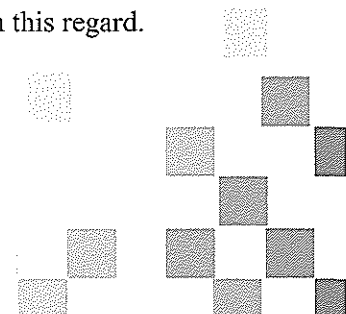
We conducted our audit in accordance with Singapore Standards on Auditing (SSAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the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

Other Information

Management is responsible for the other information. The other information comprises the Directors' Statement set out on pages 2 to 3.

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.





WU CHIAW CHING & COMPANY

吳喬青特許會計師事務所

Public Accountants and Chartered Accountants, Singapore
Reg No. S87PF0299A

SWELECT ENERGY SYSTEMS PTE. LTD.

INDEPENDENT AUDITORS' REPORT (Continued) FOR THE FINANCIAL YEAR ENDED 31 MARCH 2018

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 Act and FRSSs, 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 Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

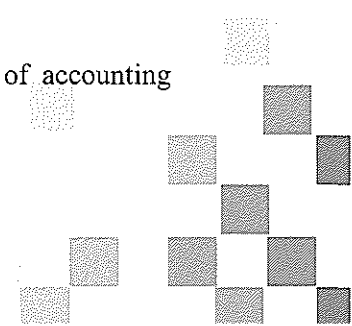
The directors' responsibilities include overseeing the Company's financial reporting process.

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 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 Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by managements.





WU CHIAW CHING & COMPANY

吳喬青特許會計師事務所

Public Accountants and Chartered Accountants, Singapore
Reg No. S87PF0299A

SWELECT ENERGY SYSTEMS PTE. LTD.

**INDEPENDENT AUDITORS' REPORT (Continued)
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2018**

- 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 Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company 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.

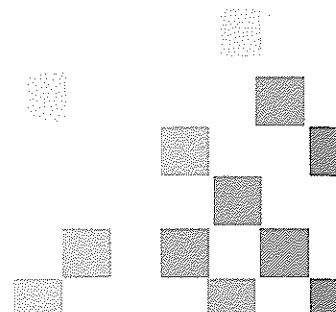
We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during the audit.

Report on Other Legal and Regulatory Requirements

In our opinion, the accounting and other records required by the Act to be kept by the Company have been properly kept in accordance with the provisions of the Act.

Wu Chiaw Ching & Company
Public Accountants and
Chartered Accountants

Singapore, 16 MAY 2018



SWELECT ENERGY SYSTEMS PTE. LTD.

(Registration No: 200402543C)

(Incorporated in the Republic of Singapore)

**STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2018**

	<u>Note</u>	<u>2018</u> <u>US\$</u>	<u>2017</u> <u>US\$</u>
ASSETS			
Non-current assets			
Property, plant and equipment	4	2,556,726	2,585,423
Investment properties	5	2,380,991	2,406,321
Total non-current assets		4,937,717	4,991,744
Current assets			
Inventories	6	1,300	781,979
Trade and other receivables	7	8,941,106	7,935,270
Cash and cash equivalents	8	8,542,025	8,886,980
Total current assets		17,484,431	17,604,229
Total assets		<u>22,422,148</u>	<u>22,595,973</u>
EQUITY AND LIABILITIES			
Issued capital and reserves attributable to owners of the Company			
Share capital	9	8,319,706	8,319,706
Assets revaluation reserve	10	2,566,340	2,566,340
Accumulated profits		5,647,024	5,272,260
Total equity		<u>16,533,070</u>	<u>16,158,306</u>
Non-current liabilities			
Deferred tax liabilities	11	149,890	149,890
Total non-current liabilities		149,890	149,890
Current liabilities			
Trade and other payables	12	2,662,492	6,029,153
Bank borrowings	13	3,023,738	243,000
Income tax payables		52,958	15,624
Total current liabilities		5,739,188	6,287,777
Total liabilities		<u>5,889,078</u>	<u>6,437,667</u>
Total equity and liabilities		<u>22,422,148</u>	<u>22,595,973</u>

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

SWELECT ENERGY SYSTEMS PTE. LTD.

(Registration No: 200402543C)

(Incorporated in the Republic of Singapore)

**STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MARCH 2018**

	<u>Note</u>	<u>2018</u> <u>US\$</u>	<u>2017</u> <u>US\$</u>
Revenue	14	14,673,079	14,928,143
Cost of sales		(14,119,319)	(14,359,687)
Gross profits		<u>553,760</u>	<u>568,456</u>
Other operating income	15	275,770	120,046
Selling and distribution expenses		(51,836)	(87,925)
Administrative expenses		(272,406)	(294,719)
Other operating expenses		(9,277)	(5,886)
Profit from operations	16	<u>496,011</u>	<u>299,972</u>
Finance costs	17	(57,358)	(52,041)
Profit before income tax		<u>438,653</u>	<u>247,931</u>
Income tax expenses	18	(63,889)	(32,890)
Profit for the year		<u>374,764</u>	<u>215,041</u>
Other comprehensive income:-			
Items that may be reclassified subsequently to profit or loss		-	-
Items that will not be reclassified subsequently to profit or loss		-	-
Total comprehensive income for the year		<u><u>374,764</u></u>	<u><u>215,041</u></u>

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

SWELECT ENERGY SYSTEMS PTE. LTD.

(Registration No: 200402543C)

(Incorporated in the Republic of Singapore)

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2018**

	<u>Issued capital and reserves attributable to owners of the Company</u>			
	<u>Share Capital</u>	<u>Assets Revaluation Reserve</u>	<u>Accumulated Profits</u>	<u>Total Equity</u>
	<u>US\$</u>	<u>US\$</u>	<u>US\$</u>	<u>US\$</u>
At 01 April 2016	8,319,706	2,566,340	5,057,219	15,943,265
Total comprehensive income for the year				
- Profit for the year	-	-	215,041	215,041
At 31 March 2017	8,319,706	2,566,340	5,272,260	16,158,306
Total comprehensive income for the year				
- Profit for the year	-	-	374,764	374,764
At 31 March 2018	8,319,706	2,566,340	5,647,024	16,533,070

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

SWELECT ENERGY SYSTEMS PTE. LTD.

