

Cool Link (Holdings) Limited

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 8491

2020

ANNUAL REPORT

CHARACTERISTICS OF GEM OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)

GEM has been positioned as a market designed to accommodate small and mid-sized companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration.

Given that the companies listed on GEM are generally small and mid-sized companies, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.

Hong Kong Exchanges and Clearing Limited and the Stock Exchange take no responsibility for the contents of this report, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this report.

This report, for which the directors (the “Directors”) of Cool Link (Holdings) Limited (the “Company”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the “GEM Listing Rules”) for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this report is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this report misleading.

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Corporate Information

BOARD OF DIRECTORS

Executive Directors

Mr. Tan Seow Gee (*Chairman*)
Mr. Gay Teo Siong (*Chief Executive Officer*)

Non-executive Director

Mr. Choi Wai Tong Winton (*Vice Chairman*)
(appointed on 22 January 2021)

Independent non-executive Directors

Ms. Chan Oi Chong
Ms. Chin Ying Ying
Ms. Luk Huen Ling Claire

AUDIT COMMITTEE

Ms. Chin Ying Ying (*Chairlady*)
Ms. Chan Oi Chong
Ms. Luk Huen Ling Claire
Mr. Choi Wai Tong Winton

REMUNERATION COMMITTEE

Ms. Chan Oi Chong (*Chairlady*)
Ms. Chin Ying Ying
Mr. Gay Teo Siong
Ms. Luk Huen Ling Claire
Mr. Choi Wai Tong Winton

NOMINATION COMMITTEE

Ms. Luk Huen Ling Claire (*Chairlady*)
Ms. Chan Oi Chong
Ms. Chin Ying Ying
Mr. Gay Teo Siong
Mr. Choi Wai Tong Winton

COMPLIANCE OFFICER

Mr. Tan Seow Gee

COMPANY SECRETARY

Mr. Chow Justin Ting Fun

AUTHORISED REPRESENTATIVES

Mr. Tan Seow Gee
Mr. Chow Justin Ting Fun

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE IN THE CAYMAN ISLANDS

Conyers Trust Company (Cayman) Limited
Cricket Square, Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Boardroom Share Registrars (HK) Limited
Room 2103B, 21/F.
148 Electric Road
North Point
Hong Kong

AUDITOR

Grant Thornton Hong Kong Limited
Certified Public Accountants
Level 12
28 Hennessy Road, Wan Chai
Hong Kong

Corporate Information

PRINCIPAL BANKER

United Overseas Bank Limited
80 Raffles Place, UOB Plaza
Singapore 048624

REGISTERED OFFICE

Cricket Square, Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

PRINCIPAL PLACE OF BUSINESS IN HONG KONG REGISTERED UNDER PART 16 OF THE COMPANIES ORDINANCE

Room 5705, 57th Floor
The Center
99 Queen's Road Central
Hong Kong

HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN SINGAPORE

No. 33 Chin Bee Crescent
Singapore 619901

COMPANY'S WEBSITE

<http://www.coolink.com.sg>

STOCK CODE

8491

Chairman's Statement

Dear Shareholders,

On behalf of the Board of Directors (the "Board"), I am pleased to present the annual report of the Company and its subsidiaries (collectively the "Group") for the year ended 31 December 2020.

For the year ended 31 December 2020, the Group recorded total revenue of approximately S\$27.4 million, attaining an increase when compared with the previous financial year. The Group recorded a loss of approximately S\$0.3 million for the year ended 31 December 2020 as compared to a loss of approximately S\$0.9 million for the year ended 31 December 2019. The decrease in loss was mainly attributable to the (i) increase in gross profit by approximately S\$1.1 million; (ii) increase in other income by approximately S\$0.2 million; (iii) decrease in selling and distribution costs by approximately S\$0.2 million and offset by the increase in administrative and other operating expenses by approximately S\$0.9 million.

Going forward, despite the unfavourable and challenging business environment heightened by the coronavirus disease (COVID-19), the Group will continuously focus its efforts to expand its business by broadening the customer base and cultivate new clients for long term growth. In addition, the Group continues to seek for different business and investment opportunities. The Group will also put in place sound corporate governance and effective cost controls to maximise the return to the shareholders.

On behalf of the Board, I would like to express my sincere gratitude to the relentless support of all our valuable shareholders, investors, suppliers, business partners and customers. The management team and all staff members of the Group will continue striving for better results for the Group and bringing returns to the shareholders.

Tan Seow Gee

Chairman and Executive Director

Hong Kong, 30 March 2021

Management Discussion and Analysis

BUSINESS REVIEW

The Group is principally engaged in food supplies business in Singapore. During the year ended 31 December 2020, the Group continued to supply food products to ship chandlers, retailers and customers who are in the food service industry.

For the year ended 31 December 2020, the Group recorded a loss of approximately S\$0.3 million as compared to a loss of approximately S\$0.9 million for the same period in 2019. The decrease in loss was mainly attributable to the (i) increase in gross profit by approximately S\$1.1 million; and (ii) increase in other income by approximately S\$0.2 million; (iii) decrease in selling and distribution costs by approximately S\$0.2 million and offset by the increase in administrative and other operating expenses by approximately S\$0.9 million.

OUTLOOK

Due to fierce market competition in the industry, the international trading market and the global widespread outbreak of coronavirus disease (COVID-19), the Group anticipates a forthcoming challenging year. Therefore, the Group will continue its effort to promote its brand as well as to provide quality products and seize business and investment opportunities in various regions.

The widespread outbreak of coronavirus disease (COVID-19) has occurred globally, including Singapore and Hong Kong. The consequence and impact of this outbreak is still manifesting not only in the loss of human lives but in the potential disruption to economic and social activities in the markets that the Group operates in. In light of the recent outbreak of COVID-19, the Group has also explored new business opportunities to maximize the interest of the Company and its shareholders as a whole and shoulder its corporate social responsibilities on contributing the society as well as fighting the COVID-19. Reference is made to the Announcement dated 5 February 2020, the acquisition of a company engaging in distribution of disinfectant and antiseptic products was completed in the first quarter of 2021. In addition, the Group is taking necessary actions to ensure the impact to our core businesses is minimized, our employees and associates are safe and that our valued customers continue to be served as best as we can.

Management Discussion and Analysis

FINANCIAL REVIEW

Revenue

The Group's revenue increased by approximately S\$3.6 million or approximately 15.2% from approximately S\$23.8 million for the year ended 31 December 2019 to approximately S\$27.4 million for the year ended 31 December 2020. Such increase was mainly driven by the increase of revenue from the ship chandlers due to the increased demand from customers.

Cost of Sales

The Group's cost of sales increased by approximately S\$2.5 million or approximately 14.3% from approximately S\$17.8 million for the year ended 31 December 2019 to approximately S\$20.3 million for the year ended 31 December 2020. Such increase was in line with the increase in revenue.

Gross Profit and Gross Profit Margin

The Group's overall gross profit increased by approximately S\$1.1 million or approximately 17.6% from approximately S\$6.1 million for the year ended 31 December 2019 to approximately S\$7.2 million for the year ended 31 December 2020. The Group's overall gross profit margin remained stable at approximately 25.5% and 26.0% for the years ended 31 December 2019 and 2020 respectively.

Selling and Distribution Costs

The Group's selling and distribution costs decreased by approximately S\$0.2 million or approximately 9.6% from approximately S\$1.9 million for the year ended 31 December 2019 to approximately S\$1.7 million for the year ended 31 December 2020. The decrease was primarily due to decrease of rental costs for warehouses as a result of moving into the new warehouse and minimising the rental cost of third-party warehouses.

Administrative and Other Operating Expenses

The Group's administrative and other operating expenses increased by approximately S\$0.9 million or approximately 16.8% from approximately S\$5.1 million for the year ended 31 December 2019 to approximately S\$6.0 million for the year ended 31 December 2020. The increase was primarily due to the increase of depreciation of property, plant and equipment and employee benefit expenses.

Finance Costs

The Group's finance costs remained stable at approximately S\$0.6 million and S\$0.7 million for the years ended 31 December 2019 and 2020 respectively.

Management Discussion and Analysis

Income Tax Expense

The Group's income tax expense remained stable at approximately S\$0.2 million and S\$0.2 million for the years ended 31 December 2019 and 31 December 2020 respectively.

Loss for the Year

As a result of the foregoing, the Group recorded loss for the year which was decreased by approximately S\$0.6 million or approximately 65.0% from approximately S\$0.9 million for the year ended 31 December 2019 to approximately S\$0.3 million for the year ended 31 December 2020. The decrease in loss for the year ended 31 December 2020 was mainly attributable to the (i) increase in gross profit by approximately S\$1.1 million; and (ii) increase in other income by approximately S\$0.2 million; (iii) decrease in selling and distribution costs by approximately S\$0.2 million and offset by the increase in administrative and other operating expenses by approximately S\$0.9 million.

CAPITAL STRUCTURE

The Group regularly reviews and manages its capital structure to ensure that the Group will be able to continue as a going concern while maximizing the return to its shareholders through optimisation of the debt and equity balance.

As at 31 December 2020, the capital structure of the Group consisted of bank borrowings, lease liabilities, promissory note, cash and cash equivalents and total equity of the Group, comprising share capital, share premium, other reserve and retained profits.

LIQUIDITY AND FINANCIAL RESOURCES

During the year ended 31 December 2020, the Group's working capital was mainly financed by internal resources and bank borrowings. The quick ratio of the Group was approximately 1.4 times (2019: 2.3 times). The decrease was mainly due to the increase of current liabilities by approximately 91.0%.

GEARING RATIO

The total borrowings, comprising bank borrowings, lease liabilities and promissory notes, of the Group as at 31 December 2020 were approximately S\$16.7 million (2019: S\$15.0 million). The Group's gearing ratio as at 31 December 2020 was approximately 109.1% (2019: 95.8%), which is calculated as the Group's total borrowings over the Group's total equity. The increase in gearing ratio was mainly due to the increase of promissory note by approximately S\$2.2 million.

FOREIGN EXCHANGE RISK

The Group's business is principally denominated in Singapore dollars. As certain bank deposits denominated in Hong Kong dollars and trade payables dominated in other currencies, such as Euro, Malaysia Ringgit and United State dollars, therefore, the Group is exposed to foreign currency exchange risk. No currency hedging arrangement had been made by the Group during the year ended 31 December 2020. The Directors have positive attitude to regular monitor the exposure to foreign exchange so as to reduce the foreign exchange rate risk to minimal.

Management Discussion and Analysis

CAPITAL EXPENDITURE

During the year ended 31 December 2020, the Group invested approximately S\$0.06 million for capital expenditure which was primarily related to the Group's purchases of property, plant and equipment.

CAPITAL COMMITMENTS

As at 31 December 2020, the Group did not have material capital commitments.

CHARGES ON THE GROUP'S ASSETS

As at 31 December 2020, the Group has pledged its land and buildings, investment properties and assets classified as held for sale with net book value amounted to approximately S\$9.0 million (2019: S\$11.5 million), approximately S\$0.8 million (2019: S\$1.6 million) and approximately S\$2.6 million (2019: nil), respectively, for certain banking facilities granted to the Group.

SIGNIFICANT INVESTMENT, MATERIAL ACQUISITION AND DISPOSAL OF SUBSIDIARIES AND AFFILIATED COMPANIES

Save as disclosed in this annual report, during the year ended 31 December 2020, the Group did not have any significant investment, material acquisition nor disposal of subsidiaries and affiliated companies.

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

Save as disclosed in the prospectus of the Company dated 12 September 2017 (the "Prospectus"), the Group did not have other future plans for material investments or capital assets as at 31 December 2020.

CONTINGENT LIABILITIES

As at 31 December 2020, the Group had contingent liabilities in respect of performance bonds issued in favour of certain suppliers in its ordinary course of business amounting to S\$925,000 (2019: S\$550,000). The guarantees in respect of performance bonds issued by bank are secured by land and buildings and investment properties of the Group and corporate guarantee of the Company as at 31 December 2020 and 2019.

INFORMATION ON EMPLOYEES

As at 31 December 2020, the Group employed 58 employees (2019: 55) with total staff cost (including directors' emoluments) of approximately S\$3.9 million incurred for the year ended 31 December 2020 (2019: S\$3.4 million). The Group's remuneration packages are generally structured with reference to market terms and individual merits. In addition, the Group also provides various training courses to enhance the employees' skills and capabilities in all aspects.

Management Discussion and Analysis

USE OF PROCEEDS

According to the Company's announcement dated 5 March 2018, the use of proceeds was revised as follows:

	Revised use of net proceeds HK\$'000	From 22 September 2017 to 31 December 2017 HK\$'000	For the six months ended 30 June 2018 HK\$'000	For the six months ended 31 December 2018 HK\$'000	For the six months ended 30 June 2019 HK\$'000	For the six months ended 31 December 2019 HK\$'000
Partly fund the expansion of the capacity of the Group's warehouse premises	—	—	—	—	—	—
Expand Hong Kong operations	5,900	—	1,970	1,310	1,310	1,310
Expand new product lines	10,300	—	—	4,660	3,520	2,120
Acquisition of new property	17,400	—	17,400	—	—	—
Working capital	2,000	400	400	400	400	400
	35,600	400	19,770	6,370	5,230	3,830

Up to 31 December 2020, the net proceeds from the Share Offer had been applied as follows:

	Original use of net proceeds HK\$'000	Revised use of net proceeds HK\$'000	Planned use of revised net proceeds up to 31 December 2020 HK\$'000	Actual use of net proceeds as at 31 December 2020 HK\$'000	Unutilised net proceeds as at 31 December 2020 HK\$'000
Partly fund the expansion of the capacity of the Group's warehouse premises	17,400	—	—	—	—
Expand Hong Kong operations	5,900	5,900	5,900	1,148	4,752
Expand new product lines	10,300	10,300	10,300	10,300	—
Acquisition of new property	—	17,400	17,400	17,400	—
Working capital	2,000	2,000	2,000	2,000	—
	35,600	35,600	35,600	30,848	4,752

The future plans and use of proceeds as stated in the Prospectus were based on the best estimation and assumption of future market conditions made by the Group at the time of preparing the Prospectus. The actual use of proceeds was applied in accordance with the actual development of the Group's business and the industry conditions.

The reason for the under-utilisation of net proceeds for expanding Hong Kong operations was mainly due to the slowdown of market demand for ship supply industry and overall condition in Hong Kong. The Group expects that the unutilised net proceeds will be used by 2021.

Report of the Directors

The Directors of the Company presents herewith the annual report together with the audited consolidated financial statements of the Group for the year ended 31 December 2020.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding while the Group is principally engaged in food supplies business.

The activities of its principal subsidiaries are set out in note 35 to the consolidated financial statements.

BUSINESS REVIEW

The business review of the Group for the year ended 31 December 2020 is set out in the section headed “Management Discussion and Analysis” of this annual report.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2020 and the state of affairs of the Group as at 31 December 2020 are set forth in the consolidated financial statements on pages 36 to 111 of this annual report.

The Board does not recommend the payment of a final dividend for the year ended 31 December 2020 (2019: Nil).

FINANCIAL SUMMARY

A summary of the results, assets and liabilities of the Group for the past 5 years ended 31 December 2020, as extracted from the audited consolidated financial statements in the annual report and the Prospectus, is set out on page 112. This summary does not form part of the consolidated financial statements in the annual report.

RESERVES

Movements in reserves of the Group during the year are set out in the consolidated statement of changes in equity on page 45 of this annual report.

DISTRIBUTABLE RESERVES

As at 31 December 2020, the Company’s reserves available for distribution to owners comprising share premium less accumulated losses, amounted to approximately S\$3.5 million (2019: S\$4.2 million).

PROPERTY, PLANT AND EQUIPMENT

Details of movements in property, plant and equipment during the year are set out in note 13 to the consolidated financial statements of this annual report.

Report of the Directors

INVESTMENT PROPERTIES

Details of the investment properties as at 31 December 2020 are shown as below:

Location	Existing use	Lease term
27 Tuas Bay Walk #04-01 Westview Food Factory Singapore 637127	Industrial	30 years commencing from 22 July 2013
27 Tuas Bay Walk #04-03 Westview Food Factory Singapore 637127	Industrial	30 years commencing from 22 July 2013

SHARE CAPITAL

Details of movements in share capital of the Company during the year are set out in note 28 to the consolidated financial statements of this annual report.

DIRECTORS

The Directors during the year ended 31 December 2020 and up to the date of this report were:

Executive Directors

Mr. Tan Seow Gee (*Chairman*)
Mr. Gay Teo Siong (*Chief Executive Officer*)

Non-Executive Director

Mr. Choi Wai Tong Winton (appointed on 22 January 2021)
Mr. Cheng King Yip (resigned on 22 January 2021)

Independent Non-Executive Directors

Ms. Chan Oi Chong
Ms. Chin Ying Ying
Ms. Luk Huen Ling Claire

In accordance with the Company's articles of association (the "Articles of Association"), at each annual general meeting (the "AGM") one third of the Directors for the time being shall retire from office by rotation provided that every Director shall be subject to retirement at an AGM at least once every three years. The Directors to retire by rotation shall include any Director who wishes to retire and not offer himself for re-election.

Report of the Directors

Any Director appointed to fill a casual vacancy shall hold office until the first general meeting of members after his/her appointment and be subject to re-election at such meeting and any Director appointed as an addition to the existing board shall hold office only until the next following AGM of the Company and shall then be eligible for re-election.

DIRECTORS' SERVICE CONTRACTS

Each of the executive Directors has entered into a service agreement with the Company for a term of three years commencing from 22 September 2017 and will continue thereafter until terminated in accordance with the terms of the service agreement.