(Registration No: 200402543C)

(Incorporated in the Republic of Singapore)

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 MARCH 2018**

	<u>Note</u>	<u>2018</u> <u>US\$</u>	<u>2017</u> <u>US\$</u>
OPERATING ACTIVITIES			
Profit before income tax		438,653	247,931
Adjustments for:			
Depreciation of property, plant and equipment	4	28,697	33,189
Depreciation of investment properties	5	25,330	25,330
Interest income		(70,209)	(64,452)
Interest expenses		57,358	52,041
		<u>479,829</u>	<u>294,039</u>
Changes in working capital			
Inventories		780,679	(781,979)
Trade and other receivables		(1,005,836)	305,599
Trade and other payables		(3,366,661)	4,223,277
Cash generated from operations		<u>(3,111,989)</u>	<u>4,040,936</u>
Income tax paid		(26,555)	(47,958)
Net cash from operating activities		<u>(3,138,544)</u>	<u>3,992,978</u>
INVESTING ACTIVITIES			
Interest received		70,209	64,452
Purchase of property, plant and equipment	4	-	(1,806)
Net cash from investing activities		<u>70,209</u>	<u>62,646</u>
FINANCING ACTIVITIES			
Interest paid		(57,358)	(52,041)
Fixed deposit pledged		(207,633)	(35,531)
Proceeds from / (repayment of) financing under trust receipts		2,780,738	(3,587,897)
Net cash from financing activities		<u>2,515,747</u>	<u>(3,675,469)</u>
Net (decrease) / increase in cash and cash equivalent		(552,588)	380,155
Cash and cash equivalent at beginning of the year		1,101,726	721,571
Cash and cash equivalents at end of the year	8	<u>549,138</u>	<u>1,101,726</u>

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

SWELECT ENERGY SYSTEMS PTE. LTD.

(Registration No: 200402543C)

(Incorporated in the Republic of Singapore)

NOTES TO THE FINANCIAL STATEMENTS – 31 MARCH 2018

These notes form an integral part of the financial statements.

1. DOMICILE AND ACTIVITIES

SWELECT ENERGY SYSTEMS PTE. LTD. (the “Company”) is a limited liability private company incorporated in the Republic of Singapore and has its registered office and principal place of business at 2 Kallang Pudding Road, #02-12 Mactech Building, Singapore 349307.

The principal activities of the Company are to carry on engineering services in clean energy systems (E.g. Solar Photovoltaics) and generation of electricity by other sources and the business of import and export of electronic appliances.

The Company is a wholly-owned subsidiary of **SWELECT ENERGY SYSTEMS LIMITED.**, a company incorporated in India which is also its immediate and ultimate holding company.

There have been no significant changes in the nature of these activities during the financial year.

2. BASIS OF PREPARATION

(a) Statement of compliance

The financial statements have been prepared in accordance with the Singapore Financial Reporting Standards (FRS).

(b) Basis of measurement

The financial statements have been prepared on the historical cost basis except as disclosed in the accounting policies below.

(c) Functional and presentation currency

These financial statements are presented in United States dollars (“USD” or “US\$”), which is also the Company’s functional currency. All financial information is presented in United States dollar unless otherwise stated.

(d) Use of estimates and judgements

The preparation of the financial statements in conformity with FRSs requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

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

NOTES TO THE FINANCIAL STATEMENTS – 31 MARCH 2018

2. BASIS OF PREPARATION - CONTINUED

(d) Use of estimates and judgements - continued

Critical judgements made in applying accounting policies

In the process of applying the accounting policies, management has made certain judgement apart from those involving estimation, which has a significant effect on the amounts recognised in the financial statements.

i) Allowance for impairment of inventories

Management reviews are made periodically by management on inventories for excess inventories, obsolescence and decline in net realisable value below cost and record an impairment allowance or written off against the inventories for any such declines. These reviews require the use of judgements and estimates. Possible changes in these estimates could result in revisions to the valuation of inventories. The carrying amount of the Company's inventories at the statement of financial position is disclosed in Note 6 to the financial statements.

ii) Allowance for impairment of trade and other receivables

The Company assesses at each date of statement of financial position whether there is any objective evidence that a financial asset is impaired. To determine whether there is objective evidence of impairment, the Company considers factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments.

Where there is objective evidence of impairment, the amount and timing of future cash flows are estimated based on historical loss experience for assets with similar credit risk characteristics. The carrying amounts of the Company's receivables at the statement of financial position are disclosed in Note 7 to the financial statements.

Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the statement of financial position, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

i) Useful lives of property, plant and equipment

The cost of property, plant and equipment is depreciated on a straight-line basis over the property, plant and equipment's estimated economic useful lives. Management estimates the rates of depreciation of these property, plant and equipment to be within 1% to 33 1/3%. These are common life expectancies applied in the similar industry. Changes in the expected level of usage and technological developments could impact the economic useful lives and the residual values of these assets; therefore, future depreciation charges could be revised. The carrying amount of the Company's property, plant and equipment at the statement of financial position is disclosed in Note 4 to the financial statements.

SWELECT ENERGY SYSTEMS PTE. LTD.

(Registration No: 200402543C)

(Incorporated in the Republic of Singapore)

NOTES TO THE FINANCIAL STATEMENTS – 31 MARCH 2018

3. SIGNIFICANT ACCOUNTING POLICIES

(d) Use of estimates and judgements - continued

Key sources of estimation uncertainty - continued

ii) Useful lives of investment properties

The revaluated cost of investment properties is depreciated on a straight-line basis over the investment properties' useful lives. The useful lives of these investment properties are infinite but management estimates the rates of depreciation of these investment properties to be 1%. These are common life expectancies applied in the similar industry. Changes in the expected level of usage and technological developments could impact the economic useful lives and the residual values of these assets; therefore, future depreciation charges could be revised. The carrying amount of the Company's investment properties at the statement of financial position date is disclosed in Note 5 to the financial statements.

iii) Income taxes

The Company has exposure to income taxes in Singapore. There are certain transactions and computations for which the ultimate tax determination is uncertain during the ordinary course of business. The Company recognises liabilities for expected tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recognised, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made. The carrying amounts of the Company's income tax payables and deferred tax liabilities at the statement of financial position are US\$52,958 (2017: US\$15,624) and US\$149,890 (2017: US\$149,890) respectively.

iv) Fair value of investment properties

The fair value of the investment properties was based on directors' valuation. In determining the fair value, the directors has exercised their judgement and satisfied that the fair value reflected current market conditions. The carrying amount of investment property of the company as at the statement of financial position date was US\$2,599,574 (2017: US\$2,532,969)

(a) Foreign currency

Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of Company entities at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the end of the reporting period are retranslated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the financial year, adjusted for effective interest and payments during the financial year, and the amortised cost in foreign currency translated at the exchange rate at the end of the financial year.

SWELECT ENERGY SYSTEMS PTE. LTD.

(Registration No: 200402543C)

(Incorporated in the Republic of Singapore)

NOTES TO THE FINANCIAL STATEMENTS – 31 MARCH 2018

3. SIGNIFICANT ACCOUNTING POLICIES

(a) Foreign currency -continued

Foreign currency transactions - continued

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Non-monetary items in a foreign currency that are measured in terms of historical cost are translated using the exchange rate at the date of the transaction. Foreign currency differences arising on retranslation are recognised in profit or loss.

(b) Property, plant and equipment

i) Recognition and measurement

Items of property, plant and equipment are initially recognised at cost. Subsequently to recognition, property, plant and equipment other than freehold properties are measured at cost less accumulated depreciation and accumulated impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the assets to a working condition for their intended use, the costs of dismantling and removing the items and restoring the site on which they are located, and capitalised borrowing cost. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

Freehold properties are measured at fair value less accumulated depreciation on buildings and impairment losses recognised after the date of the revaluation. Valuations are performed with sufficient regularity to ensure that the carrying amount does not differ materially from the fair value of the land and buildings at the date of statement of financial position.

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

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

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

SWELECT ENERGY SYSTEMS PTE. LTD.

(Registration No: 200402543C)

(Incorporated in the Republic of Singapore)

NOTES TO THE FINANCIAL STATEMENTS – 31 MARCH 2018

3. SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

(b) Property, plant and equipment - continued

i) Recognition and measurement - continued

The gain or loss on disposal of an item of property, plant and equipment is determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment, and is recognised net within other income/other expenses in profit or loss. When revalued assets are sold, any related amount included in the revaluation reserve is transferred to retained earnings.

ii) Subsequent costs

The cost of replacing a component of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that future economic benefits embodied within the component will flow to the Company, and its cost can be measured reliably. The carrying amount of the replaced component is derecognised. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

iii) Depreciation

Depreciation is based on the cost of an asset less its residual value. Significant components of individual assets are assessed and if a component has a useful life that is different from the remainder of that asset, that component is depreciated separately.

Depreciation is recognised as an expense in profit or loss on a straight-line basis over the estimated useful lives of each component of an item of property, plant and equipment. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Company will obtain ownership by the end of the lease term.

Depreciation is recognised from the date that the property, plant and equipment are installed and are ready for use.

The estimated useful lives for the current and comparative years are as follows:

Freehold properties	1%
Computer equipments	33 1/3%
Furniture and fittings	20%
Office equipment	20%

iii) Depreciation

Depreciation methods, useful lives and residual values are reviewed at the end of each reporting period and adjusted if appropriate.

Fully depreciated assets are retained in the financial statements until they are no longer in use and no further charge for depreciation is made in respect of these assets.

SWELECT ENERGY SYSTEMS PTE. LTD.

(Registration No: 200402543C)

(Incorporated in the Republic of Singapore)

NOTES TO THE FINANCIAL STATEMENTS – 31 MARCH 2018

3. SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

(c) Investment properties

Investment properties are held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of the business, use in the production or supply of goods or services or for administrative purpose.

Investment properties are initially measured at cost and subsequently carried at cost less accumulated depreciation and accumulated impairment losses.

Depreciation is calculated using the straight-line method to allocate depreciable amounts over the investment properties' useful lives. The useful lives of the investment properties are infinite but management estimates the rates of depreciation of the investment properties to be 1%. No depreciation is provided for investment properties under construction.

Investment properties are subject to renovations or improvements at regular intervals. The cost of major renovations and improvements is capitalised and the carrying amounts of the replaced components are recognised in profit or loss. The cost of maintenance, repairs and minor improvements is recognised in profit or loss when incurred.

Investment properties are derecognised when either they have been disposal of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognised in profit or loss in the year of retirement or disposal.

(d) Financial instruments

i) Non-derivative financial assets

The Company initially recognises loans and receivables and deposits on the date that they are originated. All other financial assets are recognised initially on the trade date, which is the date that the Company becomes a party to the contractual provisions of the instrument.

The Company derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Company is recognised as a separate asset or liability.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

SWELECT ENERGY SYSTEMS PTE. LTD.

(Registration No: 200402543C)

(Incorporated in the Republic of Singapore)

NOTES TO THE FINANCIAL STATEMENTS – 31 MARCH 2018

3. SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

(d) Financial instruments - continued

i) Non-derivative financial assets

The Company has the following non-derivative financial assets:

Loan and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest rate method, less any impairment losses.

Loans and receivables comprise trade and other receivables, and cash and cash equivalents.

Cash and cash equivalents comprise cash balances and bank deposits. For the purpose of the statement of cash flows, pledged deposits are excluded.

ii) Non-derivative financial liabilities

The Company initially recognises debt securities issued and subordinated liabilities on the date that they are originated. All other financial liabilities (including liabilities designated at fair value through profit or loss) are recognised initially on the trade date, which is the date that the Company becomes a party to the contractual provisions of the instrument.

The Company derecognises a financial liability when its contractual obligations are discharged, cancelled or expired.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

The Company classifies non-derivative financial liabilities into the other financial liabilities category. Such financial liabilities are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortised cost using the effective interest rate method.

Other financial liabilities comprise trade and other payables and bank borrowings.

iii) Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity, net of any tax effects.

SWELECT ENERGY SYSTEMS PTE. LTD.

(Registration No: 200402543C)

(Incorporated in the Republic of Singapore)

NOTES TO THE FINANCIAL STATEMENTS – 31 MARCH 2018

3. SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

(e) Impairment

i) Non-derivative financial assets

A financial asset not carried at fair value through profit or loss is assessed at the end of each reporting period to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event has a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

Objective evidence that financial assets (including equity securities) are impaired can include default or delinquency by a debtor, restructuring of an amount due to the Company on terms that the Company would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, adverse changes in the payment status of borrowers or issuers in the Company, economic conditions that correlate with defaults or the disappearance of an active market for a security. In addition, for an investment in an equity security, a significant or prolonged decline in its fair value below its cost is objective evidence of impairment.

Loans and receivables

The Company considers evidence of impairment for loans and receivables at both a specific asset and collective level. All individually significant receivables found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Loans and receivables that are not individually significant are collectively assessed for impairment by grouping together loans and receivables with similar risk characteristics.

In assessing collective impairment, the Company uses historical trends of the probability of default, the timing of recoveries and the amount of loss incurred, adjusted for management's judgement as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows, discounted at the asset's original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance account against loans and receivables or held-to-maturity investment securities. Interest on the impaired asset continues to be recognised. When a subsequent event (e.g. repayment by a debtor) causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

ii) Non-financial assets

The carrying amounts of the Company non-financial assets, other than inventories and deferred tax assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. An impairment loss is recognised if the carrying amount of an asset or its related cash-generating unit (CGU) exceeds its estimated recoverable amount.

SWELECT ENERGY SYSTEMS PTE. LTD.

(Registration No: 200402543C)

(Incorporated in the Republic of Singapore)

NOTES TO THE FINANCIAL STATEMENTS – 31 MARCH 2018

3. SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

(e) Impairment - continued

ii) Non-financial assets

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. 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 asset or CGU. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGU.