The non-executive Director has entered into a letter of appointment with the Company for a term of three years and will continue thereafter until terminated in accordance with the terms of the appointment letter.

Each of the independent non-executive Directors has entered into a letter of appointment with the Company for a term of one year and will continue thereafter until terminated in accordance with the terms of their letter of appointment.

Save as aforesaid, none of the Directors has or is proposed to have a service contract with the Company or any of its subsidiaries (other than contracts expiring or determinable by the Group within one year without the payment of compensation (other than statutory compensation)).

BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

The biographical details of the Directors and senior management are disclosed in the section headed "Biographies of Directors and Senior Management" on pages 33 to 35 of this annual report.

CHANGE IN INFORMATION OF DIRECTOR

The change in Director's information during the year ended 31 December 2020 and up to the date of this annual report, as required to be disclosed pursuant to Rule 17.50A(1) of the GEM Listing Rules, are set out below:

Name of Director	Details of Change
Mr. Cheng King Yip	Resigned as a non-executive Director, as well as a member of each of the audit committee, remuneration committee and nomination committee of the Board on 22 January 2021

DIRECTORS' REMUNERATIONS

Details of the remunerations of the Directors are set out in note 9 to the consolidated financial statements of this annual report.

INDEPENDENT NON-EXECUTIVE DIRECTORS' CONFIRMATIONS INDEPENDENCE

The Company has received annual written confirmation of her independence from each of the independent non-executive Directors pursuant to Rule 5.09 of the GEM Listing Rules and the Company considers all the independent non-executive Directors to be independent.

Report of the Directors

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in the paragraph headed "Directors' and chief executives' interests and short positions in shares, underlying shares and debentures of the Company and its associated corporation" below, at no time during the year was the Company, its holding company, or any of its subsidiaries or fellow subsidiaries a party to any arrangement to enable the Directors to acquire benefits by means of the acquisition of shares or underlying shares in, or debentures of, the Company or its associated corporations.

DIRECTORS' MATERIAL INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS THAT ARE SIGNIFICANT IN RELATION TO THE COMPANY'S BUSINESS

There has been no transaction, arrangement or contract of significance to which the Company, its holding Company, or any of its subsidiaries or fellow subsidiaries was a party and in which a Director or an entity connected with the Director is or was materially interested, either directly or indirectly, subsisting during or at the end of the year.

EQUITY-LINKED AGREEMENTS

No equity-linked agreements were entered into by the Company during the year or subsisted at the end of the year.

MAJOR CUSTOMERS AND SUPPLIERS

Sales to the Group's five largest customers accounted for approximately 41.2% and sales to the Group's largest customer amounted to approximately 12.4% of the total sales for the year ended 31 December 2020. Purchases from the Group's five largest suppliers accounted for approximately 27.8% and purchases from the Group's largest supplier amounted to approximately 10.6% of the total cost of purchases for the year ended 31 December 2020.

To the best knowledge of the Directors, neither the Directors, their close associates, nor any shareholders (which to the knowledge of the Directors owned more than 5% of the Company's issued shares), had any beneficial interest in any of the Group's five largest customers or suppliers during the year ended 31 December 2020.

DONATIONS

During the year ended 31 December 2020, the Group made charitable donations of approximately S\$12,000 (2019: S\$12,000).

RELATED PARTY TRANSACTIONS

Related party transactions of the Group during the year are disclosed in note 32 to the consolidated financial statements. To the best knowledge of the Directors, none of these related party transactions constitutes connected transactions that need to be disclosed under the GEM Listing Rules.

Report of the Directors

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2020.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's Articles of Association or the laws of the Cayman Islands which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

MANAGEMENT CONTRACTS

During the year ended 31 December 2020, the Company did not enter into or have any management and administration contracts (other than a contract of service with any Director or any person under the full-time employment of the Company) in respect of the whole or any substantial part of the business of the Company.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATION

As at 31 December 2020, the interests and short positions of the Directors or chief executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO")), which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO, or pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required to be notified to the Company and the Stock Exchange pursuant to Rule 5.46 to 5.67 of the GEM Listing Rules, were as follows:

Long position in shares of the Company

Name	Capacity/Nature of interest	Number of shares held/interested	Approximate percentage of shareholding
Mr. Tan Seow Gee ("Mr. D Tan")	Interest in controlled corporation/ Interest held jointly with another persons (Note 1)	302,000,000 shares	50.33%
Mr. Gay Teo Siong ("Mr. R Gay")	Interest in controlled corporation/Interest held jointly with another persons (Note 1)	302,000,000 shares	50.33%

Report of the Directors

Notes:

1. The entire issued share capital of Packman Global Holdings Limited ("Packman Global") is legally and beneficially owned as to approximately 33.3% by Mr. D Tan, Mr. R Gay and Mr. Tan Chih Keong ("Mr. M Tan") respectively. Accordingly, Mr. D Tan, Mr. R Gay and Mr. M Tan are deemed to be interested in 302,000,000 Shares held by Packman Global by virtue of the SFO. Mr. D Tan and Mr. R Gay are executive Directors while Mr. M Tan was one of the senior management. Mr. D Tan, Mr. R Gay and Mr. M Tan are persons acting in concert and accordingly each of them is deemed to be interested in the shares held by the others.

Save as disclosed above, as at 31 December 2020, none of the Directors or chief executives of the Company had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO) or which was required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules to be notified to the Company and the Stock Exchange.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES OF THE COMPANY

So far is known to the Directors, as at 31 December 2020, the following persons/entities (other than the Directors or chief executives of the Company) had an interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under Division 2 and 3 of Part XV of the SFO or as recorded in the register of the Company required to be kept under section 336 of the SFO were as follows:

Report of the Directors

Long positions in shares of the Company

Name	Capacity/Nature of interest	Number of shares held/interested	Approximate percentage of shareholding
Packman Global	Beneficial owner	302,000,000 shares	50.33%
Mr. M Tan	Interest in controlled corporation/Interest held jointly with another persons (Note 1)	302,000,000 shares	50.33%
Ms. Fang Yunru Wanda	Interest of spouse (Note 2)	302,000,000 shares	50.33%
Ms. Yeo Poh Choo	Interest of spouse (Note 3)	302,000,000 shares	50.33%
Ms. Chen Feiping	Interest of spouse (Note 4)	302,000,000 shares	50.33%
Kingston Finance Limited	Having a security interest (Note 5)	302,000,000 shares	50.33%
Ample Cheer Limited	Interest in controlled corporation (Note 5)	302,000,000 shares	50.33%
Best Forth Limited	Interest in controlled corporation (Note 5)	302,000,000 shares	50.33%
Mrs. Chu Yuet Wah	Interest in controlled corporation (Note 5)	302,000,000 shares	50.33%
Mr. Meng Jintao	Beneficial owner	34,665,000 shares	5.78%

Notes:

- The entire issued share capital of Packman Global is legally and beneficially owned as to approximately 33.3% by Mr. D Tan, Mr. R Gay and Mr. M Tan respectively. Accordingly, Mr. D Tan, Mr. R Gay and Mr. M Tan are deemed to be interested in 302,000,000 Shares held by Packman Global by virtue of the SFO. Mr. D Tan and Mr. R Gay are executive Directors while Mr. M Tan was one of the senior management. Mr. D Tan, Mr. R Gay and Mr. M Tan are persons acting in concert and accordingly each of them is deemed to be interested in the shares held by the others.
- Ms. Fang Yunru Wanda is the spouse of Mr. D Tan and is therefore deemed to be interested in all the shares that Mr. D Tan is interested in by virtue of SFO.
- Ms. Yeo Poh Choo is the spouse of Mr. R Gay and is therefore deemed to be interested in all the shares that Mr. R Gay is interested in by virtue of SFO.
- Ms. Chen Feiping is the spouse of Mr. M Tan and is therefore deemed to be interested in all the shares that Mr. M Tan is interested in by virtue of SFO.
- On 1 March 2019, 302,000,000 shares held by Packman Global were pledged to Kingston Finance Limited, which was wholly owned by Ample Cheer Limited. Ample Cheer Limited was owned by Best Forth Limited and Insight Glory Limited, which were both wholly owned by Mrs. Chu Yuet Wah.

Report of the Directors

SHARE OPTION SCHEME

The Company has adopted the share option scheme (the “Share Option Scheme”), which was approved by written resolution passed by the shareholders on 30 August 2017. The principal terms and details of the Share Option Scheme are set in the section headed “Share Option Scheme” in Appendix V to the Prospectus and are in accordance with the provisions of Chapter 23 of the GEM Listing Rules.

For the year ended 31 December 2020, no share option was granted, exercised, expired or lapsed or cancelled and there is no outstanding share option under the Share Option Scheme.

(1) Purpose

The purpose of the Share Option Scheme is to advance the interests of the Company and the shareholders by enabling the Company to grant options to attract, retain and reward the eligible persons and to provide the eligible persons an incentive or reward for their contribution to the Group and by enabling such persons’ contribution to further advance the interests of the Group.

(2) Eligible person

Eligible persons include (i) any Directors (whether executive or non-executive and whether independent or not) and any employee (whether full time or part time) of the Group; (ii) any consultants or advisers (in the areas of legal, technical, financial or corporate managerial) of the Group (whether on an employment or contractual or honorary basis or otherwise and whether paid or unpaid); any provider of goods and/or services to the Group; any customer of the Group; or any holder of securities issued by any member of the Group; and (iii) any other person, who at the sole discretion of the Board, has contributed to the Group.

(3) Total number of shares available for issue

The total number of shares in respect of which options may be granted under this Share Option Scheme and any other share option schemes shall not in aggregate exceed 60,000,000 shares, being 10% of the total number of shares in issue.

(4) Total maximum entitlement of each eligible person

Unless there is prior approval from the Company’s shareholders, the total number of shares issued and to be issued upon exercise of the options granted to each eligible person (including both exercise and outstanding options under the Share Option Scheme) in any 12-month period shall not exceed 1% of the issued shares. Where any further grant of options to an eligible person would result in excess of such limit, such further grant must be subject to the approval of the Company’s shareholders at general meeting with such eligible person and his close associates abstaining for voting.

Report of the Directors

(5) Option period and payment on acceptance of the option

Options granted must be taken up within ten business days from the date of grant. The amount payable by the grantee to the Company on acceptance of the offer shall be a nominal amount to be determined by the Board. Options may be exercised at any time during a period commencing on or after the date on which the option is accepted and granted and expiring on a date to be notified by the Board to each grantee which shall not be more than 10 years from the date on which the option is accepted and granted.

(6) Minimum Period for which an option must be held before it can be exercised

No minimum period for which an option must be held before it can be exercised unless otherwise determined by the Board at the time of grant.

(7) Subscription price of shares

The subscription price shall be such price as determined on the date of grant by the Board, and shall be at least the highest of:

- (a) the closing price per share as stated in the Stock Exchange's daily quotation sheet on the offer date;
- (b) the average of the closing prices per share as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the offer date; and
- (c) the nominal value of the share.

(8) Life of the Share Option Scheme

The Share Option Scheme shall be valid and effective for a period of ten years commencing from the date of adoption, after which period no further options will be offered or granted but the provisions of the Share Option Scheme shall remain in full force and effect in all other aspects with respect to options granted during the life of the Share Option Scheme.

COMPETITION AND CONFLICT OF INTERESTS

To the best of the Directors' knowledge, none of the Directors or substantial shareholders of the Company or any of their respective close associates had engaged in any business that competes or may compete with the business of the Group or has any other conflict of interests with the Group during the year ended 31 December 2020.

Report of the Directors

NON-COMPETITION UNDERTAKINGS

Mr. D Tan, Mr. M Tan, Mr. R Gay and Packman Global entered into a deed of non-competition dated 30 August 2017 (“Deed of Non-Competition”) in favour of the Company (for itself and as trustee for each of its subsidiaries). For details of the Deed of Non-Competition, please refer to the section headed “Relationship with Controlling Shareholders – Non-competition undertaking” in the Prospectus. Each of them has confirmed that none of them is engaged in, or interested in any business (other than the Group) which, directly or indirectly, competes or may compete with the business of the Group.

The independent non-executive Directors have also reviewed the status of compliance and confirmed that all the undertakings under the Deed of Non-Competition have been complied with by each of them during the year ended 31 December 2020.

EMOLUMENT POLICY

The remuneration committee is responsible for reviewing and determining the remuneration and compensation packages of the Directors and senior management of the Group with reference to salaries paid by comparable companies, time commitment and responsibilities of the Directors and performance of the Group.

The Company has adopted a Share Option Scheme as an incentive to Directors and eligible employees, details of the scheme is set out in the paragraph headed “Share Option Scheme” in this annual report.

CONNECTED TRANSACTIONS

During the year ended 31 December 2020, the Company had not entered into any connected transaction which is subject to the disclosure requirements under the GEM Listing Rules.

CORPORATE GOVERNANCE

The Company is committed to maintaining a high standard of corporate governance. Information on the corporate governance practices adopted by the Company is set out in the Corporate Governance Report on pages 23 to 32.

ENVIRONMENTAL POLICIES AND PERFORMANCE

The Group realises the importance of environmental protection in pursuing a long-term sustainability. In particular, the Group promotes energy saving and recycling of materials in the headquarters such as turning off idle lightings, air-conditioning and electrical appliances and using recycled papers for printing and copying. The Group is committed to improving environmental sustainability and will closely monitor the performance. In accordance with Appendix 20 to the GEM Listing Rules, the Company’s Environmental, Social and Governance Report will be available on its website within three months from the publication of this annual report.

Report of the Directors

COMPLIANCE WITH THE RELEVANT LAWS AND REGULATIONS

As far as the Board is aware, the Group has complied with the relevant laws and regulations that have a significant impact on the business and operation of the Group. During the year ended 31 December 2020, there was no material breach or non-compliance with the applicable laws and regulations by the Group.

RELATIONSHIP WITH SUPPLIERS, CUSTOMERS AND OTHER STAKEHOLDERS

The Group understands the importance of maintaining a good relationship with its suppliers, customers and other stakeholders to meet its immediate and long-term goals. During the year ended 31 December 2020, there was no material or significant dispute between the Group and its suppliers, customers and/or stakeholders.

PRINCIPAL RISKS AND UNCERTAINTIES

Business Risk

The Group may be unable to retain or replace the Group's major customers. While the Group has good working relationships with the customers, there is no assurance that they will continue to place orders with the Group at all or at current levels in the future. In the event that the Group's major customers significantly reduce their orders with the Group, the business and results of operations of the Group will be adversely affected. As such, the Group is also exposed to inventory risk and stock obsolescence if the Group is unable to predict with certainty the customers' demands.

Economic and Political Risk

Adverse changes in the economic and political environment and government policies may affect the Group's ability to execute its strategies.

Financial Risk

The Group is exposed to financial risks related to foreign currency, interest rate, credit and liquidity in the normal course of business. For details of such financial risks, please refer to note 38 to the consolidated financial statements.

People Risk

Loss of key management personnel may affect the Group's business, prospects and financial performance.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and to the best knowledge of the Directors, the Company has maintained the prescribed minimum public float under the GEM Listing Rules during the year ended 31 December 2020 and thereafter up to the date of this report.

Report of the Directors

PERMITTED INDEMNITY PROVISION

Pursuant to the Articles of Association of the Company, subject to the applicable laws and regulations, every Director shall be indemnified and secured harmless out of the assets and profits of the Company against all actions, costs, charges, losses, damages and expenses which they or any of them may incur or sustain in or about the execution of their duty in their offices. Such permitted indemnity provision has been in force throughout the year. The Company has arranged appropriate directors' and officers' liability insurance coverage for the directors and officers of the Group.

EVENTS AFTER THE REPORTING PERIOD

Save as disclosed in Management Discussion and Analysis and note 40 to the consolidated financial statements of this annual report, there was no significant event of the Group after the reporting date.

AUDITOR

BDO Limited resigned as the auditor of the Company and Grant Thornton Hong Kong Limited ("Grant Thornton") was appointed as the auditor of the Company on 22 November 2019 to fill the casual vacancy following the resignation of BDO Limited. Save as disclosed, there has been no change in the auditor in any of the preceding three years.

The consolidated financial statements for the year ended 31 December 2020 have been audited by Grant Thornton. A resolution will be proposed at the forthcoming AGM of the Company to re-appoint Grant Thornton as the auditor of the Company.

On behalf of the Board

Mr. Tan Seow Gee

Chairman and Executive Director

Hong Kong, 30 March 2021

Corporate Governance Report

CORPORATE GOVERNANCE PRACTICES

The Company has applied the principles and code provisions in the Corporate Governance Code and Corporate Governance Report (the “CG Code”) as set out in Appendix 15 to the GEM Listing Rules. During the year ended 31 December 2020, to the best knowledge of the Board, the Company has complied with all the applicable code provisions set out in the CG Code.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Pursuant to code provision A.2.1 of the CG Code, the roles of chairman and chief executive officer are separate and not performed by the same individual in order to balance the distribution of power. Mr. Tan Seow Gee is currently the Chairman and Mr. Gay Teo Siong is the Chief Executive Officer, they are independent and not connected with each other except for being officers of the Company.

CODE OF CONDUCT FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Group has adopted the required standard of dealing, as set out in Rules 5.48 to 5.67 of the GEM Listing Rules, as the code of conduct for securities transactions by the Directors in respect of the shares of the Company. Having made specific enquiry of all Directors, all Directors have confirmed that they have complied with the required standard of dealings and the code of conduct for securities transactions by Directors during the year ended 31 December 2020.