The Company's corporate assets do not generate separate cash inflows and are utilised by more than one CGU. Corporate assets are allocated to CGUs on a reasonable and consistent basis and tested for impairment as part of the testing of the CGU to which the corporate asset is allocated.

Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs are allocated to reduce the carrying amounts of the other assets in the CGU (group of CGUs) on a pro rata basis.

In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(f) Provisions

A provision is recognised if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance cost.

(g) Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of inventories is based on the first-in first-out principle, and includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

SWELECT ENERGY SYSTEMS PTE. LTD.

(Registration No: 200402543C)

(Incorporated in the Republic of Singapore)

NOTES TO THE FINANCIAL STATEMENTS – 31 MARCH 2018

3. SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

(h) Employee benefits

i) Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an employee benefit expense in profit or loss in the periods during which services are rendered by employees.

ii) Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

(i) Revenue

i) Sales of goods

Revenue from the sale of goods in the course of ordinary activities is measured at the fair value of the consideration received or receivable, net of returns, trade discounts and volume rebates. Revenue is recognised when persuasive evidence exists, usually in the form of an executed sales agreement, that the significant risks and rewards of ownership have been transferred to the customer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably. If it is probable that discounts will be granted and the amount can be measured reliably, then the discount is recognised as a reduction of revenue as the sales are recognised.

ii) Rendering of services

Revenue from services rendered is recognised in profit or loss when:

- i) the amount of revenue can be measured reliably;
- ii) it is probable that the economic benefits associated with the transaction will flow to the enterprise;
- iii) the stage of completion of the transaction at the statement of financial position date can be measured reliably; and
- iv) the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

SWELECT ENERGY SYSTEMS PTE. LTD.

(Registration No: 200402543C)

(Incorporated in the Republic of Singapore)

NOTES TO THE FINANCIAL STATEMENTS – 31 MARCH 2018

3. SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

(i) Revenue - continued

iii) Rental income

Rental income from subleased properties is recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives granted are recognised as an integral part of the total rental income, over the term of the lease.

(j) Government grants

Grants that compensate the Company for expenses incurred are recognised in profit or loss as other income on a systematic basis in the same periods in which the expenses are recognised.

(k) Finance income and finance costs

Finance income comprises interest income. Interest income is recognised as it accrues in profit or loss, using the effective interest method.

Foreign currency gains and losses are reported on a net basis as either finance income or finance cost depending on whether foreign currency movements are in a net gain or net loss position.

(l) Income tax

Income tax expense comprises current and deferred tax. Current tax and deferred tax is recognised in profit or loss.

Current tax is the expected tax payable or receivable on the taxable income or loss for the financial year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous financial years.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

SWELECT ENERGY SYSTEMS PTE. LTD.

(Registration No: 200402543C)

(Incorporated in the Republic of Singapore)

NOTES TO THE FINANCIAL STATEMENTS – 31 MARCH 2018

3. SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

(m) Related parties

A related party is defined as follows:

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

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

(n) New standards and interpretations not adopted

Except as disclosed elsewhere in this report, a number of new standards, amendments to standards and interpretations to existing standards are effective for annual periods beginning after 1 April 2017, and have not been applied in preparing these financial statements. Management has assessed that none of these new standards, amendments to standards and interpretations are expected to have a significant effect on the financial statements of the Company.

SWELECT ENERGY SYSTEMS PTE. LTD.
(Registration No: 200402543C)
(Incorporated in the Republic of Singapore)

NOTES TO THE FINANCIAL STATEMENTS – 31 MARCH 2018

4. PROPERTY, PLANT AND EQUIPMENT

	<u>Freehold properties</u> US\$	<u>Computer equipments</u> US\$	<u>Furniture and fittings</u> US\$	<u>Office equipment</u> US\$	<u>Total</u> US\$
<u>At cost or valuation</u>					
At 01 April 2016	5,250,884	1,768	102,410	1,338	5,356,400
Additions	--	--	--	1,806	1,806
Transferred to investment properties (Note 5)	(2,532,969)	--	--	--	(2,532,969)
At 31 March 2017	2,717,915	1,768	102,410	3,144	2,825,237
Additions	--	--	--	--	--
At 31 March 2018	2,717,915	1,768	102,410	3,144	2,825,237
Comprising					
- At cost	--	1,768	102,410	3,144	107,322
- At valuation	2,717,915	--	--	--	2,717,915
	2,717,915	1,768	102,410	3,144	2,825,237
<u>Accumulated depreciation and accumulated impairment losses</u>					
At 01 April 2016	210,036	1,768	95,447	692	307,943
Depreciation for the year	27,179	--	5,492	518	33,189
Transferred to investment properties (Note 5)	(101,318)	--	--	--	(101,318)
At 31 March 2017	135,897	1,768	100,939	1,210	239,814
Depreciation for the year	27,179	--	889	629	28,697
At 31 March 2018	163,076	1,768	101,828	1,839	268,511
<u>Carrying amount</u>					
At 01 April 2016	5,040,848	--	6,963	646	5,048,457
At 31 March 2017	2,582,018	--	1,471	1,934	2,585,423
At 31 March 2018	2,554,839	--	582	1,305	2,556,726

During the financial year, the Company acquired property, plant and equipment by the way of:

	<u>2018</u> US\$	<u>2017</u> US\$
Cash payments	--	1,806

If the freehold property was measured using the cost model, the carrying amounts would be as follows:

	<u>2018</u> US\$	<u>2017</u> US\$
Freehold property		
- At cost	1,142,626	1,142,626
- Accumulated depreciation	(117,034)	(105,608)
	1,025,592	1,037,018

SWELECT ENERGY SYSTEMS PTE. LTD.

(Registration No: 200402543C)

(Incorporated in the Republic of Singapore)

NOTES TO THE FINANCIAL STATEMENTS – 31 MARCH 2018**5. INVESTMENT PROPERTY**

	<u>Total US\$</u>
<u>Cost</u>	
At 01 April 2016	--
Transferred from property, plant and equipment (Note 4)	2,532,969
At 31 March 2017	2,532,969
Additions	--
At 31 March 2018	<u>2,532,969</u>
<u>Accumulated depreciation and impairment losses</u>	
At 01 April 2016	--
Transferred from property, plant and equipment (Note 4)	25,330
Depreciation for the year	101,318
At 31 March 2017	126,648
Depreciation for the year	25,330
At 31 March 2018	<u>151,978</u>
<u>Carrying amount</u>	
At 01 April 2016	--
At 31 March 2017	<u>2,406,321</u>
At 31 March 2018	<u>2,380,991</u>

Investments property are held for long-term rental yields and treated as long-term investments. The fair value of investment property at the date of statement of financial position is based on directors' valuation. In determining the fair value, the directors have exercised their judgment and are satisfied that the fair value is relative of current market condition which is under level 3 of the fair value measurement hierarchy. The fair value of investment property of the Company as at balance date is US\$2,599,574 (2017: US\$2,532,969).