BOARD OF DIRECTORS

Responsibilities

The Board takes the responsibility to oversee all major matters of the Company, including but not limited to formulating and approving the overall strategies and business performance of the Company, monitoring the financial performance and internal control as well as overseeing the risk management system of the Company and monitoring the performance of senior executives. The Board is also responsible for performing the corporate governance duties including the developing and reviewing the Company’s policies and practices on corporate governance. The day-to-day management, administration and operations of the Group are delegated to the senior management of the Company. The delegated functions and work tasks are reviewed by the Board periodically.

Liability insurance for Directors of the Company was maintained by the Company with coverage for any legal liabilities which may arise in the course of performing their duties.

Corporate Governance Report

The Directors who held office during the year ended 31 December 2020 and as at the date of this report are as follows:

Board Composition

Executive Directors

Mr. Tan Seow Gee (*Chairman*)

Mr. Gay Teo Siong (*Chief Executive Officer*)

Non-Executive Director

Mr. Choi Wai Tong Winton

(appointed on 22 January 2021)

Mr. Cheng King Yip

(resigned on 22 January 2021)

Independent Non-Executive Directors

Ms. Chan Oi Chong

Ms. Chin Ying Ying

Ms. Luk Huen Ling Claire

The biographic details of the Directors are set out in the section headed “Biographies of Directors and Senior Management” on pages 33 to 35 of this annual report. The Directors have no other financial, business, family or other material/relevant relationship with each other.

The Company has complied with the requirements under Rule 5.05(1) and (2), and 5.05A of the GEM Listing Rules during the year ended 31 December 2020. All independent non-executive Directors also meet the guidelines for assessment of their independence as set out in Rule 5.09 of the GEM Listing Rules.

APPOINTMENT AND RE-ELECTION OF DIRECTORS

At each AGM, one third of the Directors for the time being (or if their number is not a multiple of three, then the number nearest to but not less than one third) shall retire from office by rotation provided that every Director shall be subject to retirement at an AGM at least once every three years. The Directors to retire by rotation shall include any Director who wishes to retire and not offer himself for re-election. Any further Directors so to retire shall be those who have been longest in office since their last re-election or appointment but as between persons who became or were last re-elected Directors on the same day those to retire will (unless they otherwise agree among themselves) be determined by lot.

BOARD MEETINGS AND PROCEDURES

Board members were provided with complete, adequate and timely information to allow them to fulfill their duties properly. In compliance with code provision A.1.3 of the CG Code, at least 14 days’ notice has been given for a regular Board meeting to give all Directors an opportunity to attend. Notice, agenda and board papers of regular Board meetings are sent to all Directors within reasonable time and at least 3 days prior to the meetings. Directors are free to contribute and share their views at meetings and major decisions will only be taken after deliberation at Board meetings. Directors who are considered having conflict of interests or material interests in the proposed transactions or issues to be discussed will not be counted in the quorum of meeting and will abstain from voting on the relevant resolutions. Full minutes are prepared after the meetings and the draft minutes are sent to all Directors for their comments before the final version of which are endorsed in the subsequent Board meeting.

Corporate Governance Report

Details of the attendance of the Board meetings, the Company's audit committee (the "Audit Committee") meetings, the Company's remuneration committee (the "Remuneration Committee") meetings, the Company's nomination committee (the "Nomination Committee") meetings and general meetings of the Company held during the year ended 31 December 2020 are summarised as follows:

	Board meeting	Audit Committee meeting	Remuneration Committee meeting	Nomination Committee meeting	AGM
Executive Directors					
Mr. Tan Seow Gee	9/9	N/A	N/A	N/A	0/1
Mr. Gay Teo Siong	8/9	N/A	1/1	1/1	0/1
Non-Executive Director					
Mr. Choi Wai Tong Winton (appointed on 22 January 2021)	N/A	N/A	N/A	N/A	N/A
Mr. Cheng King Yip (resigned on 22 January 2021)	9/9	4/4	1/1	1/1	1/1
Independent Non-executive Directors					
Ms. Chan Oi Chong	8/9	4/4	1/1	1/1	1/1
Ms. Chin Ying Ying	8/9	4/4	1/1	1/1	1/1
Ms. Luk Huen Ling Claire	8/9	4/4	1/1	1/1	1/1

BOARD COMMITTEES

The Board has established specific committees, namely the Audit Committee, the Remuneration Committee and the Nomination Committee to oversee particular aspects of the Company's affairs. The written terms of reference of the Audit Committee, the Remuneration Committee and the Nomination Committee are posted on the respective websites of the Stock Exchange and the Company. All the Board committees should report to the Board on their decisions or recommendations made.

The Board is responsible for performing the functions set out in Code Provision D.3.1. of the CG Code as set out in Appendix 15 to the GEM Listing Rules. The Board reviewed the Company's corporate governance policies and practices, continuous professional development of Directors, the Company's policies and practices on compliance with legal and regulatory requirements, the compliance of the GEM Listing Rules, and the Company's compliance with the CG Code of the GEM Listing Rules and disclosure in the Corporate Governance Report.

Corporate Governance Report

AUDIT COMMITTEE

The Company established an Audit Committee pursuant to a resolution of the Directors passed on 30 August 2017 with written terms of reference revised by the Board with effect from 1 January 2019 in compliance with Rule 5.28 of the GEM Listing Rules and the CG Code as set out in Appendix 15 to the GEM Listing Rules. The Audit Committee comprises three independent non-executive Directors and a non-executive Director: Ms. Chan Oi Chong, Ms. Chin Ying Ying, Ms. Luk Huen Ling Claire, Mr. Cheng King Yip (resigned on 22 January 2021) and Mr. Choi Wai Tong Winton (appointed on 22 January 2021). Ms. Chin Ying Ying was appointed to serve as the Chairlady of the Audit Committee on 14 May 2019. The primary duties of the Audit Committee are mainly to make recommendations to the Board on the appointment and dismissal of the external auditor, review the financial statements and information and provide advice in respect of financial reporting and oversee the risk management and internal control systems of the Company.

During the year, the Audit Committee reviewed and discussed the relevant quarterly, interim and annual financial statements, results announcements and reports of the Group. The Audit Committee is of the opinion that the consolidated financial statements of the Group for the year ended 31 December 2020 comply with applicable accounting standards, GEM Listing Rules and that adequate disclosures have been made.

REMUNERATION COMMITTEE

The Company established a Remuneration Committee pursuant to a resolution of the Directors passed on 30 August 2017 with written terms of reference in compliance with Rule 5.34 of the GEM Listing Rules and the CG Code. The Remuneration Committee comprises three independent non-executive Directors, an executive Director and a non-executive Director: Ms. Chan Oi Chong, Ms. Chin Ying Ying, Ms. Luk Huen Ling Claire, Mr. Gay Teo Siong, Mr. Cheng King Yip (resigned on 22 January 2021) and Mr. Choi Wai Tong Winton (appointed on 22 January 2021). Ms. Chan Oi Chong was appointed as the Chairlady of the Remuneration Committee. The primary functions of the Remuneration Committee are to make recommendations to the Board on the overall remuneration policy and the structure relating to all Directors and senior management of the Group, review performance-based remuneration and ensure none of the Directors determine their own remuneration.

During the year, the Remuneration Committee reviewed and made recommendation to the Board on the remuneration policy and structure of the Company and the remuneration packages of all Directors.

NOMINATION COMMITTEE

The Company established a Nomination Committee pursuant to a resolution of the Directors passed on 30 August 2017 with written terms of reference revised by the Board with effect from 1 January 2019 in compliance the CG Code. The Nomination Committee comprises three independent non-executive Directors, an executive Director and a non-executive Director: Ms. Luk Huen Ling Claire, Ms. Chan Oi Chong, Ms. Chin Ying Ying, Mr. Gay Teo Siong, Mr. Cheng King Yip (resigned on 22 January 2021) and Mr. Choi Wai Tong Winton (appointed on 22 January 2021). Ms. Luk Huen Ling Claire was appointed as the Chairlady of the Nomination Committee on 4 February 2019. The primary functions of the Nomination Committee are to review the structure, size and composition (including the skills, knowledge and experience) of the Board at least annually and make recommendations to the Board on any proposed changes to the Board to complement the Company's corporate strategy; identify individuals suitably qualified as potential Board members and select or make recommendations to the Board on the selection of individuals nominated for directorships; to assess the independence of the independent non-executive Directors; and make recommendations to the Board on the appointment or reappointment of Directors and succession planning of Directors, in particular that of the Group's Chairman and the chief executive.

During the year, the Nomination Committee reviewed the structure, size, composition and diversity of the Board.

Corporate Governance Report

Board Nomination Policy

The Company adopted a nomination policy in compliance with the CG Code with effect from 1 January 2019, which establishes written guidelines to Nomination Committee to identify individuals suitably qualified to become Board members and make recommendations to the Board on the selection of individuals nominated for directorships with reference to the formulated criteria. The Board is ultimately responsible for selection and appointment of new Directors.

The Board, through the delegation of its authority to the Nomination Committee, has used its best efforts to ensure that Directors appointed to the Board possess the relevant background, experience and knowledge in business, finance and management skills critical to the Group's business to enable the Board to make sound and well considered decisions. Collectively, they have competencies in areas which are relevant and valuable to the Group.

Nomination Process

The Nomination Committee shall assess whether any vacancy on the Board has been created or is expected on a regular basis or as required.

The Nomination Committee utilises various methods for identifying director candidates, including recommendations from Board members, management, and professional search firms. All director candidates, including incumbents and candidates nominated by shareholders are evaluated by the Nomination Committee based upon the director qualifications. While director candidates will be evaluated on the same criteria through review of resume, personal interview and performance of background checks. The Nomination Committee retains the discretion to establish the relative weighting of such criteria, which may vary based on the composition, skill sets, age, gender and experiences of the collective Board rather than on the individual candidate for the purpose of diversity perspectives appropriate to the requirement of the Company's business.

Selection Criteria

The Nomination Committee will take into account whether a candidate has the qualifications, skills, experience and gender diversity that add to and complement the range of skills, experience and background of existing Directors by considering the highest personal and professional ethics and integrity of the director candidates, proven achievement and competence in the nominee's field and the ability to exercise sound business judgment, skills that are complementary to those of the existing Board, the ability to assist and support management and make significant contributions to the Company's success and such other factors as it may deem are in the best interests of the Company and its shareholders. The Company shall review and reassess the nomination policy and its effectiveness on a regular basis or as required.

Corporate Governance Report

DIVERSITY OF THE BOARD

The Group has adopted policy in relation to the diversity of the members of the Board and the summary of the policy is as follows:

- (1) selection of Board members will be based on a range of diversity perspectives, which would include but not limited to gender, age, cultural and educational background, professional experience, skills, knowledge and length of service; and
- (2) the Nomination Committee will monitor the implementation of the diversity policy from time to time to ensure the effectiveness of the diversity policy.

NON-EXECUTIVE DIRECTOR

The non-executive Director has been appointed for a fixed term and is subject to retirement by rotation and re-election at the Company's AGM.

INDEPENDENT NON-EXECUTIVE DIRECTORS

All independent non-executive Directors have been appointed for a fixed term. Every Director is subject to re-election on retirement by rotation in accordance with the Articles of Association of the Company. The Company has received from each of the independent non-executive Directors an annual confirmation of independence pursuant to Rule 5.09 of the GEM Listing Rules and considers the independent non-executive Directors to be independent as at the date of this annual report.

DIRECTORS' TRAINING AND CONTINUING PROFESSIONAL DEVELOPMENT

In compliance with the code provision A.6.5 of the CG Code, all Directors shall participate in continuous professional development to develop and refresh their knowledge and skills to ensure that their contribution to the Board remains informed and relevant.

The Group continuously updates the Directors on the latest developments regarding the GEM Listing Rules and other applicable regulatory requirements, so as to ensure that the Directors are aware of their responsibilities and obligations as well as to maintain good corporate governance practices.

During the year ended 31 December 2020, all Directors have confirmed that they have participated in continuing professional development such as attending seminars, conferences and reading materials, newspapers and journals.

COMPANY SECRETARY

The company secretary of the Company assists the Board by ensuring the Board policy and procedures are followed. The company secretary is also responsible for advising that Board on corporate governance matters.

Corporate Governance Report

The Company has appointed Mr. Chow Justin Ting Fun (“Mr. Chow”) as its company secretary. He has complied with all the required qualifications, experiences and training requirements under the GEM Listing Rules. For the year ended 31 December 2020, Mr. Chow has complied with the GEM Listing Rules by taking not less than 15 hours of relevant professional training. The biographic of Mr. Chow is set out in the section headed “Biographies of Directors and Senior Management” of this report.

AUDITOR’S REMUNERATION

During the year ended 31 December 2020, the Group has engaged its external auditor, Grant Thornton Hong Kong Limited. The remuneration paid/payable to the external auditor in respect of audit services and non-audit services amounted to HK\$600,000 and nil respectively for the year ended 31 December 2020.

DIRECTORS’ REMUNERATION AND FIVE HIGHEST PAID INDIVIDUALS

Details of the Directors’ remuneration and five highest paid individuals set out in note 9 to the consolidated financial statements.

DIRECTORS’ RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibilities for overseeing the preparation of the financial statements which give a true and fair view of the state of affairs of the Group. In preparing the financial statements, appropriate accounting policies and standards are selected and applied consistently. The Directors are not aware of any material uncertainties relating to events or conditions which may cast significant doubt upon the Company’s ability to continue as a going concern.

RISK MANAGEMENT AND INTERNAL CONTROL

The Board is accountable for overseeing the Group’s risk management and internal control systems and reviewing its effectiveness, while the management are responsible for implementing and maintaining the internal controls systems that covers governance, compliance, risk management, financial and operational controls to safeguard the Group’s assets and stakeholders’ interests. However, such systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss. Procedures are in place to identify major business risks and evaluate potential financial implications.

The internal control system is reviewed on an ongoing basis by the Board and the Audit Committee through engaging independent consultant.

The Group has formulated a risk management policy and adopted a three-tier risk management approach to identify, assess and manage different types of risks. At the first line of defence, business units are responsible for identifying, assessing and monitoring risk associated with each business or transaction. The management, as the second line of defence, defines rule sets and models, provide technical support, develops new system and oversees portfolio management. It ensures risks are within acceptable range and that the first line of defence is effective. As the final line of defence, the independent consultant, as an internal audit function, assists the Audit Committee to review the first and second lines of defence.

Corporate Governance Report

The Group is committed to the identification, evaluation and management of risks associated with its business activities through ongoing assessment, by considering the likelihood and impact of each identified risk. The Group has implemented an effective control system which includes a defined management structure with limits of authority, a sound management system and periodic review of the Group's performance by the Audit Committee and the Board.

Through the Audit Committee, the Board has conducted an annual review of the effectiveness of the Group's risk management and internal control systems for the year ended 31 December 2020, covering the material financial, operational and compliance controls, which are considered effective and adequate. The Audit Committee has reviewed the adequacy of resources, staff qualifications and experience, training programmes and budget of the accounting, internal audit and financial reporting functions on an annual basis.

Based on the framework for risk management and internal control system established by the Group, the Board and the Audit Committee admitted that through the review of risk management and internal control systems of the Group, it can evaluate and improve its effectiveness. The Board, with the concurrence of the Audit Committee, considered that such systems including financial, operational and compliance were effective and adequate for the year ended 31 December 2020 based on the work performed and report prepared by the independent consultant. The Company will perform the ongoing assessment to update all material risk factors on a regular basis. In any case, review on risk management and internal control system will be conducted annually.

Internal Audit

During the year ended 31 December 2020, the Group had engaged an independent internal control consultant to assess our overall internal controls and to give recommendations to make any enhancement. It was reported that there were no material deficiencies in relation to the Group's internal controls. The Board is of the view that the internal control measures of the Group are adequately and effectively monitoring our business operations for the year ended 31 December 2020.

Inside Information

The Group has adopted and implemented its own disclosure policy aiming to provide a general guide to the Directors and senior management of the Company in handling of confidential information and/or monitoring of information disclosure pursuant to applicable laws and regulations in compliance with the GEM Listing Rules and SFO.

The disclosure policy provides the procedures and internal controls for the handling and dissemination of inside information by publication of the announcement to the websites of the Stock Exchange and the Company on a timely basis to enable the public, namely shareholders, institutional investors, potential investors and other stakeholders of the Company to access the latest information of the Group, unless such information fall within the safe harbours with the SFO. The management has notified all employees to comply with the disclosure policy. Briefing and training on the implementation of the policy have been provided to Directors, officers and senior management of the Group. The Board emphasises that only the authorised representatives registered in the Stock Exchange are authorised to speak on behalf of the Company.

Corporate Governance Report

SHAREHOLDERS' RIGHT

One of the measures to safeguard the shareholders' interests and rights is to separate resolutions proposed at the shareholders' meetings on each substantial issue, including the election of individual Directors, for shareholders' consideration and voting. All resolutions put forward at the shareholders' meetings will be voted by poll pursuant to the GEM Listing Rules and the poll voting results will be posted on the Stock Exchange's website and the Company's website after the relevant shareholders' meeting.

Extraordinary general meeting may be convened by the Board on requisition of shareholders holding not less than one-tenth of the paid up capital of the Company or by such shareholders who made the requisition (the "Requisitionists") (as the case may be) pursuant to article 58 of the Articles of Association. Such requisition must state the object of business to be transacted at the meeting and must be signed by the Requisitionists and deposited at the registered office of the Company or the Company's principal place of business in Hong Kong. Shareholders should follow the requirements and procedures as set out in such article for convening an extraordinary general meeting. Shareholders may put forward proposals at general meetings by sending the same to the Company at the principal office of the Company in Hong Kong.

Shareholders may send written enquiries or requests in respect of their rights to the Company's principal business address in Hong Kong.

INVESTOR RELATIONS

The Company believes that maintaining a high level of transparency is a key to enhancing investor relations. It is committed to a policy of open and timely disclosure of corporate information to its shareholders and the public. The Company updates its shareholders on its latest business developments and financial performance through its annual, interim and quarterly reports. The Company's website provides an effective communication platform to the public and the shareholders.

COMMUNICATION WITH SHAREHOLDERS

The AGM provides a useful forum for the shareholders to exchange views with the Board. The chairman as well as chairlady/chairman of the Audit Committee, Remuneration Committee and Nomination Committee are pleased to answer the enquiries raised by the shareholders. Separate resolutions are proposed at general meetings on each substantially separate issue, including the election of individual directors. All the announcements and circulars are published on the Company's website and on the Stock Exchange's website.

CONSTITUTIONAL DOCUMENTS

During the year ended 31 December 2020 and up to the date of this annual report, there was no significant change in constitutional documents of the Company.

Corporate Governance Report

PROCEDURES FOR PUTTING FORWARD PROPOSALS AT GENERAL MEETINGS BY SHAREHOLDERS

Pursuant to article 85 of the Articles, no person (other than a retiring Director) shall be eligible for election to the office of Director at any general meeting unless a notice in writing of the intention to propose that person for election as a Director and notice in writing by that person of his willingness to be elected shall have been lodged at the head office or at the office of the branch share registrar and transfer office of the Company in Hong Kong no earlier than the day after the despatch of the notice of the general meeting appointed for such election and end no later than 7 days prior to the date of such general meeting and the minimum length of the period during which such notices to the Company may be given will be at least 7 days. The procedures for Shareholders to propose a person for election as a Director is posted on the website of the Company.

DIVIDEND POLICY

The Company has adopted a general dividend policy that aims to provide shareholders of the Company out of the Group's profit attributable to shareholders in any financial year. In proposing any dividend payout, the Company shall take into account, among other things, the Group's actual and expected financial results, the general economic conditions and other internal or external factors that may have an impact on the business or financial performance and position of the Company, the Company's liquidity position, current and future operations, statutory and regulatory restrictions and so on.

The Company does not have any pre-determined dividend distribution proportion or distribution ratio. The declaration, payment and amount of dividends will be subject to the Board's discretion. The Board will review and re-assess the Dividend Policy on a regular basis.

Biographies of Directors and Senior Management

DIRECTORS

Executive Directors

Mr. Tan Seow Gee (陳少義) (“Mr. D Tan”), aged 47, is an executive Director. He was appointed as the Chairman of the Board and compliance officer of the Company on 17 March 2017. He co-founded the Group together with Mr. R Gay in March 2001 and is currently the managing director of the Group. He is responsible for the overall strategic planning, management and operation of the Group. In particular, he is responsible for maintaining and improving profit margins of the Group’s business and to source and launch new products and services. He is a managing director of Cool Link & Marketing Pte. Ltd (“Cool Link Marketing”) since 27 March 2001. He is also a director of Cool Link Food Supply Pte. Ltd (“Cool Link Supply”) since 21 December 2015 and Open Treasure Enterprises Limited (“Open Treasure Enterprises”) since 27 December 2016.

Mr. D Tan has not less than 18 years of experience in the distribution industry, primarily focusing on local and overseas business trading including import of supplies and export of product.

Prior to establishing the Group, Mr. D Tan ran a number of partnership businesses, namely Cool Link & Marketing which was in the business of wholesale of ice cream and Jun Chuan Discus Farm which was in the business of operation of fish hatcheries and fish farms. He was also the sole proprietor of Sheng Huat Packing & Transport which was in the business of manufacture of wooden containers. All these business enterprises have been terminated prior to the establishment of the Group.

Please refer to the paragraph headed “Directors’ and Chief Executives’ Interests and Short Positions in Shares, Underlying Shares and Debentures of the Company and its Associated Corporation” in this annual report for Mr. D Tan’s interest in shares as at 31 December 2020 which would fall to be disclosed to the Company under provision of Divisions 2 and 3 of Part XV of the Securities and Future Ordinance.

Mr. Gay Teo Siong (倪朝祥) (“Mr. R Gay”), aged 60, is an executive Director and the Chief Executive Officer of the Company. He co-founded the Group together with Mr. D Tan in March 2001. He is primarily responsible for the overall management of the Group. He has been a director of Cool Link Marketing since 27 March 2001, Cool Link Supply since 21 December 2015 and Open Treasure Enterprises since 27 December 2016.

Mr. R Gay has over 19 years of experience in the distribution industry, based on his experience in the Group.

Prior to establishing the Group, Mr. R Gay ran a number of partnership businesses. He owned Cool Link & Marketing which was in the business of wholesale of ice cream, Jun Chuan Discus Farm which was in the business of operation of fish hatcheries and fish farms and Rui En which was in the business of providing business support services. Save for Rui En which was terminated in March 2005, all the other business enterprises have been terminated prior to establishing the Group.

Please refer to the paragraph headed “Directors’ and Chief Executives’ Interests and Short Positions in Shares, Underlying Shares and Debentures of the Company and its Associated Corporation” in this annual report for Mr. R Gay’s interest in shares as at 31 December 2020 which would fall to be disclosed to the Company under provision of Divisions 2 and 3 of Part XV of the Securities and Future Ordinance.

Biographies of Directors and Senior Management

Non-Executive Director

Mr. Choi Wai Tong Winton (蔡偉棠) (“Mr. Choi”), aged 45, was appointed as a non-executive Director and Vice Chairman of the Board on 22 January 2021. Mr. Choi has over 21 years of experience in project management. Prior to joining the Company, Mr. Choi was the technical director of Aibosi Weixuan, which previously principally engaged in experiential marketing, from January 2011 to December 2013; the chief technical officer of Shanghai Cayie Cultural Communication Co., Ltd* (上海凱羿文化有限公司), which principally engages in advertising, from October 2008 to November 2010; and the project manager of Cycom Technology Limited, which principally engaged in website development, from September 1999 to September 2008. Mr. Choi has accumulated experiences in project management through working in a company which engaged in voice recording system in court from September 1997 to August 1999. Currently, Mr. Choi is the general manager of Shanghai Fansi Advertising Co., Limited* (上海范思廣告有限公司) and is responsible for the overall operation of digital communication and big data analysis services business of Activation Group Holdings Limited (stock code: 9919) since January 2014. Mr. Choi was the independent non-executive director of Roma Group Limited, a company listed on the GEM of the Stock Exchange (stock code: 8072) from June 2017 to September 2018.

Mr. Choi obtained a bachelor’s degree of engineering in mechanical engineering from the Hong Kong University of Science and Technology in November 1997. He further obtained a master’s degree of technology management in information technology from the Hong Kong University of Science and Technology in November 2002.

Remark: Terms marked with “*” are English translations of the original names in Chinese of the People’s Republic of China entities and are included in this announcement for identification purpose only. In the event of any inconsistency, the Chinese name(s) shall prevail.

Independent non-executive Directors

Ms. Chan Oi Chong (陳愛莊) (“Ms. Chan”), aged 44, was appointed as an independent non-executive Director on 30 August 2017. Ms. Chan graduated from the Hong Kong University of Science of Technology in November 1998 with Bachelor of Business Administration degree in Accounting. She is a member of the Hong Kong Institute of Certified Public Accountants, a member to the Association of Chartered Certified Accountants in October 2001 and became a fellow of the association in October 2006.

Ms. Chan was the independent non-executive director of Xinghe Holdings Berhad (stock code: 0095) from 1 October 2018 to 23 April 2020, a company held in ACE Market of Bursa Malaysia.

Ms. Chin Ying Ying (錢盈盈) (“Ms. Chin”), aged 33, was appointed as an independent non-executive Director on 14 May 2019. She is a member of the Hong Kong Institute of Certified Public Accountants. She has more than 10 years experiences in accounting and audit related experience and is currently an internal auditor of Roma Group Limited, a company listed on the GEM of the Stock Exchange (stock Code: 8072) since 2017. Ms. Chin has been appointed as a non-executive director of DL Holdings Group Limited (formerly known as Season Pacific Holdings Limited) (stock code: 1709) from May 2018 to March 2020 and its company secretary since March 2020.

Ms. Chin graduated from The Hong Kong Polytechnic University in 2009 with a BBA (Hons) in Accountancy with First-class honours.

Biographies of Directors and Senior Management

Ms. Luk Huen Ling Claire (陸萱凌) (formerly known as “Luk Yung Yung Claire”) (“Ms. Luk”), aged 42, was appointed as an independent non-executive Director on 4 February 2019. She has over 11 years of experience in corporate communications and marketing. She worked as head of communications, Asia at Aedas Limited between March 2010 and December 2010. From November 2006 to May 2008 she worked as a wardrobe manager at the Ocean Park, one of the largest theme parks in Hong Kong where she was responsible for sections strategic planning, administration and management of all wardrobe staff. In addition, Ms. Luk also gained experiences in marketing, business development and investor relation activities in previous engagements. She joined Roma Group Limited (stock code: 8072) as a senior consultant in December 2008 and became marketing director of the group in February 2011. In November 2014, Ms. Luk founded ST8GE Group Limited, a company specialising in corporate training and team building. Ms. Luk was an independent non-executive director of China Bio Cassava Holdings Limited (currently known as “Cloud Investment Holdings Limited”) (stock code: 8129) from February 2017 to April 2017.

Ms. Luk has been appointed as an independent non-executive director of DL Holdings Group Limited (formerly known as Season Pacific Holdings Limited) (stock code: 1709) from September 2015 to September 2020 and Hon Corporation Limited (stock code: 8259) since 30 November 2019 respectively.

She obtained a bachelor’s degree in fine arts from the Hong Kong Academy for Performing Arts in July 2003 and a master’s degree of business in marketing from the University of Technology, Sydney, Australia in March 2010.

SENIOR MANAGEMENT

Ms. Yeo Poh Choo (楊寶珠) (“Ms. Yeo”), aged 59, is the account executive of the Group. She joined the Group on 1 July 2004 as an account executive and is also a director of Cool Link Marketing since 1 July 2008. She is the spouse of Mr. R Gay.

Ms. Yeo has over 16 years of experience in managing and overseeing the accounts receivables collection.

Prior to joining the Group, she worked at Asea Brown Boveri Pte Ltd where she received a service award for 15 years of service with Asea Brown Boveri Pte Ltd in November 1996. She owned Rui En which was in the business of business support services which has been terminated in March 2005.

Ms. Yeo has successfully completed the Effective Personal Productivity course in October 2006 conducted by SMI Strategic Management Consultancy Pte Ltd.

COMPANY SECRETARY

Mr. Chow Justin Ting Fun (周廷勳) (“Mr. Chow”) was appointed as the company secretary on 24 September 2020. Mr. Chow, aged 36, obtained a Bachelor Degree in Laws from the University of Bedfordshire (formerly known as University of Luton) in 2005, a Post Certificate in Laws from the City University of Hong Kong in 2006 and a Master Degree in Laws from the University College London in 2008. Mr. Chow has over 13 years of experience in the legal field. He is the founding partner of Justin Chow & Co., Solicitors LLP and has been admitted as a solicitor of the High Court of Hong Kong since January 2010.

Independent Auditor's Report



To the shareholders of Cool Link (Holdings) Limited

(incorporated in Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of Cool Link (Holdings) Limited (the “Company”) and its subsidiaries (together, the “Group”) set out on pages 41 to 111, which comprise the consolidated statement of financial position as at 31 December 2020, and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2020, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing (“HKSA”) issued by the HKICPA. Our responsibilities under those standards are further described in the “Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements” section of our report. We are independent of the Group in accordance with the HKICPA’s “Code of Ethics for Professional Accountants” (the “Code”), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independent Auditor's Report

KEY AUDIT MATTER

Key audit matter is the matters that, in our professional judgement, was of most significance in our audit of the consolidated financial statements of the current period. This matter was addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on this matter.

Key Audit Matter

How the matter was addressed in our audit

Impairment assessment of trade receivables

Refer to Notes 4(b)(i) and 19 to the consolidated financial statements and the accounting policies in Note 2.8 to the consolidated financial statements

As at 31 December 2020, the Group had trade receivables amounting to approximately S\$5,088,000 (net of impairment provision of S\$65,000).

Our audit procedures in relation to management's impairment assessment on trade receivables included the following:

The expected credit loss model involved management's estimate of the lifetime expected credit loss to be incurred, which is estimated by taking into account various factors including the credit loss experience, ageing of overdue receivables, customers' repayment history and the ability of the customers in fulfilling their repayment obligation, as well as the current condition and forward-looking information. Such estimation involved a significant degree of management judgement.

We have identified impairment assessment of trade receivables as a key audit matter due to considerable amount of judgement being required in conducting impairment assessment as mentioned in the foregoing paragraph.

- obtained an understanding of the internal control and processes over the impairment assessment on trade receivables by management;
- reviewed the ageing analysis of the trade receivables to understand the settlement patterns by the customers;
- tested the ageing analysis of the trade receivables, on a sample basis, to the source documents;
- assessed the appropriateness of the expected credit loss provisioning methodology, examining the key data inputs, on a sample basis, to assess their accuracy and completeness, and challenged the assumptions, including both historical and forward-looking information, used to determine the expected credit losses; and
- assessed whether there is evidence of management bias on impairment assessment of trade receivables by considering the consistency of judgement made by management year on year through discussion with management to understand their rationale.

Independent Auditor's Report

OTHER INFORMATION

The directors are responsible for the other information. The other information comprises all the information in the 2020 annual report of the Company, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated 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 consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated 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.

RESPONSIBILITIES OF DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The directors assisted by the Audit Committee are responsible for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated 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. We report our opinion solely to you, as a body, in accordance with the terms of our engagements, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs 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 consolidated financial statements.

Independent Auditor's Report

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

- identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated 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 consolidated financial statements, including the disclosures, and whether the consolidated 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 Audit Committee 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 Audit Committee 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, actions taken into eliminate threats or safeguards applied.

Independent Auditor's Report

From the matter communicated with the Audit Committee, we determine this matter that was of most significance in the audit of the consolidated financial statements of the current period and is therefore the key audit matter. We describe this matter 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.

Grant Thornton Hong Kong Limited

Certified Public Accountants

Level 12

28 Hennessy Road

Wanchai

Hong Kong

30 March 2021

Ng Ka Kong

Practising Certificate No.: P06919

Consolidated Statement of Profit or Loss

For the year ended 31 December 2020

	Notes	2020 S\$'000	2019 S\$'000
Revenue	6(a)	27,441	23,825
Cost of sales		(20,306)	(17,759)
Gross profit		7,135	6,066
Other income and gains	6(b)	1,092	858
Selling and distribution costs		(1,751)	(1,938)
Administrative and other operating expenses		(5,943)	(5,089)
Finance costs	7	(671)	(605)
Share of results of associates		25	—
Loss before income tax	8	(113)	(708)
Income tax expense	10(a)	(196)	(175)
Loss for the year		(309)	(883)
Loss for the year attributable to:			
Owners of the Company		(348)	(867)
Non-controlling interests		39	(16)
		(309)	(883)
		S cents	S cents
Loss per share for loss attributable to owners of the Company during the year			
Basic and diluted	12	(0.06)	(0.14)

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2020

	2020 S\$'000	2019 S\$'000
Loss for the year	(309)	(883)
Other comprehensive expense for the year		
Items that will not be reclassified subsequently to profit or loss:		
Change in fair value of financial assets at fair value through other comprehensive income ("FVTOCI") (non-recycling)	(17)	(1,028)
Other comprehensive expense for the year	(17)	(1,028)
Total comprehensive expense for the year	(326)	(1,911)
Total comprehensive expense for the year attributable to:		
Owners of the Company	(365)	(1,895)
Non-controlling interests	39	(16)
	(326)	(1,911)

Consolidated Statement of Financial Position

As at 31 December 2020

	Notes	2020 S\$'000	2019 S\$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	13	10,879	14,385
Investment properties	14	1,360	2,232
Interest in associates	15	3,572	—
Financial assets at FVTOCI	16	—	17
Right-of-use assets	17	2,575	3,395
Deposits	20	16	24
		18,402	20,053
Current assets			
Inventories	18	3,439	2,830
Trade receivables	19	5,088	6,254
Deposits, prepayments, other receivables and other assets	20	825	408
Financial assets at fair value through profit or loss ("FVTPL")	21	62	77
Cash and cash equivalents	22	5,918	5,917
		15,332	15,486
Assets classified as held for sale	31	3,070	—
		18,402	15,486
Current liabilities			
Trade payables	23	2,134	2,981
Accruals, other payables and deposits received	24	2,253	1,554
Bank borrowings	25	2,984	412
Lease liabilities	26	269	354
Promissory notes	27	2,130	—
Income tax payable		211	169
		9,981	5,470
Liabilities directly associated with assets classified as held for sale	31	466	—
		10,447	5,470
Net current assets		7,955	10,016
Total assets less current liabilities		26,357	30,069

Consolidated Statement of Financial Position

As at 31 December 2020 (Continued)

	Notes	2020 S\$'000	2019 S\$'000
Non-current liabilities			
Deposits received	24	33	58
Bank borrowings	25	7,329	10,046
Lease liabilities	26	2,401	3,096
Promissory note	27	1,146	1,095
Deferred tax liabilities	10(b)	116	116
		11,025	14,411
Net assets		15,332	15,658
EQUITY			
Share capital	28	1,038	1,038
Reserves	29	14,309	14,674
Equity attributable to owners of the Company		15,347	15,712
Non-controlling interests		(15)	(54)
Total equity		15,332	15,658

Tan Seow Gee

Director

Gay Teo Siong

Director

Consolidated Statement of Changes in Equity

For the year ended 31 December 2020

	Equity attributable to the owners of the Company							
	Share capital	Share premium*	Other reserve*	Financial assets at FVTOCI reserve (non-recycling)*	Retained profits*	Sub-total	Non-controlling interests	Total
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
	(Note 28)	(Note 29)	(Note 29)					
At 1 January 2019	1,038	8,752	2,490	—	5,327	17,607	(38)	17,569
Loss for the year	—	—	—	—	(867)	(867)	(16)	(883)
Other comprehensive income for the year:								
Change in fair value of financial assets at FVTOCI (non-recycling)	—	—	—	(1,028)	—	(1,028)	—	(1,028)
Total comprehensive income for the year	—	—	—	(1,028)	(867)	(1,895)	(16)	(1,911)
At 31 December 2019 and 1 January 2020	1,038	8,752	2,490	(1,028)	4,460	15,712	(54)	15,658
Loss for the year	—	—	—	—	(348)	(348)	39	(309)
Other comprehensive income for the year:								
Change in fair value of financial assets at FVTOCI (non-recycling)	—	—	—	(17)	—	(17)	—	(17)
Total comprehensive income for the year	—	—	—	(17)	(348)	(365)	39	(326)
At 31 December 2020	1,038	8,752	2,490	(1,045)	4,112	15,347	(15)	15,332

* These reserve accounts comprise the consolidated reserves of approximately S\$14,309,000 in the consolidated statement of financial position as at 31 December 2020 (2019: S\$14,674,000).