A detail of investment property as at 31 March 2018 is as follows:

<u>Location</u>	<u>Description</u>	<u>Existing use</u>	<u>Tenure</u>	<u>Land area (Sqm)</u>
2 Kallang Pudding Road, #02-09, Mactech Building, Singapore 349307	Warehouse	Rental	Freehold	298
2 Kallang Pudding Road, #02-14, Mactech Building, Singapore 349307	Warehouse	Rental	Freehold	150

The investment properties were leased to non-related party under operating leases.

SWELECT ENERGY SYSTEMS PTE. LTD.
(Registration No: 200402543C)
(Incorporated in the Republic of Singapore)

NOTES TO THE FINANCIAL STATEMENTS – 31 MARCH 2018

5. INVESTMENT PROPERTY - CONTINUED

The following amounts are recognised in profit and loss:

	<u>2018</u> <u>US\$</u>	<u>2017</u> <u>US\$</u>
Rental income	44,584	51,380
Direct operating expenses arising from:		
- Investment property that generate rental income	<u>23,442</u>	<u>16,527</u>

6. INVENTORIES

	<u>2018</u> <u>US\$</u>	<u>2017</u> <u>US\$</u>
Trading goods	<u>1,300</u>	<u>781,979</u>

7. TRADE AND OTHER RECEIVABLES

	<u>2018</u> <u>US\$</u>	<u>2017</u> <u>US\$</u>
Trade receivables		
- third parties	1,830	16,875
- related party	--	--
- immediate holding company	<u>8,785,840</u>	<u>7,891,800</u>
	8,787,670	7,908,675
Advance payment to a supplier	137,778	--
Deposits	579	1,010
Fixed deposit interest receivables	6,050	5,843
Other receivable	142	7,670
Prepayments	8,887	9,518
Rental receivables	<u>--</u>	<u>2,554</u>
	<u>8,941,106</u>	<u>7,935,270</u>

Trade receivables are non-interest bearing and the Company's normal trade credit term ranges from 30 to 90 days. Other credit terms are assessed and approved on a case-by-case basis. They are recognised at their original invoice amounts which represent their fair values on initial recognition.

Impairment losses

The ageing of receivables at the reporting date is:

	<u>Gross</u> <u>2018</u> <u>US\$</u>	<u>Impairment</u> <u>losses</u> <u>2018</u> <u>US\$</u>	<u>Gross</u> <u>2017</u> <u>US\$</u>	<u>Impairment</u> <u>Losses</u> <u>2017</u> <u>US\$</u>
Not past due	639,340	--	353,323	--
Past due 0-30 days	1,917,584	--	1,788,402	--
Past due 31-90 days	1,482,806	--	5,752,045	--
More than 90 days	4,747,940	--	14,905	--
	<u>8,787,670</u>	<u>--</u>	<u>7,908,675</u>	<u>--</u>

SWELECT ENERGY SYSTEMS PTE. LTD.

(Registration No: 200402543C)

(Incorporated in the Republic of Singapore)

NOTES TO THE FINANCIAL STATEMENTS – 31 MARCH 2018**7. TRADE AND OTHER RECEIVABLES - CONTINUED****Impairment losses - continued**

Based on historical default rate, the Company believes that no impairment allowance is necessary in respect of trade receivable not past due or past due. These receivables are mainly arising by customers that have a good record with the Company.

8. CASH AND CASH EQUIVALENTS*(a) Cash and cash equivalents*

	<u>2018</u> <u>US\$</u>	<u>2017</u> <u>US\$</u>
Cash at bank and in hand	160,777	739,640
Fixed deposits	8,381,248	8,147,340
Cash and cash equivalents	<u>8,542,025</u>	<u>8,886,980</u>
Fixed deposits pledged	<u>(7,992,887)</u>	<u>(7,785,254)</u>
Cash and cash equivalents in the statement of cash flows	<u>549,138</u>	<u>1,101,726</u>

Fixed deposit denominated in United States dollar bear interest at an effective interest rate are ranging from 0.75% to 3.65% (2017: 0.75% to 3.55%) per annum and amounting to US\$5,633,292 (2017: US\$5,585,247) were pledged to financial institution for banking facilities as set out in Note 13.

Fixed deposit denominated in Singapore dollar bear interest at an effective interest rate is 0.83% (2017: 0.83%) per annum and amounting to US\$2,359,596 (2017: US\$2,200,008) were pledged to financial institution for banking facilities as set out in Note 13.

(b) Reconciliation of liabilities arising from financing activities

The table below details changes in the Company's liabilities arising from financing activities:

	<u>Note</u>	<u>Trust receipts</u> <u>S\$</u>
At 1 April 2017	13	243,000
Changes from financing cash flows:		
Proceeds from trust receipts		3,023,738
Repayment of trust receipts		<u>(243,000)</u>
Total changes from financing cash flows		<u>2,780,738</u>
At 31 March 2018	13	<u>3,023,738</u>

SWELECT ENERGY SYSTEMS PTE. LTD.

(Registration No: 200402543C)

(Incorporated in the Republic of Singapore)

NOTES TO THE FINANCIAL STATEMENTS – 31 MARCH 2018**9. SHARE CAPITAL**

	<u>2018</u>		<u>2017</u>	
	<u>No of shares</u>	<u>US\$</u>	<u>No of shares</u>	<u>US\$</u>
Fully paid ordinary shares, with no par value				
Balance at beginning of the financial year	12,232,500	8,319,706	12,232,500	8,319,706
Balance at end of the financial year	<u>12,232,500</u>	<u>8,319,706</u>	<u>12,232,500</u>	<u>8,319,706</u>

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company without restrictions. All ordinary shares rank equally with regard to the Company's residual assets.

As a result of the Companies (Amendment) Act 2005, the concept of authorised share capital and par value has been abolished.

10. ASSETS REVALUATION RESERVES

	<u>2018</u>	<u>2017</u>
	<u>US\$</u>	<u>US\$</u>
Balance at beginning of the financial year	2,566,340	2,566,340
Balance at end of the financial year	<u>2,566,340</u>	<u>2,566,340</u>
Assets revaluation reserve is non-distributable.		

11. DEFERRED TAX LIABILITIES

	<u>2018</u>	<u>2017</u>
	<u>US\$</u>	<u>US\$</u>
Balance at beginning of the financial year	149,890	149,890
Balance at end of the financial year	<u>149,890</u>	<u>149,890</u>
Deferred tax liabilities		
Excess of carrying amount of property, plant and equipment	<u>149,890</u>	<u>149,890</u>

12. TRADE AND OTHER PAYABLES

	<u>2018</u>	<u>2017</u>
	<u>US\$</u>	<u>US\$</u>
Trade payables		
- third parties	2,588,779	5,945,438
- immediate holding company	1,185	13,086
	<u>2,589,964</u>	<u>5,958,524</u>
Advances received from customers	--	1,709
Accrual expenses	21,985	17,832
Deposit payables	10,063	10,560
Other payables	--	48
Provision for warranties	40,480	40,480
	<u>2,662,492</u>	<u>6,029,153</u>

The Company's normal trade credit term is 60 days.