Consolidated Statement of Cash Flows

For the year ended 31 December 2020

	Notes	2020 S\$'000	2019 S\$'000
Cash flows from operating activities			
Loss before income tax		(113)	(708)
Adjustments for:			
Interest expenses	7	671	605
Interest income	6(b)	(126)	(76)
Depreciation of property, plant and equipment	8	1,719	1,332
Depreciation of investment properties	8	81	57
Depreciation of right-of-use assets	8	408	368
Fair value loss on financial assets at FVTPL	8	15	414
Expected credit loss allowance on trade receivables	8	21	37
Loss/(Gain) on disposal of property, plant and equipment	6(b)&8	9	(6)
Gain on disposal of financial assets at FVTPL	6(b)	—	(158)
Write-off of inventories	8	—	45
Gain on termination of the lease contract	6(b)	(2)	—
Share of results of associates		(25)	—
Operating profit before working capital changes		2,658	1,910
Increase in inventories		(609)	(380)
Decrease/(Increase) in trade receivables		1,145	(1,298)
Increase in deposits, prepayments, other receivables and other assets		(233)	(17)
(Decrease)/Increase in trade payables		(847)	621
Increase in accruals, other payables and deposits received		624	212
Purchases of financial assets at FVTPL		—	(783)
Proceeds from disposal of financial assets at FVTPL		—	450
Cash generated from operations		2,738	715
Income tax paid		(154)	(182)
<i>Net cash generated from operating activities</i>		2,584	533
Cash flows from investing activities			
Purchases of property, plant and equipment	13	(55)	(1,052)
Purchase of investment properties	14	—	(620)
Proceeds from disposal of property, plant and equipment		—	6
Decrease in amounts due from holding company		—	411
Interest received		126	76
Deposit received for assets held for sale		50	—
Deposit paid for an acquisition	20	(176)	—
<i>Net cash used in investing activities</i>		(55)	(1,179)

Consolidated Statement of Cash Flows

For the year ended 31 December 2020 (Continued)

	Notes	2020 S\$'000	2019 S\$'000
Cash flows from financing activities			
Proceeds from bank borrowings		500	—
Repayments of bank borrowings		(645)	(614)
Payment of lease liabilities		(531)	(480)
Repayments of promissory note		(1,458)	—
Interests paid on bank borrowings	7	(394)	(366)
<i>Net cash used in financing activities</i>		(2,528)	(1,460)
Net increase/(decrease) in cash and cash equivalents		1	(2,106)
Cash and cash equivalents at beginning of the year		5,917	8,023
Cash and cash equivalents at end of the year		5,918	5,917

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

1. GENERAL INFORMATION

Cool Link (Holdings) Limited (the “Company”) was incorporated as an exempted company with limited liability in the Cayman Islands on 27 January 2017. The address of the Company’s registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands. The address of its principal place of business of the Company is 33 Chin Bee Crescent, Singapore, 619901. The shares of the Company were listed on GEM of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) on 22 September 2017.

The principal activity of the Company is investment holding. Details of the principal activities of the Company’s subsidiaries are set out in Note 35 to the consolidated financial statements. The Company and its subsidiaries are collectively referred to as the “Group” hereafter.

In the opinion of the directors, as at 31 December 2020, the Company’s immediate and ultimate parent was Packman Global Holdings Limited (“Packman Global”), a company incorporated in the British Virgin Islands (the “BVI”).

The consolidated financial statements for the year ended 31 December 2020 were approved and authorised for issue by the board of directors on 30 March 2021.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

The annual consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) which collective term includes all applicable individual HKFRSs and Hong Kong Accounting Standards and Interpretations issued by Hong Kong Institute of Certified Public Accountants (“HKICPA”) and the accounting principles generally accepted in Hong Kong. The consolidated financial statements also comply with the applicable disclosure requirements of the Hong Kong Companies Ordinance and include the applicable disclosures required by the Rules Governing the Listing of Securities on GEM of the Stock Exchange (“Listing Rules”).

The significant accounting policies that have been used in the preparation of these consolidated financial statements are summarised below. These policies have been consistently applied to all the years presented unless otherwise stated. The adoption of new or amended HKFRSs and the impacts on the Group’s financial statements, if any, are disclosed in Note 3.

The financial statements have been prepared on the historical cost basis, except for financial assets at FVTPL and financial assets at FVTOCI, which are stated at fair values. The measurement bases are fully described in the accounting policies below.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.1 Basis of preparation *(Continued)*

It should be noted that accounting estimates and assumptions are used in preparation of the consolidated financial statements. Although these estimates are based on management's best knowledge and judgement of current events and actions, actual results may ultimately differ from those estimates. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in Note 4.

2.2 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries made up to 31 December each year.

Subsidiaries are entities controlled by the Group. The Group controls an entity when the Group is exposed, 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. When assessing whether the Group has power over the entity, only substantive rights relating to the entity (held by the Group and others) are considered.

The Group includes the income and expenses of a subsidiary in the consolidated financial statements from the date it gains control until the date when the Group ceases to control the subsidiary.

Intra-group transactions, balances and unrealised gains and losses on transactions between group companies are eliminated in preparing the consolidated financial statements. Where unrealised losses on sales of intra-group asset are reversed on consolidation, the underlying asset is also tested for impairment from the Group's perspective.

Non-controlling interests represent the equity on a subsidiary not attributable directly or indirectly to the Company, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. For each business combination, the Group can elect to measure any non-controlling interests either at fair value or at their proportionate share of the subsidiary's net identifiable assets.

Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from the equity attributable to the owners of the Company. Non-controlling interests in the results of the Group are presented on the face of the consolidated statement of profit or loss and other comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between non-controlling interests and the owners of the Company.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.2 Basis of consolidation *(Continued)*

The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of profit or loss and the consolidated statement of comprehensive income from the dates of acquisition or up to the dates of disposal, as appropriate. Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

In the Company's statement of financial position, investments in subsidiaries are stated at cost less impairment losses, if any. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

2.3 Associates

An associate is an entity over which the Group has significant influence, which is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control of those policies.

In consolidated financial statements, an investment in an associate is initially recognised at cost and subsequently accounted for using the equity method. Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the associate recognised at the date of acquisition is recognised as goodwill. The goodwill is included within the carrying amount of the investment and is assessed for impairment as part of the investment. The cost of acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed and equity instruments issued by the Group, plus any costs directly attributable to the investment. Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in profit or loss in the determination of the Group's share of the associate's profit or loss in the period in which the investment is acquired.

Under the equity method, the Group's interest in the associate is carried at cost and adjusted for the post-acquisition changes in the Group's share of the associate's net assets less any identified impairment loss, unless it is classified as held for sale (or included in a disposal group that is classified as held for sale). The profit or loss for the year includes the Group's share of the post-acquisition, post-tax results of the associate for the year, including any impairment loss on the investment in associate recognised for the year. The Group's other comprehensive income for the year includes its share of the associate's other comprehensive income for the year.

Unrealised gains on transactions between the Group and its associate are eliminated to the extent of the Group's interest in the associates. Where unrealised losses on assets sales between the Group and its associate are reversed on equity accounting, the underlying asset is also tested for impairment from the Group's perspective. Where the associate uses accounting policies other than those of the Group for like transactions and events in similar circumstances, adjustments are made, where necessary, to conform the associate's accounting policies to those of the Group when the associate's financial statements are used by the Group in applying the equity method.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.3 Associates *(Continued)*

When the Group's share of losses in an associate equals or exceeds its interest in the associate, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate. For this purpose, the Group's interest in the associate is the carrying amount of the investment under the equity method together with the Group's long-term interests that in substance form part of the Group's net investment in the associate.

After the application of equity method, the Group determines whether it is necessary to recognise an additional impairment loss on the Group's investment in its associate. At each reporting date, the Group determines whether there is any objective evidence that the investment in associate is impaired. If such indications are identified, the Group calculates the amount of impairment as being the difference between the recoverable amount (i.e. higher of value in use and fair value less costs of disposal) of the associate and its carrying amount. In determining the value in use of the investment, the Group estimates its share of the present value of the estimated future cash flows expected to be generated by the associate, including cash flows arising from the operations of the associate and the proceeds on ultimate disposal of the investment.

The Group discontinues the use of equity method from the date when it ceases to have significant influence over an associate. If the retained interest in that former associate is a financial asset, the retained interest is measured at fair value, which is regarded as its fair value on initial recognition as a financial asset in accordance with HKFRS 9. The difference between (i) the fair value of any retained interest and any proceeds from disposing of a part interest in the associate; and (ii) the carrying amount of the investment at the date the equity method was discontinued, is recognised in the profit or loss. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate on the same basis as would have been required if the associate had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by the investee would be reclassified to profit or loss on the disposal of the related assets or liabilities, the entity reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when the equity method is discontinued.

If an investment in an associate becomes an investment in a joint venture, the Group continues to apply the equity method and does not remeasure the retained interest.

2.4 Foreign currency translation

The consolidated financial statements are presented in Singapore Dollar ("S\$"), which is also the functional currency of the Company and all values are rounded to the nearest thousand except when otherwise indicated.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.4 Foreign currency translation *(Continued)*

In the individual financial statements of the consolidated entities, foreign currency transactions are translated into the functional currency of the individual entity using the exchange rates prevailing at the dates of the transactions. At the reporting date, monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at that date. Foreign exchange gains and losses resulting from the settlement of such transactions and from the reporting date retranslation of monetary assets and liabilities are recognised in profit or loss.

Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated (i.e. only translated using the exchange rates at the transaction date).

In the consolidated financial statements, all individual financial statements of foreign operations, originally presented in a currency different from the Group's presentation currency, have been converted into Singapore dollars. Assets and liabilities have been translated into Singapore dollars at the closing rates at the reporting date. Income and expenses have been converted into the Singapore dollars at the exchange rates ruling at the transaction dates, or at the average rates over the reporting period provided that the exchange rates do not fluctuate significantly. Any differences arising from this procedure have been recognised in other comprehensive income and accumulated separately in the translation reserve in equity.

2.5 Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. The cost of property, plant and equipment includes its purchase price and the costs directly attributable to the acquisition of the items.

Properties in the course of construction for production, supply or administrative purposes are carried at cost, less any recognised impairment loss. Costs include professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Such properties are classified to the appropriate categories of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Depreciation is recognised so as to write off the cost of assets their residual values over their estimated useful lives, using the straight-line method, at the following rates per annum:

Land and buildings	4 – 5%
Computers	25%
Furniture and fittings	20 – 25%
Kitchen equipment	25%
Machinery and equipment	25%
Motor vehicles	17%
Renovation	20 – 33%

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.5 Property, plant and equipment *(Continued)*

Accounting policy for depreciation of right-of-use assets is set out in Note 2.11

Estimates of residual value and useful life are reviewed, and adjusted if appropriate, at each reporting date.

Gain or loss arising on retirement or disposal is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other costs, such as repairs and maintenance are recognised as an expense in profit or loss during the financial period in which they are incurred.

2.6 Investment properties

Investment properties are land and/or buildings which are owned or held under a leasehold interest (see Note 2.11) to earn rental income and/or for capital appreciation. These include land held for a currently undetermined future use and property that is being constructed or developed for future use as investment property. Investment properties are stated at cost less accumulated depreciation and accumulated impairment losses. Depreciation is recognised so as to write off the cost of investment property less their residual values over their estimated useful lives, using the straight-line method.

2.7 Financial instruments

Recognition and derecognition

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the financial instrument.

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and substantially all of its risks and rewards are transferred. A financial liability is derecognized when it is extinguished, discharged, cancelled or expires.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.7 Financial instruments *(Continued)*

Financial assets

Classification and initial measurement of financial assets

All financial assets are initially measured at fair value, in case of a financial asset not at FVTPL, plus transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVTPL are expensed in profit or loss.

Financial assets, other than those designated and effective as hedging instruments, are classified into the following categories:

- amortised cost;
- FVTPL; or
- FVOCI.

The classification is determined by both:

- the entity's business model for managing the financial asset; and
- the contractual cash flow characteristics of the financial asset.

All income and expenses relating to financial assets that are recognised in profit or loss are presented within "Finance costs" or "Other income and gains" in the consolidated statements of profit or loss, except for expected credit losses ("ECL") of trade receivables which is presented within "Administrative and other operating expenses" in profit or loss.

Subsequent measurement of financial assets

Debt investments

Financial assets at amortised cost

Financial assets are measured at amortised cost if the assets meet the following conditions (and are not designated as FVTPL):

- they are held within a business model whose objective is to hold the financial assets and collect its contractual cash flows; and
- the contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.7 Financial instruments *(Continued)*

Financial assets *(Continued)*

Subsequent measurement of financial assets (Continued)

Debt investments *(Continued)*

Financial assets at amortised cost *(Continued)*

After initial recognition, these are measured at amortised cost using the effective interest method. Interest income from these financial assets is included in other income and gains in profit or loss. Discounting is omitted where the effect of discounting is immaterial. The Group's cash and cash equivalents and trade and other receivables (excluding prepayments) fall into this category of financial instruments.

Financial assets at FVTPL

Financial assets that are held within a different business model other than "hold to collect" or "hold to collect and sell" are categorised at FVTPL. Further, irrespective of business model, financial assets whose contractual cash flows are not solely payments of principal and interest are accounted for at FVTPL. All derivative financial instruments fall into this category, except for those designated and effective as hedging instruments, for which the hedge accounting requirements under HKFRS 9 apply.

Equity investment

An investment in equity securities is classified as FVTPL unless the equity investment is not held for trading purposes and on initial recognition of the investment, the Company elects to designate the investment at FVTOCI (non-recycling) such that subsequent changes in fair value are recognised in other comprehensive income and accumulated in "Financial assets at FVTOCI reserve (non-recycling)" in equity. Such elections are made on an instrument-by-instrument basis, but only be made if the investment meets the definition of equity from the issuer's perspective.

The equity instruments at FVTOCI are not subject to impairment assessment. The cumulative gain or loss in financial assets at FVTOCI reserve (non-recycling) will not be reclassified to profit or loss upon disposal of the equity investments, and will be transferred to retained profits or will continue to be held in the financial assets at FVTOCI reserve (non-recycling).

Dividends from these investments in equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established. Dividends are included in the "Other income and gains" in profit or loss.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.7 Financial instruments *(Continued)*

Financial liabilities

Classification and initial measurement of financial assets

The Group's financial liabilities include trade payables, accruals, other payables and deposits received, bank borrowings, promissory notes and lease liabilities.

Financial liabilities (other than lease liabilities) are initially measured at fair value, and, where applicable, adjusted for transaction costs unless the Group designated a financial liability at FVTPL.

Subsequently, financial liabilities (other than lease liabilities) are measured at amortised cost using the effective interest method except for derivatives which are not designated as hedging instruments in hedge relationships and financial liabilities designated at FVTPL, which are carried subsequently at fair value with gains or losses recognised in profit or loss.

All interest-related charges and, if applicable, changes in an instrument's fair value that are reported in profit or loss are included within finance costs or other income and gains.

Accounting policies of lease liabilities are set out in Note 2.11.

Bank borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least twelve months after the reporting date.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.8 Impairment of financial assets

The Group recognises loss allowances for ECLs on trade receivables and other financial assets measured at amortised cost. The ECLs are measured on either of the following bases: (1) 12-month ECLs: these are the ECLs that result from possible default events within the 12 months after the reporting date; and (2) lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument. The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive. The shortfall is then discounted at an approximation to the assets' original effective interest rate.

The Group has elected to measure loss allowances for trade receivables using HKFRS 9 simplified approach and has calculated ECLs based on lifetime ECLs. The Group has established a provision matrix that is based on the Group's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For other debt financial assets, the ECLs are based on the 12-month ECLs. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECLs. Instruments within the scope included financial assets measured at amortised cost and some financial guarantee contracts issued by the Company that are not measured at FVTPL.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort.

This includes both quantitative and qualitative information analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information.

Despite the foregoing, the Group assumes that the credit risk on a debt instrument has not increased significantly since initial recognition if the debt instrument is determined to have low credit risk at the reporting date. A debt instrument is determined to have low credit risk if (i) it has a low risk of default; (ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term; and (iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

The Group considers a financial asset to be credit-impaired 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).