SWELECT ENERGY SYSTEMS PTE. LTD.

(Registration No: 200402543C)

(Incorporated in the Republic of Singapore)

NOTES TO THE FINANCIAL STATEMENTS – 31 MARCH 2018**13. BANK BORROWINGS**

	<u>2018</u> <u>US\$</u>	<u>2017</u> <u>US\$</u>
<u>Current</u>		
Trust receipts	3,023,738	243,000

The bank facilities are secured by:

- a) the Company's fixed deposits placed with the bank; and
- b) personal joint and several guarantee executed by the Company's director.

The effective interest rate implicit in the trust receipts are approximately ranging from 2.67% to 2.87% (2017: 1.98%) per annum.

14. REVENUE

	<u>2018</u> <u>US\$</u>	<u>2017</u> <u>US\$</u>
Revenue from sales of goods	14,673,079	14,928,143

15. OTHER OPERATING INCOME

	<u>2018</u> <u>US\$</u>	<u>2017</u> <u>US\$</u>
Gain on foreign exchange	159,497	--
Interest income	70,209	64,452
Rental income	44,584	51,380
Special employment credit	1,030	1,502
Temporary employment credit	450	744
Wage credit scheme	--	1,968
	<u>275,770</u>	<u>120,046</u>

16. RESULTS FROM OPERATING ACTIVITIES

	<u>2018</u> <u>US\$</u>	<u>2017</u> <u>US\$</u>
These are included the following:		
Loss on foreign exchange	--	48,072
Management fee	17,764	17,473
MCST management fee	18,980	18,845
Employee benefits		
- Salaries, bonus and other costs	113,207	98,250
- Central Provident Fund and other pension costs	8,758	8,439

SWELECT ENERGY SYSTEMS PTE. LTD.
(Registration No: 200402543C)
(Incorporated in the Republic of Singapore)

NOTES TO THE FINANCIAL STATEMENTS – 31 MARCH 2018

17. FINANCE COSTS

	<u>2018</u> <u>US\$</u>	<u>2017</u> <u>US\$</u>
<u>Interest</u>		
Trust receipts interest	57,358	52,041

18. INCOME TAX EXPENSES

	<u>2018</u> <u>US\$</u>	<u>2017</u> <u>US\$</u>
<u>Current tax expenses</u>		
Current year	63,889	32,806
Adjustment for the prior year	--	84
Deferred taxation	--	--
	<u>63,889</u>	<u>32,890</u>

A reconciliation between the tax expenses and the product of accounting profit multiplied by the applicable tax rate for the financial year ended 31 March was as follows:

	<u>2018</u> <u>US\$</u>	<u>2017</u> <u>US\$</u>
<u>Reconciliation of effective tax rate</u>		
Profit before income tax	438,653	247,931
Tax calculated using Singapore tax rate at 17%	74,571	42,148
Adjustment for prior years	--	84
Expenses not deductible for tax purposes	8,927	8,927
Statutory income exemption	(19,765)	--
Others	156	--
	<u>63,889</u>	<u>32,890</u>

19. COMMITMENTS

Operating Lease Commitments

Lease as lessor

Non-cancellable operating lease receivables are as follows:

	<u>2018</u> <u>US\$</u>	<u>2017</u> <u>US\$</u>
<u>Receivable:</u>		
Not later than one year	60,380	35,556
Later than one year but not later than five years	28,818	21,316
	<u>89,198</u>	<u>56,872</u>

SWELECT ENERGY SYSTEMS PTE. LTD.

(Registration No: 200402543C)

(Incorporated in the Republic of Singapore)

NOTES TO THE FINANCIAL STATEMENTS – 31 MARCH 2018

20. SIGNIFICANT RELATED PARTY TRANSACTIONS

In additional to the information disclosed elsewhere in the financial statements, the following significant transactions took place between the Company and the related parties at the terms agreed between the parties:

The directors of the Company are considered as key management personnel.

	<u>2018</u> <u>US\$</u>	<u>2017</u> <u>US\$</u>
<u>With immediate holding company</u>		
Sales to related parties	<u>13,859,821</u>	<u>14,928,143</u>

Key management personnel compensation

Key management personnel of the Company are those persons having the authority and responsibility for planning, directing and controlling the activities of the entity. The directors of the Company are considered as key management personnel.

Compensation payable to key management personnel comprised:

	<u>2018</u> <u>US\$</u>	<u>2017</u> <u>US\$</u>
Short - term employee benefits	<u>51,647</u>	<u>39,003</u>

21. FINANCIAL INSTRUMENTS

Financial risk management objectives and policies

The Company is exposed to financial risks arising from its operations and the use of financial instruments. The key financial risks include credit risk, liquidity risk, market risk, interest rate risk and currency risk. The Board of Directors reviews and agrees policies and procedures for the management of these risks. It is, and has been throughout the current and previous financial year, the Company's policy that no derivative and forward foreign exchange contracts shall be undertaken for hedging and speculative purposes. The following sections provide details regarding the Company's exposure to the above-mentioned financial risks and the objectives, policies and processes for the management of these risks.

i) Credit risk

Credit risk arises from the possibility that the counterparty to a transaction is unwilling or unable to fulfil its obligation which results in the Company suffering financial loss. The carrying amounts of trade receivables, other receivables and cash and bank balances included in the face to the statement of financial position represent the Company's maximum exposure to credit risk in relation to its financial assets.

The Company has a credit policy in place which establishes credit limits for customers and monitors their balances on an ongoing basis. Credit evaluations are performed on all customers requiring credit over a certain amount. If the customers are independently rate, these ratings are used. Otherwise, the credit quality of customers is assessed after taking into account its financial position and past experience with the customers. The Company has no significant concentration of credit risk.

SWELECT ENERGY SYSTEMS PTE. LTD.

(Registration No: 200402543C)

(Incorporated in the Republic of Singapore)

NOTES TO THE FINANCIAL STATEMENTS – 31 MARCH 2018**21. FINANCIAL INSTRUMENTS - CONTINUED****Financial risk management objectives and policies - continued****i) Credit risk - continued***Exposure to credit risk*

At the statement of financial position, the Company's maximum exposure to credit risk is the carrying amount of the related financial assets presented on the statement of financial position.

Financial assets that are neither past due nor impaired

Trade and other receivables that are neither past due nor impaired are creditworthy debtors with good payment record with the Company. Cash and cash equivalents are placed with or entered into with reputable financial institutions which are regulated.