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.8 Impairment of financial assets *(Continued)*

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

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

Interest income on credit-impaired financial assets is calculated based on the amortised cost (i.e. the gross carrying amount less loss allowance) of the financial asset. For non credit-impaired financial assets interest income is calculated based on the gross carrying amount.

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off.

Subsequent recoveries of an asset that was previously written off are recognised as a reversal of impairment in profit or loss in the period in which the recovery occurs.

Financial guarantee contracts

For a financial guarantee contract, the Company is required to make payments only in the event of a default by the debtor in accordance with the terms of the instrument that is guaranteed. Accordingly, the ECL is the present value of the expected payments to the holder for a credit loss that it incurs less any amounts that the Company expects to receive from the holder, the debtor or any other party.

2.9 Inventories

Inventories are carried at the lower of cost and net realisable value. Cost comprises all costs of purchase, Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and applicable selling expenses. Cost is calculated using the first-in-first-out method.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.10 Cash and cash equivalents

Cash and cash equivalents include cash at bank and in hand, and short-term highly liquid investments with original maturities of three months or less that are readily convertible into known amounts of cash which are subject to an insignificant risk of changes in value.

2.11 Leases

(a) Definition of a lease and the Group as a lessee

At inception of a contract, the Group considers whether a contract is, or contains a lease. A lease is defined as 'a contract, or part of a contract, that conveys the right to use an identified asset (the underlying asset) for a period of time in exchange for consideration'. To apply this definition, the Group assesses whether the contract meets three key evaluations which are whether:

- the contract contains an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the Group;
- the Group has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract; and
- the Group has the right to direct the use of the identified asset throughout the period of use. The Group assess whether it has the right to direct 'how and for what purpose' the asset is used throughout the period of use.

For contracts that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease and non-lease component on the basis of their relative stand-alone prices. However, for leases of staff quarter in which the Group is a lessee, the Group elected not to separate non-lease components and will instead account for the lease and non-lease components as a single lease component.

Measurement and recognition of leases as a lessee

At lease commencement date, the Group recognises a right-of-use asset and a lease liability on the consolidated statement of financial position. The right-of-use asset is measured at cost, which is made up of the initial measurement of the lease liability, any initial direct costs incurred by the Group, an estimate of any costs to dismantle and remove the underlying asset at the end of the lease, and any lease payments made in advance of the lease commencement date (net of any lease incentives received).

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.11 Leases *(Continued)*

(a) Definition of a lease and the Group as a lessee *(Continued)*

Measurement and recognition of leases as a lessee (Continued)

The Group depreciates the right-of-use assets on a straight-line basis from the lease 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 unless the Group is reasonably certain to obtain ownership at the end of the lease term. The Group also assesses the right-of-use asset for impairment when such indicator exists.

At the commencement date, the Group measures the lease liability at the present value of the lease payments unpaid at that date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate.

Lease payments included in the measurement of the lease liability are made up of fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable payments based on an index or rate, and amounts expected to be payable under a residual value guarantee. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payment of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate.

Subsequent to initial measurement, the liability will be reduced for lease payments made and increased for interest cost on the lease liability. It is remeasured to reflect any reassessment or lease modification, or if there are changes in in-substance fixed payments. The variable lease payments that do not depend on an index or a rate are recognised as expense in the period on which the event or condition that triggers the payment occurs.

The Group remeasures lease liabilities whenever:

- there are changes in lease term or in the assessment of exercise of a purchase option, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.
- the lease payments changes due to changes in market rental rates following a market rent review, in which cases the related lease liability is remeasured by discounting the revised lease payments using the initial discount rate.

For lease modification that is not accounted for as a separate lease, the Group remeasures the lease liability based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of modification.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.11 Leases *(Continued)*

(a) Definition of a lease and the Group as a lessee *(Continued)*

Measurement and recognition of leases as a lessee (Continued)

When the lease is remeasured, the corresponding adjustment is reflected in the right-of-use asset, or profit and loss if the right-of-use asset is already reduced to zero.

The Group has elected to account for short-term leases using the practical expedients. Instead of recognising a right-of-use asset and lease liability, the payments in relation to these lease are recognised as an expense in profit or loss on a straight-line basis over the lease term. Short-term leases are leases with a lease term of 12 month or less.

Right-of-use assets are presented as a separate line on the consolidated statement of financial position.

(b) The Group as a lessor

As a lessor, the Group classifies its leases as either operating or finance leases.

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of the underlying asset, and classified as an operating lease if it does not.

The Group also earns rental income from operating leases of its investment properties. Rental income is recognised on a straight-line basis over the term of the lease.

2.12 Share capital

Ordinary shares are classified as equity. Share capital is recognised at the amount of consideration of shares issued, after deducting any transaction costs associated with the issuing of shares (net of any related income tax benefit) to the extent they are incremental costs directly attributable to the equity transaction.

2.13 Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a legal or constructive obligation arising as a result of a past event, which will probably result in an outflow of economic benefits that can be reasonably estimated.

All provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.13 Provisions and contingent liabilities *(Continued)*

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, the existence of which will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

2.14 Revenue recognition

Revenue from contracts with customers is recognised when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services, excluding those amounts collected on behalf of third parties. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

Depending on the terms of the contract and the laws that apply to the contract, control of the goods or service may be transferred over time or at a point in time. Control of the goods or service is transferred over time if the Group's performance:

- provides all of the benefits received and consumed simultaneously by the customer;
- creates or enhances an asset that the customer controls as the Group performs; or
- does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

If control of the goods or services transfers over time, revenue is recognised over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognised at a point in time when the customer obtains control of the goods or service.

When the contract contains a financing component which provides the customer a significant benefit of financing the transfer of goods or services to the customer for more than one year, revenue is measured at the present value of the amounts receivable, discounted using the discount rate that would be reflected in a separate financing transaction between the Group and the customer at contract inception. Where the contract contains a financing component which provides a significant financing benefit to the Group, revenue recognised under that contract includes the interest expense accreted on the contract liability under the effective interest method. For contracts where the period between the payment and the transfer of the promised goods or services is one year or less, the transaction price is not adjusted for the effects of a significant financing component, using the practical expedient in HKFRS 15.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.14 Revenue recognition *(Continued)*

(i) Sales of goods

Customers obtain control of the products when the goods are delivered to and have been accepted. Revenue is thus recognised upon when the customers accepted the products. There is generally only one performance obligation. Invoices are usually payable within 60 days.

Some of the Group's contracts with customers from the sales of goods provide customers a right of return (a right to be refunded in cash). The right of return gives rise to variable consideration. The variable consideration is estimated at contract inception and constrained until the associated uncertainty is subsequently resolved. The application of the constraint on variable consideration increases the amount of revenue that will be deferred. In addition, a refund liability included in "Accruals, other payables and deposits received" and a right of return assets included in "Accruals, other payables and deposits received" and "Deposits, prepayments, other receivables and other assets" are recognised.

Some of the Group's contracts with customers from the sales of goods provides customers a volume rebate if the customers purchase more than certain volume of product in a calendar year. The volume rebates give rise to variable consideration. The Group applies the most likely amount method to estimate the variable consideration. A refund liability would be recognised based on the estimate of the expected to be paid to customer's volume-based rebates.

In case of the existence of consideration payable to a customer in the contract, the Group accounts for consideration payable to a customer as a reduction of the transaction price and, therefore, of revenue unless the payment to the customer is in exchange for a distinct good or service. The Group recognises the reduction of revenue at the later of recognising relevant revenue and paying (or promising to pay) the consideration.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.14 Revenue recognition *(Continued)*

(ii) Rental income

Rental income under operating leases is recognised on a straight-line basis over the term of the relevant lease.

(iii) One-off slotting and marketing fee received

Revenue is recognised in the period when services are rendered.

2.15 Government grants

Government grants are recognised when there is reasonable assurance that they will be received and that the Group will comply with the conditions attaching to them. Grants that compensate the Group for expenses incurred are recognised as revenue in profit or loss on a systematic basis in the same periods in which the expenses are incurred.

2.16 Impairment of non-financial assets

At the end of each reporting date, the Group reviews the carrying amounts of the following assets to determine whether there is any indication that those assets have suffered an impairment loss or an impairment loss previously recognised no longer exists or may have decreased:

- property, plant and equipment (including right-of-use assets);
- investment properties;
- interest in associates;
- the Company's interests in a subsidiary and
- the Company's amounts due from subsidiaries

If the recoverable amount (i.e. the greater of the fair value less costs to sell and value in use) of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.16 Impairment of non-financial assets *(Continued)*

For the purposes of assessing impairment, where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generate cash inflows independently (i.e. a cash-generating unit). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

Value in use is based on the estimated future cash flows expected to be derived from the asset or cash generating unit, 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 or cash-generating unit.

2.17 Employee benefits

Short-term employee benefits

Short-term employee benefits are employee benefits (other than termination benefits) that are expected to be settled wholly before twelve months after the end of the annual reporting period in which the employees render the related service. Short-term employee benefits are recognised in the year when the employees render the related service.

Defined contribution retirement plan

Payments made to the Central Provident Fund in Singapore, which is a defined contribution retirement plan, are recognised as an expense when employees have rendered service entitling them to the contributions. Contributions to this scheme by the Group are expensed as incurred and/or are reduced by contributions forfeited by employees who leave the schemes prior to vesting fully in the Group's contributions.

Termination benefits

Termination benefits are recognised on the earlier of when the Group can no longer withdraw the offer of those benefits and when the Group recognises restructuring costs involving the payment of termination benefits.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.18 Borrowing costs

All borrowing costs are expensed when incurred.

2.19 Financial guarantee

A financial guarantee contract is a contract that requires the issuer (or guarantor) to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Where the Group issues a financial guarantee, the fair value of the guarantee is initially recognised as deferred income within trade and other payables. The fair value of financial guarantees is determined based on the present value of the difference in cash flows between the contractual payments required under the debt instruments and the payments that would be required without the guarantee, or the estimated amount that would be payable to a third party for assessing the obligations. Where consideration is received or receivable for the issuance of the guarantee, the consideration is recognised in accordance with the Group's policies applicable to that category of asset. Where no such consideration is received or receivable, an immediate expense is recognised in consolidated income statement on initial recognition of any deferred income.

Subsequently, financial guarantees are measured at the higher of the amount determined in accordance with ECL under HKFRS 9 as set out in Note 2.8 and the amount initially recognised less, where appropriate, the cumulative amount of income recognised over the guarantee period.

2.20 Non-current assets held for sale

Non-current assets comprising assets and liabilities that are highly probable to be recovered principally through sale rather than through continuing use, are classified as held for sale. Immediately before classification as held for sale, the assets, are remeasured in accordance with the Group's accounting policies. Thereafter generally the assets are measured at the lower of their carrying amount and fair value less costs to sell. Any impairment loss on a disposal group first is allocated to goodwill, and then to remaining assets and liabilities on pro rata basis, except that no loss is allocated to inventories, financial assets, deferred tax assets, employee benefit assets, investment property or biological assets, which continue to be measured in accordance with the Group's accounting policies. Impairment losses on initial classification as held for sale and subsequent gains and losses on remeasurement are recognised in profit or loss. Gains are not recognised in excess of any cumulative impairment loss.

Property, plant and equipment and investment properties once classified as held for sale are not amortised or depreciated. In addition, equity accounting of equity-accounted investees ceases once classified as held for sale.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.21 Accounting for income taxes

Income taxes for the year comprise current tax and deferred tax.

Current tax is based on the profit or loss from ordinary activities adjusted for items that are non-assessable or disallowable for income tax purposes and is calculated using tax rates that have been enacted or substantively enacted at the end of reporting period.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the corresponding amounts used for tax purposes. Except for recognised assets and liabilities that affect neither accounting nor taxable profits, deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Deferred tax is measured at the tax rates expected to apply in the period when the liability is settled or the asset is realised based on tax rates that have been enacted or substantively enacted at the end of reporting period.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Income taxes are recognised in profit or loss except when they relate to items recognised in other comprehensive income in which case the taxes are also recognised in other comprehensive income or when they relate to items recognised directly in equity in which case the taxes are also recognised directly in equity.

Current tax assets and current tax liabilities are presented in net if, and only if,

- (a) the Group has the legally enforceable right to set off the recognised amounts; and
- (b) intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

The Group presents deferred tax assets and deferred tax liabilities in net if, and only if,

- (a) the entity has a legally enforceable right to set off current tax assets against current tax liabilities; and
- (b) the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either:
 - (i) the same taxable entity; or
 - (ii) different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.22 Related parties

For the purposes of these consolidated financial statements, a party is considered to be related to the Group if:

- (a) the party is a person or a close member of that person's family and if that person:
 - (i) has control or joint control over the Group;
 - (ii) has significant influence over the Group; or
 - (iii) is a member of the key management personnel of the Group or of a parent of the Group.
- (b) the party is an entity and if any of the following conditions applies:
 - (i) the entity and the Group are members of the same group.
 - (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) the entity and the Group 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 Group or an entity related to the Group.
 - (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).
 - (viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.23 Segment reporting

The Group identifies operating segments and prepares segment information based on the regular internal financial information reported to the executive directors for their decisions about resources allocation to the Group's business components and for their review of the performance of those components. The business components in the internal financial information reported to the executive directors are determined following the Group's major product and service lines.

The only operating segment of the Group is the food supplies business.

3. ADOPTION OF NEW AND AMENDED HKFRSs

New and amended HKFRSs that are effective for annual periods beginning on or after 1 January 2020

In the current year, the Group has applied for the first time the following amended HKFRSs issued by the HKICPA, which are relevant to the Group's operations and effective for the Group's consolidated financial statements for the annual period beginning on 1 January 2020:

Amendments to HKFRS 3	Definition of a Business
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform
Amendments to HKAS 1 and HKAS 8	Definition of Material

The adoption of the amended HKFRSs had no material impact on how the results and financial position of the Group for the current and prior periods have been prepared and presented.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

3. ADOPTION OF NEW AND AMENDED HKFRSs *(Continued)*

Issued but not yet effective HKFRSs

At the date of authorisation of these consolidated financial statements, certain new and amended HKFRSs have been published but are not yet effective, and have not been adopted early by the Group.

HKFRS 17	Insurance Contracts and related amendments ⁵
Amendments to HKFRSs	Annual Improvements to HKFRS Standards 2018–2020 ³
Amendments to HKFRS 3	Reference to the Conceptual Framework ⁴
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform — Phase 2 ²
Amendments to HKFRS 16	Covid-19-Related Rent Concessions ¹
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ⁶
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current ⁵
Amendments to HKAS 16	Property, Plant and Equipment — Proceeds before Intended Use ³
Amendments to HKAS 37	Onerous Contracts — Cost of Fulfilling a Contract ³
Accounting Guideline 5 (Revised)	Merger Accounting for Common Control Combination ⁴

¹ Effective for annual periods beginning on or after 1 June 2020

² Effective for annual periods beginning on or after 1 January 2021

³ Effective for annual periods beginning on or after 1 January 2022

⁴ Effective for business combination/common control combination for which the acquisition/combination date is on or after the beginning of the first annual period beginning on or after 1 January 2022

⁵ Effective for annual periods beginning on or after 1 January 2023

⁶ Effective date not yet determined

The directors anticipate that all of the pronouncements will be adopted in the Group's accounting policy for the first period beginning on or after the effective date of the pronouncement. Information on new and amended HKFRSs that are not expected to have a material impact on the Group's consolidated financial statements.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY *(Continued)*

(a) Critical judgement in applying accounting policy

The key assumptions concerning the future and other key sources of estimation of uncertainty at the end of the reporting period are discussed below:

(i) Determining the method to estimate variable consideration and assessing the constraint for the sales of goods

Certain contracts for the sales of goods include a right of return S\$nil (2019: approximately S\$nil) and volume rebates approximately S\$245,000 (2019: S\$145,000) that give rise to variable consideration. In estimating the variable consideration, the Group is required to use either the expected value method or the most likely amount method based on which method better predicts the amount of consideration to which it will be entitled.

The Group determines that the expected value method is the appropriate method to use in estimating the variable consideration for the sales of goods with rights of return, given the large number of customer contracts that have similar characteristics. In estimating the variable consideration for the sales of goods with volume rebates, the Group determines that the most likely amount method is appropriate given the contracts have only two possible outcomes.

Before including any amount of revenue in the transaction price, the Group considers whether the amount of variable consideration is constrained. The Group determines that the estimates of variable consideration are not constrained based on its historical experience, business forecast and the current economic environment, as well as the uncertainty being resolved within a short period of time.

(b) Key sources of estimation uncertainty

In addition to information disclosed elsewhere in these consolidated financial statements, other key sources of estimation uncertainty that have a significant risk of resulting a material adjustment to the carrying amounts of assets and liabilities within next financial period are as follows:

(i) Provision for ECLs allowance on trade receivables

The Group uses a provision matrix to calculate ECLs allowance for trade receivables. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns.

The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. At each reporting date, the historical observed default rates are updated and changes in the forward-looking factors are analysed.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY *(Continued)*

(b) Key sources of estimation uncertainty *(Continued)*

(i) **Provision for ECLs allowance on trade receivables** *(Continued)*

The assessment of the correlation among historical observed default rates, forecast economic conditions and ECLs allowance is a significant estimate. The amount of ECLs allowance is sensitive to changes in circumstances and forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future. The carrying amount of trade receivables is disclosed in Note 19.

(ii) **Estimated useful lives of property, plant and equipment**

The Group's management determines the estimated useful lives and residual values for its property, plant and equipment. This estimate is based on the historical experience of the actual useful lives of property, plant and equipment of similar nature and functions. Management will increase the depreciation charge where useful lives are less than previously estimated lives. It will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold. Actual economic lives may differ from estimated useful lives; actual residual values may differ from estimated residual values. Periodic review could result in a change in depreciable lives and residual values and therefore depreciation expense in the future periods. The carrying amount of property, plant and equipment is disclosed in Note 13.

(iii) **Net realisable value of inventories**

Net realisable value of inventories is the estimated selling price in the ordinary course of business, less selling expenses. These estimates are based on the current market condition and the historical experience of selling products of similar nature. It could change significantly as a result of competitor actions in response to severe industry cycles. Inventory value is reduced when the decision to markdown below cost is made. Management reassesses the estimations at the reporting date. The carrying amount of inventories is disclosed in Note 18.

(iv) **Income taxes**

The Group is subject to income taxes in Singapore. Significant judgement is required in determining the provision for income taxes. There are many transactions and calculations for which ultimate tax determination is uncertain during the ordinary course of business.

The Group recognised liabilities for anticipated 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 recorded, such differences will affect the income tax and deferred tax provision in the period in which such determination is made. The carrying amount of income tax payable amounted to approximately S\$211,000 as at 31 December 2020 (2019: S\$169,000). The carrying amount of deferred tax liabilities is disclosed in Note 10(b).

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY *(Continued)*

(b) Key sources of estimation uncertainty *(Continued)*

(v) *Estimation of fair value of financial instruments not traded in an active market*

As at 31 December 2020, financial assets at FVTOCI that are not traded in an active market are carried at fair value of nil (2019: S\$17,000). The fair values are determined by using valuation techniques, details of which are set out in Note 38(vi). This involves developing estimates and assumptions consistent with how market participants would price the instrument. The Group bases its assumptions on observable data as far as possible but this is not always available. In that case the Group uses the best information available. Estimated fair values may vary from the actual prices that would be achieved in an arm's length transaction at the reporting date.

5. SEGMENT INFORMATION

(i) Operating segment information

The Group identifies its operating segments and prepared segment information based on the regular internal financial information reported to the Group's executive directors for their decisions about resources allocation to the Group's business components and review of these components' performance. There is only one business component in the internal reporting to the executive directors, which is the food supplies business. The Group's assets and capital expenditure are principally attributable to this business component.

(ii) Geographical segment information

The Group's revenue from external customers is divided into the following geographical areas:

	Revenue from external customers	
	2020	2019
	S\$'000	S\$'000
Singapore	27,345	23,722
Indonesia	79	103
Others	17	—
	27,441	23,825

Geographical location of customers is based on the location at which the goods are delivered.

No geographical location of non-current assets is presented as all of the Group's non-current assets are physically based in Singapore.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

5. SEGMENT INFORMATION *(Continued)*

(iii) Information about major customers

Revenue attributed from customers that accounted for 10% or more of the Group's total revenue during the year is as follows:

	2020 S\$'000	2019 S\$'000
Customer A	3,400	2,320
Customer B	3,233	2,432

6. REVENUE AND OTHER INCOME AND GAINS

(a) Revenue from contracts with customers within the scope of HKFRS 15 recognised is as follows:

	2020 S\$'000	2019 S\$'000
Sales of goods	27,441	23,825

The following table provides information about disaggregation of revenue from contracts with customers:

	2020 S\$'000	2019 S\$'000
Product type		
Dry	16,776	12,960
Chilled	4,851	4,594
Frozen	5,814	6,271
	27,441	23,825
Customer type		
Ship supply customers	25,390	21,672
Retail and food service customers	2,051	2,153
	27,441	23,825
Timing of revenue recognition		
At a point in time	27,441	23,825

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

6. REVENUE AND OTHER INCOME AND GAINS *(Continued)*

- (a) Revenue from contracts with customers within the scope of HKFRS 15 recognised is as follows:
(Continued)

The following table provides information about trade receivables (net of ECL allowance) from contracts with customers:

	2020 S\$'000	2019 S\$'000
Trade receivables	5,088	6,254

- (b) An analysis of the Group's other income and gains is as follows:

	2020 S\$'000	2019 S\$'000
Interest income	126	76
Rental income from investment properties	399	195
One-off slotting and marketing fee received	—	321
Government grants (note)	474	28
Gain on disposal of financial assets at FVTPL	—	158
Gain on disposal of property, plant and equipment	—	6
Gain on termination of lease contract	2	—
Others	91	74
	1,092	858

Note: Government grants comprised unconditional cash subsidies from (1) government for subsidising the Group's operation; and (2) job support scheme.

7. FINANCE COSTS

	2020 S\$'000	2019 S\$'000
Interest on bank borrowings	394	366
Finance charges on lease liabilities	185	189
Interest on promissory note	92	50
	671	605

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

8. LOSS BEFORE INCOME TAX

Loss before income tax is arrived at after charging:

	2020 S\$'000	2019 S\$'000
Auditor's remuneration	103	104
Cost of inventories recognised as expenses		
– Cost of inventories sold	19,538	17,098
– Write-off of inventories	–	45
	19,538	17,143
Depreciation of property, plant and equipment	1,719	1,332
Depreciation of investment properties	81	57
Depreciation of right-of-use assets	408	368
Loss on disposal of property, plant and equipment	9	–
Direct operating expenses arising from investment properties that generated rental income	181	140
Employee benefit expenses (including directors' remuneration (Note 9))		
– Salaries and welfare	3,760	3,212
– Defined contributions (note 1)	188	199
	3,948	3,411
ECLs allowance on trade receivables (Note 38(iii))	21	37
Changes in fair value of financial assets at FVTPL	15	414
Lease charges:		
– Short term leases and leases with lease term shorter than 12 months as at 1 January 2019	63	44
– Variable lease payments (note 2)	6	37
	69	81
Net foreign exchange loss	106	11

Note 1: Contributions paid and payable by the Group to the schemes amounting to S\$188,000 (2019: S\$199,000). Contributions totalling S\$38,000 (2019: S\$37,000) payable to the schemes at the year end were included in other payables. There were no unutilised forfeited contributions at year end 31 December 2020 (2019: nil).

Note 2: Variable lease payments/Contingent rents represent lease payments of warehouses which are charged based on the volume of inventories handled in the warehouses.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

9. DIRECTORS' EMOLUMENTS AND FIVE HIGHEST PAID INDIVIDUALS

(a) Directors' emoluments

Directors' and chief executive's emoluments, disclosed pursuant to the Listing Rules, section 383(1) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of information about Benefits of Directors) Regulation, is as follows:

	Fees S\$'000	Salaries, allowances and benefits in kind S\$'000	Discretionary bonuses S\$'000	Defined contributions S\$'000	Total S\$'000
Year ended 31 December 2020					
Executive directors:					
Mr. Tan Seow Gee ("Mr. D Tan")	21	446	7	13	487
Mr. Gay Teo Siong ("Mr. R Gay")	21	512	7	11	551
Non-executive directors:					
Mr. Cheng King Yip (Notes (ii) and (iv))	144	—	—	—	144
Independent non-executive directors:					
Ms. Chan Oi Chong	15	—	—	—	15
Ms. Luk Huen Ling Claire	21	—	—	—	21
Ms. Chin Ying Ying	21	—	—	—	21
Total	243	958	14	24	1,239
Year ended 31 December 2019					
Executive directors:					
Mr. Tan Seow Gee ("Mr. D Tan")	21	232	4	14	271
Mr. Gay Teo Siong ("Mr. R Gay")	21	299	4	11	335
Non-executive directors:					
Mr. Cheng King Yip (Notes (ii) and (iv))	129	—	—	—	129
Independent non-executive directors:					
Mr. Tam Wai Tak Victor (Note (iii))	8	—	—	—	8
Ms. Chan Oi Chong	21	—	—	—	21
Mr. Choy Wing Hang William (Note (i))	2	—	—	—	2
Ms. Luk Huen Ling Claire (Note (i))	18	—	—	—	18
Ms. Chin Ying Ying (Note (iii))	13	—	—	—	13
Total	233	531	8	25	797

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

9. DIRECTORS' EMOLUMENTS AND FIVE HIGHEST PAID INDIVIDUALS *(Continued)*

(a) Directors' emoluments *(Continued)*

Notes:

- (i) Mr. Choy Wing Hang William resigned as the independent non-executive director of the Company and Ms. Luk Huen Ling Claire was appointed as the independent non-executive director of the Company with effect from 4 February 2019.
- (ii) Mr. Cheng King Yip was appointed as the non-executive director of the Company with effect from 12 February 2019.
- (iii) Mr. Tam Wai Tak Victor resigned as the independent non-executive director of the Company and Ms. Chin Ying Ying was appointed as the independent non-executive director of the Company with effect from 14 May 2019.
- (iv) Mr. Cheng King Yip resigned as the non-executive director of the Company and Mr. Choi Wai Tong Winton was appointed as the non-executive director of the Company with effect from 22 January 2021.

During the year, one of the directors agreed to waive 3 months director fees and no any of the highest paid individuals waived or agreed to waive any emoluments (2019: Nil). No emoluments were paid by the Group to the directors or any of the highest paid individuals of the Group as an inducement to join or upon joining the Group or as compensation for loss of office as a director of any member of the Group or of any other office in connection with the management of the affairs of any member of the Group (2019: Nil).

(b) Five highest paid individuals

The five highest paid individuals of the Group included three (2019: three) directors for the year, whose emoluments are reflected in Note (a) above.

The analysis of the emolument of the remaining two (2019: two) highest paid non-director individuals for the year, are set out below:

	2020 S\$'000	2019 S\$'000
Salaries, allowances and benefits in kind	529	308
Discretionary bonuses	5	13
Defined contributions	23	16
	<hr/> 557	<hr/> 337

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

9. DIRECTORS' EMOLUMENTS AND FIVE HIGHEST PAID INDIVIDUALS *(Continued)*

(b) Five highest paid individuals *(Continued)*

The emolument paid or payable to each of the above non-director individuals for the year fell within the following band:

	2020 No. of individuals	2019 No. of individuals
Nil to Hong Kong Dollar ("HK\$") 1,000,000	1	1
HK\$1,000,001 to HK\$1,500,000	—	1
HK\$1,500,001 to HK\$2,000,000	—	—
HK\$2,000,001 to HK\$2,500,000	1	—
	<hr/> 2	<hr/> 2

10. INCOME TAX EXPENSE

(a) Income tax

The amount of taxation in the consolidated statement of profit or loss and comprehensive income represents:

	2020 S\$'000	2019 S\$'000
Current tax – Singapore income tax		
– Tax for the year	196	180
Deferred tax		
– Current year (Note 10(b))	—	(5)
Income tax expense	<hr/> 196	<hr/> 175

Pursuant to the rules and regulations of the Cayman Islands, the Group is not subject to any taxation under the jurisdictions of the Cayman Islands. Singapore income tax has been provided at the rate of 17% on the estimated assessable profits for the year.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

10. INCOME TAX EXPENSE *(Continued)*

(a) Income tax *(Continued)*

Reconciliation between tax expense and accounting loss at applicable tax rates:

	2020 S\$'000	2019 S\$'000
Loss before income tax	(113)	(708)
Tax calculated at the statutory rate of 17% (2019: 17%)	(19)	(120)
Tax effect of revenue not taxable for tax purpose	(209)	(42)
Tax effect of expenses not deductible for tax purpose	137	187
Tax effect of temporary differences not recognised	236	124
Tax effect of tax losses not recognised	104	26
Utilisation of tax losses previously not recognised	(53)	—
	196	175

(b) Deferred tax

Details of the deferred tax liabilities recognised and movements during the year are as follows:

	Accelerated tax depreciation S\$'000
1 January 2019	121
Charged to profit or loss for the year	(5)
At 31 December 2019 and 1 January 2020	116
Charged to profit or loss for the year	—
At 31 December 2020	116

As at 31 December 2020, the Group has estimated unused tax losses of approximately S\$1,042,000 (2019: S\$739,000) that are available for offsetting against future taxable profits. The estimated unused tax losses may be carried forward indefinitely. No deferred tax asset has been recognised due to the unpredictability of future profit streams.

11. DIVIDENDS

No dividend has been paid or declared by the Company since its date of incorporation.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

12. LOSS PER SHARE

	2020 S\$'000	2019 S\$'000
Loss		
Loss attributable to owners of the Company	(348)	(867)
	2020 '000	2019 '000
Number of shares		
Weighted average number of ordinary shares	600,000	600,000

The calculation of basic loss per share for the year ended 31 December 2020 is based on the loss attributable to owners of the Company of approximately S\$348,000 (2019: S\$867,000) and on the weighted average number of 600,000,000 (2019: 600,000,000) ordinary shares in issue during the year.

Dilutive loss per share is the same as the basic loss per share because the Group has no dilutive potential shares during the years ended 31 December 2020 and 2019.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

13. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings S\$'000	Computers S\$'000	Furniture and fittings S\$'000	Kitchen equipment S\$'000	Machinery and equipment S\$'000	Motor vehicles S\$'000	Renovation S\$'000	Construction in progress S\$'000	Total S\$'000
At 1 January 2019									
Cost	14,295	196	107	244	211	634	614	2,182	18,483
Accumulated depreciation	(2,078)	(151)	(101)	(243)	(187)	(447)	(611)	–	(3,818)
Net book amount	12,217	45	6	1	24	187	3	2,182	14,665
Year ended 31 December 2019									
Opening net book amount	12,217	45	6	1	24	187	3	2,182	14,665
Additions	–	13	2	2	146	13	876	–	1,052
Eliminated on transfer	–	–	–	–	1,412	–	770	(2,182)	–
Charge for the year	(690)	(27)	(4)	(1)	(247)	(63)	(300)	–	(1,332)
Closing net book amount	11,527	31	4	2	1,335	137	1,349	–	14,385
At 31 December 2019 and 1 January 2020									
Cost	14,295	209	109	246	1,769	579	2,260	–	19,467
Accumulated depreciation	(2,768)	(178)	(105)	(244)	(434)	(442)	(911)	–	(5,082)
Closing net book amount	11,527	31	4	2	1,335	137	1,349	–	14,385
Year ended 31 December 2020									
Opening net book amount	11,527	31	4	2	1,335	137	1,349	–	14,385
Additions	–	16	–	–	28	–	11	–	55
Eliminated on transfer	–	1	(1)	–	–	–	–	–	–
Disposals/written-off	–	(7)	–	–	–	–	(2)	–	(9)
Reclassified as held for sale (Note 31)	(1,833)	–	–	–	–	–	–	–	(1,833)
Charge for the year	(690)	(13)	(2)	(1)	(400)	(63)	(550)	–	(1,719)
Closing net book amount	9,004	28	1	1	963	74	808	–	10,879
At 31 December 2020									
Cost	10,295	196	108	246	1,797	579	2,266	–	15,487
Accumulated depreciation	(1,291)	(168)	(107)	(245)	(834)	(505)	(1,458)	–	(4,608)
Closing net book amount	9,004	28	1	1	963	74	808	–	10,879

Notes:

- (i) As at 31 December 2020, the Group's land and buildings with an aggregate net carrying amount of approximately S\$10,837,000 (2019: S\$11,527,000) have been pledged to secure banking facilities granted to the Group (Note 25).

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

14. INVESTMENT PROPERTIES

	S\$'000
Cost	
At 1 January 2019	1,934
Additions	620
<hr/>	
At 31 December 2019 and 1 January 2020	2,554
Reclassified as held for sale (Note 31)	(1,014)
<hr/>	
At 31 December 2020	1,540
<hr/>	
Accumulated depreciation	
At 1 January 2019	(265)
Depreciation	(57)
<hr/>	
At 31 December 2019 and 1 January 2020	(322)
Depreciation	(81)
Reclassified as held for sale (Note 31)	223
<hr/>	
At 31 December 2020	(180)
<hr/>	
Net carrying amount	
At 31 December 2020	1,360
<hr/>	
At 31 December 2019	2,232
<hr/>	
Fair value	
At 31 December 2020	1,490
<hr/>	
At 31 December 2019	3,920
<hr/>	

The estimated useful lives of the investment properties are from 23 to 50 years (2019: 23 to 50 years). The investment properties are stated at cost less accumulated depreciation and any impairment loss.

Fair value is determined by a direct comparison method based on market observable transactions of similar properties and adjusted to reflect the conditions and locations of the subject properties. The fair value of the investment properties has been carried out by an independent valuer who holds a recognised and relevant professional qualification and has recent experience in the location and category of the investment properties being valued. The fair value disclosed is categorised as Level 3 valuation.

Significant unobservable input used in valuing the investment properties was the price per square meter and taking into account the movement of the industrial property market index in Singapore, location and other individual factors. The highest and best use of the investment properties of the Group does not differ from its current use.

At the reporting date, the Group's total bank borrowings of approximately S\$10,837,000 (2019: S\$10,458,000) (Note 25) were secured by legal charges on the land and buildings (Note 13) and the investment properties with carrying amounts approximately S\$1,560,000 (2019: S\$1,614,000).

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

15. INTEREST IN ASSOCIATES

	2020 S\$'000	2019 S\$'000
Cost of investments in associates	3,547	—
Share of post-acquisition profits and other comprehensive income, net of dividends received	25	—
	3,572	—

On 8 April 2020, the Group entered into an agreement with an independent third party to acquire 49% equity interest in Gold Reign Limited at the consideration of HK\$20,000,000 (equivalent to approximately S\$3,547,464). A 2.8% coupon promissory note was issued at completion of this acquisition on 31 July 2020, which is payable on maturity in January 2021 (Note 27).