Financial assets that are either past due or impaired

Information regarding financial assets that are either past due or impaired is disclosed in Note 7 (Trade and other receivables).

Credit risk concentration profile

The Company determines concentrations of credit risk by monitoring the country of its trade receivables basis on an ongoing basis. The credit risk concentration profile of the Company's trade and other receivables (excluded prepayment) and cash and cash equivalents at the statement of financial position date are as follows:

	<u>2018</u> <u>US\$</u>	<u>2017</u> <u>US\$</u>
<u>By country</u>		
China	31,800	--
Germany	91,636	--
India	8,796,340	7,908,301
Singapore	8,550,625	8,904,431
Taiwan	3,842	--
	<u>17,474,243</u>	<u>16,812,732</u>

ii) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting financial obligation due to shortage of funds. The Company's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities. The Company's objective is to maintain a balance between continuity of funding and flexibility by monitoring and maintaining a level of cash and bank balances deemed adequate by the management to finance the Company's operations and mitigate the effects of fluctuations in cash flows.

SWELECT ENERGY SYSTEMS PTE. LTD.

(Registration No: 200402543C)

(Incorporated in the Republic of Singapore)

NOTES TO THE FINANCIAL STATEMENTS – 31 MARCH 2018**21. FINANCIAL INSTRUMENTS - CONTINUED****Financial risk management objectives and policies - continued****ii) Liquidity risk - continued**

The table below summarises the maturity profile of the Company's financial liabilities at the statement of financial position based on contractual undiscounted payments.

	Carrying amount	Contractual undiscounted cash flows	
		Total	Within 1 year
	US\$	US\$	US\$
2018			
Trade and other payables	2,662,492	2,662,492	2,662,492
Bank borrowings	3,023,738	3,023,738	3,023,738
	<u>5,686,230</u>	<u>5,686,230</u>	<u>5,686,230</u>
2017			
Trade and other payables	6,029,153	6,029,153	6,029,153
Bank borrowings	243,000	243,000	243,000
	<u>6,272,153</u>	<u>6,272,153</u>	<u>6,272,153</u>

iii) Market risk

Market risk is the risk that changes in market prices, such as interest rates and foreign exchange rates will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

iv) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of the Company's financial instruments will fluctuate because of changes in market interest rates. The Company's exposure to interest rate risk arises primarily from their borrowing. The preferred management of interest rate risk exposure in debt obligations is to fix low interest.

v) Currency risk

The Company is exposed to foreign currency risk on sales, purchases and borrowings that are denominated in currencies other than the respective functional currencies of the Company.

The Company's exposure to foreign currency is as follow:-

	<u>Euro</u>	<u>Pound</u>	<u>Singapore</u>
	US\$	Sterling US\$	Dollar US\$
2018			
Trade and other receivables	126,241	16,643	14,250
Cash and cash equivalents	--	--	2,770,448
Trade and other payables	(124,173)	--	(19,312)
	<u>2,068</u>	<u>16,643</u>	<u>2,765,386</u>

SWELECT ENERGY SYSTEMS PTE. LTD.

(Registration No: 200402543C)

(Incorporated in the Republic of Singapore)

NOTES TO THE FINANCIAL STATEMENTS – 31 MARCH 2018**21. FINANCIAL INSTRUMENTS - CONTINUED****Financial risk management objectives and policies - continued****v) Currency risk - continued**

The Company is exposed to foreign currency risk on sales, purchases and borrowings that are denominated in currencies other than the respective functional currencies of the Company.

The Company's exposure to foreign currency is as follow:-

	<u>Euro</u> <u>US\$</u>	<u>Pound</u> <u>Sterling</u> <u>US\$</u>	<u>Singapore</u> <u>Dollar</u> <u>US\$</u>
<u>2017</u>			
Trade and other receivables	--	6,501	12,262
Cash and cash equivalents	--	--	2,611,756
Trade and other payables	--	(6,243)	(13,310)
	--	258	2,610,708

Sensitivity analysis

A 10% strengthening of United States dollar against the following currencies at the reporting date would increase / (decrease) profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant.

	<u>2018</u> <u>US\$</u>	<u>2017</u> <u>US\$</u>
<u>Profit or loss</u>		
Euro	207	--
Pound Sterling	1,664	26
Singapore dollar	276,539	261,071
	261,097	261,097

A 10% weakening of United States dollar against the above currencies would have had the equal but opposite effect on the currencies to the amounts shown above, on the basis that all other variables remain constant.

vi) Fair values versus carrying amounts

The fair values of financial assets and liabilities, together with the carrying amounts shown in the statement of financial position, are as follows:

	<u>Note</u>	<u>Loans and</u> <u>receivables</u> <u>US\$</u>	<u>Other</u> <u>financial</u> <u>liabilities</u> <u>US\$</u>	<u>Total</u> <u>carrying</u> <u>amount</u> <u>US\$</u>	<u>Fair</u> <u>value</u> <u>US\$</u>
<u>2018</u>					
Trade and other receivables	7	8,932,219	--	8,932,219	8,932,219
Cash and cash equivalents	8	8,542,025	--	8,542,025	8,542,025
		17,474,244	--	17,474,244	17,474,244
Trade and other payables	12	--	(2,662,492)	(2,662,492)	(2,662,492)
Bank borrowings	13	--	(3,023,738)	(3,023,738)	(3,023,738)
		--	(5,686,230)	(5,686,230)	(5,686,230)

SWELECT ENERGY SYSTEMS PTE. LTD.

(Registration No: 200402543C)

(Incorporated in the Republic of Singapore)

NOTES TO THE FINANCIAL STATEMENTS – 31 MARCH 2018**21 FINANCIAL INSTRUMENTS - CONTINUED****Financial risk management objectives and policies - continued****vi) Fair values versus carrying amounts - continued**

The fair values of financial assets and liabilities, together with the carrying amounts shown in the statement of financial position, are as follows:

	<u>Note</u>	<u>Loans and receivables</u> <u>US\$</u>	<u>Other financial liabilities</u> <u>US\$</u>	<u>Total carrying amount</u> <u>US\$</u>	<u>Fair value</u> <u>US\$</u>
2017					
Trade and other receivables	7	7,925,752	--	7,925,752	7,925,752
Cash and cash equivalents	8	8,886,980	--	8,886,980	8,886,980
		<u>16,812,732</u>	<u>--</u>	<u>16,812,732</u>	<u>16,812,732</u>
Trade and other payables	12	--	(6,029,153)	(6,029,153)	(6,029,153)
Bank borrowings	13	--	(243,000)	(243,000)	(243,000)
		<u>--</u>	<u>(6,272,153)</u>	<u>(6,272,153)</u>	<u>(6,272,153)</u>

vii) Fair values measurement

The fair value information presented represents the Company's best estimate of those values and may be subject to certain assumption and limitations. The methodologies and assumptions used in the estimation of fair values depend on the terms and characteristics of the various instruments.

The following table presents assets measured at fair value and classified by level of the following fair value measurement hierarchy.

- quoted prices (unadjusted) in active markets for identical assets (Level 1);
- inputs other than quoted prices included with level 1 that are observable for the asset, either directly (i.e. as prices) or indirectly (i.e. derived from prices) (Level 2); and
- inputs for asset that are not based on observable market data (unobservable inputs)(Level 3)

The non-financial assets not carried at fair value but for which fair value are disclosed by level of fair value hierarchy are as follows:

	<u>Level 1</u> <u>US\$</u>	<u>Level 2</u> <u>US\$</u>	<u>Level 3</u> <u>US\$</u>
2018			
Investment property	--	--	<u>2,599,574</u>
2017			
Investment property	--	--	<u>2,532,969</u>

There were no transfers between levels during the financial year.

SWELECT ENERGY SYSTEMS PTE. LTD.

(Registration No: 200402543C)

(Incorporated in the Republic of Singapore)

NOTES TO THE FINANCIAL STATEMENTS – 31 MARCH 2018

21. FINANCIAL INSTRUMENTS - CONTINUED

Financial risk management objectives and policies - continued

vi) Fair values measurement - continued

The fair value disclosure of investment property was estimated by directors and was arrived at using the Sales Comparison Method whereby sales prices of comparable properties in similar locations are adjusted for differences in key attributes such as property size and estimated by directors. The resulting fair values of investment property are considered Level 3 recurring fair value measurements.

There have been no changes in the valuation techniques of investment property during the financial year.

22. DETERMINATION OF FAIR VALUE

A number of Company's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

Non-derivative financial liabilities

The fair values of non-derivative financial liabilities which are determined for disclosure purpose are calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date. For finance leases, the market rate of interest is determined by reference to similar lease agreements.

Other non-derivative financial assets and liabilities

The carrying amounts of other non-derivative financial assets and liabilities with a maturity of less than one year (including trade and other receivables, cash and cash equivalents, and trade and other payables) are assumed to approximate their fair values because of the short period to maturity.

23. CAPITAL MANAGEMENT

The Company's objectives when managing capital are:

- a) to safeguard the Company's ability to continue as a going concern;
- b) to support the Company's stability and growth; and
- c) to provide capital for the purpose of strengthening the Company's risk management capability.

The Company actively and regularly reviews and manages its capital structure to ensure optimal structure and shareholder returns, taking into consideration the future capital requirements of the Company and capital efficiency, prevailing and projected strategic investment opportunities. The Company currently does not adopt any formal dividend policy.

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

The Company is in compliance with all externally imposed capital requirements for the financial years ended 31 March 2018 and 31 March 2017.

SWELECT ENERGY SYSTEMS PTE. LTD.

(Registration No: 200402543C)

(Incorporated in the Republic of Singapore)

**DETAILED INCOME STATEMENT
FOR THE YEAR ENDED 31 MARCH 2018**

	<u>2018</u> <u>US\$</u>	<u>2017</u> <u>US\$</u>
Revenue	14,673,079	14,928,143
Less: <u>Cost of sales</u>		
Opening inventories	781,979	-
Purchases	13,335,730	15,140,441
Carriage inwards	2,910	1,225
	14,120,619	15,141,666
Less: Closing inventories	(1,300)	(781,979)
	14,119,319	14,359,687
Gross profit	553,760	568,456
Add: <u>Other operating income</u>		
Gain on foreign exchange	159,497	-
Interest income	70,209	64,452
Rental income	44,584	51,380
Special employment credit	1,030	1,502
Temporary employment credit	450	744
Wage credit scheme	-	1,968
	275,770	120,046
	829,530	688,502
Less: Selling and distribution expenses	(51,836)	(87,925)
Less: Administrative expenses	(272,406)	(294,719)
Less: Other operating expenses	(9,277)	(5,886)
Less: Finance costs	(57,358)	(52,041)
Profit before income tax	438,653	247,931

SWELECT ENERGY SYSTEMS PTE. LTD.

(Registration No: 200402543C)

(Incorporated in the Republic of Singapore)

**DETAILED OPERATING EXPENSES SCHEDULE
FOR THE YEAR ENDED 31 MARCH 2018**

	<u>2018</u> <u>US\$</u>	<u>2017</u> <u>US\$</u>
<u>Selling and distribution expenses</u>		
Advertising and promotion	-	1,197
Directors' remuneration	51,647	39,003
Freight handling charges	189	-
Loss on foreign exchange	-	47,725
	51,836	87,925
<u>Administrative expenses</u>		
Administrative expenses	729	-
Agent's commission	4,834	-
Auditors' remuneration		
- current year	6,861	13,118
- under provision in prior years	(5,500)	-
Bank charges	82,147	109,146
Depreciation of property, plant and equipment	28,697	33,189
Depreciation of investment properties	25,330	25,330
Insurance	451	218
Management fee	17,764	17,473
MCST management fee	18,980	18,845
Medical expenses	146	112
Professional fee	465	652
Property tax	12,480	2,961
Salaries, CPF and SDL	70,318	67,686
Secretarial fee	3,542	846
Telecommunication	2,826	3,263
Transport and travelling expenses	110	166
Upkeep of office	1,154	-
Utilities	1,072	1,714
	272,406	294,719
<u>Other operating expenses</u>		
General expenses	8,636	4,694
Printing, stationery and postages	641	1,192
	9,277	5,886
<u>Finance costs</u>		
Trust receipts interest	57,358	52,041
	57,358	52,041
Total operating expenses	390,877	440,571

SWELECT ENERGY SYSTEMS PTE. LTD.

(Registration Number : 200402543C)

2 Kallang Pudding Road

#02-12 Mactech Building

Singapore 349307

Wu Chiaw Ching & Company

229 Mountbatten Road

#02-01 Mountbatten Square

Singapore 398007

Dear Sirs,

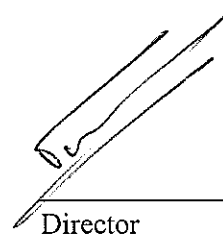
We have reviewed and approved the following adjustments and would appreciate it if you could incorporate them into the financial statements for the year ended 31 March 2018.

	Proposed Adjustments	DR	CR
		<u>US\$</u>	<u>US\$</u>
1	Income tax expenses (A/c code: 9060/0001) Income tax payables (A/c code: 4080/0002) (Being current year income tax expenses)	63,889.00	63,889.00
2	Accumulated depreciation - Office equipment Depreciation charges (Being overprovision of depreciation charges for the year)	1,083.49	1,083.49
3	Insurance Accruals (Being accruals of insurance for the year)	218.00	218.00

Yours faithfully,



Director


Director