The following list contains only the particulars of associates, which are unlisted corporate entity whose quoted market prices are not available, are as follows:

Name of associates	Form of business structure	Place of incorporation and operation	Particulars of registered capital	% of effective interest held	Principal activity
Gold Reign Limited	Corporate	BVI	United State Dollar ("US") 50,000	49% (2019: Nil)	Investment holding
Le The Limited	Corporate	Hong Kong	HK\$12,000	29% (2019: Nil)	Trading and supply of tea and food related products

16. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	2020 S\$'000	2019 S\$'000
Financial assets at FVTOCI (non-recycling)		
Unlisted equity investment	—	17

The Group designated its investment in unlisted equity investment as FVTOCI (non-recycling), as this investment is held for the strategic purpose and not held for trading.

On 16 December 2018, the Group entered into an agreement with an independent third party to acquire 15% equity interest in Wealth Power Group Limited at the consideration of HK\$6,000,000 (equivalent to approximately S\$1,045,402). A 5% coupon promissory note was issued in connection with this acquisition which is payable on maturity in January 2022 (Note 27).

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

16. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME *(Continued)*

During the year ended 31 December 2020, there is loss on change in fair value of the financial assets at FVTOCI (non-recycling) of S\$17,000 (2019: loss of S\$1,028,000).

The fair value of the financial assets at FVTOCI (non-recycling) has been measured as described in Note 38(vi).

17. RIGHT-OF-USE ASSETS

	Leasehold land S\$'000	Staff quarter S\$'000	Motor vehicles S\$'000	Total S\$'000
Cost				
At 1 January 2020	2,774	82	907	3,763
Addition during the year	—	—	11	11
Remeasurement during the year	64	—	—	64
Reclassified as held for sale (Note 31)	(550)	—	—	(550)
Termination during the year	—	(82)	—	(82)
At 31 December 2020	2,288	—	918	3,206
Accumulated depreciation				
At 1 January 2019	—	—	—	—
Depreciation	(159)	(10)	(199)	(368)
At 31 December 2019 and 1 January 2020	(159)	(10)	(199)	(368)
Termination	—	41	—	41
Depreciation	(162)	(31)	(215)	(408)
Reclassified as held for sale (Note 31)	104	—	—	104
At 31 December 2020	(217)	—	(414)	(631)
Carrying amount At 31 December 2020	2,071	—	504	2,575
At 31 December 2019	2,615	72	708	3,395

18. INVENTORIES

	2020 S\$'000	2019 S\$'000
Inventories for resale	3,439	2,830

Inventories are carrying at the lower of cost and net realisable value, no inventories are carrying at fair value less costs to sell.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

19. TRADE RECEIVABLES

	2020 S\$'000	2019 S\$'000
Trade receivables	5,153	6,298
Less: Provision of ECL allowance	(65)	(44)
	5,088	6,254

The credit period is generally ranging from cash on delivery to 60 days. Based on invoice date, ageing analysis of the Group's trade receivables (net of ECL allowance) is as follows:

	2020 S\$'000	2019 S\$'000
0 to 30 days	2,143	1,863
31 to 90 days	2,756	3,182
91 to 180 days	133	1,182
Over 180 days	56	27
	5,088	6,254

Further details on the Group's credit policy and credit risk arising from trade receivables are set out in Note 38(iii).

20. DEPOSITS, PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

	2020 S\$'000	2019 S\$'000
Deposits	58	62
Deposit paid for an acquisition (note)	176	—
Prepayments	114	133
Rental income receivables	40	—
Advance to suppliers	453	237
	841	432
Classified as:		
Non-current assets	16	24
Current assets	825	408
	841	432

Note: A refundable deposit of HK\$1,000,000 (equivalent to S\$176,000) was paid to secure an acquisition. The refundable deposit will be constituted as part of the consideration upon the completion of the acquisition.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

21. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2020 S\$'000	2019 S\$'000
Financial assets at FVTPL		
Equity securities listed in Hong Kong (note (a))	62	77

Note:

- (a) The fair values of the Group's investments in listed equity securities have been measured as described in Note 38(vi).

22. CASH AND CASH EQUIVALENTS

	2020 S\$'000	2019 S\$'000
Cash at banks and in hand	5,769	5,778
Short-term investment	149	139
	5,918	5,917

Bank balances earn interest at floating rates based on daily bank deposit rates.

Short-term investment is a promissory note issued by a limited company. The promissory note is defined under Section 89 of the Bills of Exchange Ordinance (Cap. 19), as an unconditional promise in writing made by the noteholder to the issuer engaging to repay. The promissory note bears 3% (2019: 3%) interest per annum. The directors of the Group consider the short-term investment is highly liquid and the fair value of the short-term investment is not materially different from their carrying amount.

Included in cash and cash equivalents are the following amounts denominated in currencies other than the functional currencies:

	2020 S\$'000	2019 S\$'000
US\$	13	14
HK\$	2,896	4,855

23. TRADE PAYABLES

	2020 S\$'000	2019 S\$'000
Trade payables	2,134	2,981

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

23. TRADE PAYABLES *(Continued)*

The credit period is generally ranging from cash on delivery to 60 days.

Based on invoice date, ageing analysis of the Group's trade payables is as follows:

	2020 S\$'000	2019 S\$'000
0 to 30 days	1,079	998
31 to 90 days	1,014	1,384
91 to 180 days	37	204
Over 180 days	4	395
	2,134	2,981

Included in trade payables are the following amounts denominated in currencies other than the functional currencies:

	2020 S\$'000	2019 S\$'000
Euro ("EUR")	412	967
US\$	90	387
Malaysia Ringgit ("RM")	165	184
Swiss franc ("CHF")	—	6

24. ACCRUALS, OTHER PAYABLES AND DEPOSITS RECEIVED

	2020 S\$'000	2019 S\$'000
Accruals	1,670	944
Other payables	238	443
Deposits received	133	80
Refund liabilities	245	145
	2,286	1,612
Classified as:		
Non-current liabilities	33	58
Current liabilities	2,253	1,554
	2,286	1,612

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

24. ACCRUALS, OTHER PAYABLES AND DEPOSITS RECEIVED *(Continued)*

Included in accruals and other payables are the following amounts denominated in currencies other than the functional currencies:

	2020 S\$'000	2019 S\$'000
HK\$	262	181

25. BANK BORROWINGS

	2020 S\$'000	2019 S\$'000
Current liabilities		
Secured mortgage loans		
– Amounts repayable within one year	2,898	412
Unsecured term loan		
– Amounts repayable within one year	86	–
	2,984	412
Non-current liabilities		
Secured mortgage loans		
– Amounts repayable after one year	6,915	10,046
Unsecured term loan		
– Amounts repayable after one year	414	–
	7,329	10,046
Total bank borrowings	10,313	10,458

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

25. BANK BORROWINGS *(Continued)*

Notes:

- (a) Bank borrowings are interest-bearing at the banks' base lending rate adjusted by certain basis points per annum. As at 31 December 2020, the Group's bank borrowings effective interest rate ranging from 1.65% to 7.00% per annum (2019: 1.90% to 7.00%).
- (b) Based on the schedule repayment dates set out in the loan agreements, the bank borrowings are repayable as follows:

	2020 S\$'000	2019 S\$'000
Within one year	2,984	612
More than one year, but not exceeding two years	591	679
More than two years, but not exceeding five years	1,888	2,265
After five years	4,850	6,902
	10,313	10,458

- (c) The Group's banking facilities are secured by:
- (i) the pledge of land and buildings of the Group with net carrying amount of approximately S\$10,837,000 including net carrying amount of approximately S\$1,833,000 was reclassified as held for sale as at 31 December 2020 (2019: S\$11,527,000) (Note 13);
 - (ii) the pledge of investment properties of the Group with net carrying amount of approximately S\$1,560,000 including net carrying amount of approximately S\$790,000 was reclassified as held for sale as at 31 December 2020 (2019: S\$1,614,000) (Note 14); and
 - (iii) corporate guarantee provided by the Company as set out in Note 32.
- (d) The Group's aggregate banking facilities amount to approximately S\$16,709,000 (2019: S\$14,017,000), of which approximately S\$13,317,000 (2019: S\$10,767,000) have been utilised as at the date of issuing the banking facilities letter and approximately S\$10,313,000 (2019: S\$10,458,000) have been utilised as at 31 December 2020.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

26. LEASE LIABILITIES

The following table shows the remaining contractual maturities of the Group's lease liabilities:

	2020 S\$'000	2019 S\$'000
Total minimum lease payments:		
Due within one year	410	535
Due in the second to fifth years	1,065	1,556
Due after the fifth year	2,558	3,012
	4,033	5,103
Future finance charges on leases liabilities	(1,363)	(1,653)
Present value of leases liabilities	2,670	3,450
Present value of minimum lease payments:		
Due within one year	269	354
Due in the second to fifth years	619	992
Due after the fifth year	1,782	2,104
	2,670	3,450
Less: Portion due within one year included under current liabilities	(269)	(354)
Portion due after one year included under non-current liabilities	2,401	3,096

The Group considers that no extension option or termination option would be exercised at the lease commencement date. All leases are for leasehold land and leasing motor vehicles. The remaining lease periods are from three to twenty years.

During the year ended 31 December 2020, the total cash outflows for the leases was approximately S\$600,000 (2019:S\$372,000).

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

26. LEASE LIABILITIES *(Continued)*

Details of the lease activities

As at 31 December 2020, the Group has entered into leases for leasehold land, motor vehicles and staff quarter.

Types of right-of-use assets	Financial statements items of right-of-use assets included in	Number of leases	Range of remaining lease term	Particulars
Leasehold land	In right-of-use assets	2 (2019: 2)	9 to 20 years (2019: 10 to 21 years)	— Land rent payable is based on the market land rent
Motor vehicles	In right-of-use assets	12 (2019: 12)	4 to 6 years (2019: 5 to 7 years)	— Only subject to monthly fixed rental payment — No extension option or termination option would be exercised at the lease commencement
Motor vehicles	In right-of-use assets	1 (2019: 1)	3 years (2019: 4 years)	— Only subject to monthly fixed rental payment — Secured by the charge over the leased assets and guaranteed by Mr. M Tan — No extension option or termination option would be exercised at the lease commencement
Staff quarter	In right-of-use assets	1 (2019: 1)	Early terminated in 2020 (2019: 23 months)	— Only subject to monthly fixed rental payment — No extension option or termination option would be exercised at the lease commencement

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

27. PROMISSORY NOTES

A 5% coupon promissory note ("Promissory Note A") was issued in connection with the acquisition of the financial assets at FVTOCI (non-recycling) (Note 16) which is payable on maturity in January 2022.

Promissory Note A with nominal value of HK\$6,000,000 (equivalent to approximately S\$1,045,402) bears interest at a fixed rate of 5% per annum. The effective interest rate of the Promissory Note A at the reporting date is 4.67%. The Promissory Note A classified as non-current liability is expected to be settled after one year.

A 2.8% coupon promissory note ("Promissory Note B") was issued in connection with the acquisition of 49% of the interest in associates (Note 15) which is payable on maturity in January 2021.

Promissory Note B with nominal value of HK\$20,000,000 (equivalent to approximately S\$3,547,464) bears interest at a fixed rate of 2.8% per annum. The Group early repaid part of Promissory Note B in the principal amount of HK\$8,500,000 (equivalent to approximately S\$1,457,495) during the year ended 31 December 2020.

The effective interest rate of the Promissory Note B at the reporting date is 2.71%. The Promissory Note B classified as current liability is expected to be settled within one year.

Included in promissory note are the following amounts denominated in currencies other than the functional currencies:

	2020 S\$'000	2019 S\$'000
HK\$	3,276	1,095

28. SHARE CAPITAL

	2020 Number of shares	S\$'000	2019 Number of shares	S\$'000
Authorised:				
At beginning and at end of the year	10,000,000,000	17,337	10,000,000,000	17,337
Issued and fully paid:				
At beginning and at end of the year	600,000,000	1,038	600,000,000	1,038

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

29. RESERVES

(a) The Group

Details of the movements on the Group's reserves are set out in the consolidated statement of changes in equity.

The following describes the nature and purpose of each reserve within owners' equity:

Share premium

The share premium represents the excess of the proceeds received over the nominal value of the Company's shares issued.

(b) The Company

	Share premium S\$'000	Contributed surplus* S\$'000	Accumulated losses S\$'000	Total S\$'000
At 1 January 2019	8,752	10,958	(3,608)	16,102
Loss and total comprehensive income for the year	—	—	(962)	(962)
At 31 December 2019 and 1 January 2020	8,752	10,958	(4,570)	15,140
Loss and total comprehensive income for the year	—	—	(675)	(675)
At 31 December 2020	8,752	10,958	(5,245)	14,465

* The contributed surplus of the Company represented the difference between the net asset value of the subsidiary acquired and the nominal value of the share capital of the Company issued in exchange thereof pursuant to the group reorganisation completed on 5 September 2017.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

30. LEASE COMMITMENTS

(a) As lessor

As at 31 December 2020 and 2019, future minimum lease rental receivables under non-cancellable operating leases of the Group are as follows:

	2020 S\$'000	2019 S\$'000
Within one year	355	306
In second to fifth year	345	213
	700	519

The Group leases its investment properties (Note 14) under operating leases. The leases run for an initial period of eight months to four years (2019: two to four years), with options to renew the lease terms upon expiry when all terms are re-negotiated. None of these leases includes any contingent rentals.

(b) As lessee

As the reporting date, the lease commitments for short-term leases of the Group are as follows:

	2020 S\$'000	2019 S\$'000
Within one year	18	13

As at 31 December 2020, the Group had committed to a lease for a staff quarter in which the lease within 12 months.

31. ASSETS CLASSIFIED AS HELD FOR SALE

	2020 S\$'000	2019 S\$'000
Building	1,833	—
Investment property	791	—
Right-of-use asset	446	—
	3,070	—
Lease liability	466	—

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

31. ASSETS CLASSIFIED AS HELD FOR SALE *(Continued)*

The Group intends to dispose of a warehouse building and an investment property in the next 12 months. The building was previously used as warehouse of the Group while the investment property was previously used to earn rental income. No impairment loss was recognised on reclassification of the building and investment property as held for sale at 31 December 2020.

32. RELATED PARTY TRANSACTIONS

- (a) As at 31 December 2020, Mr. M Tan, a key management personnel of the Group and a director of Cool Link Marketing and Cool Link Supply, provided a personal guarantee as security for lease obligations (Note 26).

As at 31 December 2020, the Company had executed corporate guarantee to secure banking facility granted to the subsidiary amounted to S\$3,000,000 (2019:nil). Under the guarantee, the Company would be liable to pay the bank if the bank is unable to recover the bank borrowings. As at 31 December 2020, the outstanding balance of the bank borrowings was S\$500,000 (2019:nil) and this represents the Company's maximum exposure under the guarantee contract. No provision for the Company's obligation under the financial guarantee contract has been made as the directors considered that the fair value of the corporate guarantee was not significant and it was not probable that the repayment of bank borrowings would be in default.

- (b) **Compensation of key management personnel**

The remuneration of directors and other members of key management during the year were as follows:

	2020 S\$'000	2019 S\$'000
Short-term employee benefits	1,801	1,168
Defined contributions	50	51
	1,851	1,219

33. CONTINGENT LIABILITIES

As at 31 December 2020, the Group had contingent liabilities in respect of performance bonds issued in favour of certain suppliers in its ordinary course of business amounting to S\$925,000 (2019: S\$550,000). The guarantees in respect of performance bonds issued by bank are secured by land and buildings and investment properties of the Group and corporate guarantee of the Company.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

34. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2020 S\$'000	2019 S\$'000
ASSETS AND LIABILITIES		
Non-current assets		
Property, plant and equipment	1	—
Investment in a subsidiary	10,958	10,958
	10,959	10,958
Current assets		
Prepayments	41	46
Due from subsidiaries	3,939	574
Financial assets at fair value through profit or loss	62	77
Cash and cash equivalents	2,894	4,704
	6,936	5,401
Current liabilities		
Accruals and other payables	262	181
Promissory note	2,130	—
	2,392	181
Net current assets	4,544	5,220
Total assets less current liabilities	15,503	16,178
Net assets	15,503	16,178
EQUITY		
Equity attributable to owners of the Company		
Share capital	1,038	1,038
Reserves	14,465	15,140
Total equity	15,503	16,178

Approved and authorised for issue by the board of directors on 30 March 2021.

On behalf of the directors

Tan Seow Gee
Director

Gay Teo Siong
Director

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

35. PARTICULARS OF SUBSIDIARIES

Details of subsidiaries as at 31 December 2020 and 2019 are as follows:

Company name	Place and date of incorporation and form of business structure	Particulars of issued and fully paid up share capital	Attributable equity interest held by the Company		Principal activities	Principal place of operation
			Direct	Indirect		
Amazing Well Limited	BVI, 4 January 2019, limited liability company	US\$1	100% (2019: 100%)	—	Investment holding	BVI
Galaxy Pop Limited	BVI, 3 January 2019, limited liability company	US\$1	100% (2019: 100%)	—	Investment holding	BVI
Open Treasure Enterprises	BVI, 28 June 2016, limited liability company	US\$100	100% (2019: 100%)	—	Investment holding	Singapore
Cool Link Marketing	Singapore, 1 March 2001, limited liability company	S\$100,000	—	100% (2019: 100%)	Food supplies business	Singapore
Cool Link Supply	Singapore, 21 December 2015, limited liability company	S\$200,000	—	90% (2019: 90%)	Food supplies business	Singapore
Cool Link Trading (HK) Limited	Hong Kong, 15 March 2017, limited liability company	HK\$100	—	100% (2019: 100%)	Inactive	Hong Kong
Sea Link Pacific Limited (Note (i))	Hong Kong, 23 September 2020, limited liability company	HK\$100	—	100% (2019: N/A)	Inactive	Hong Kong

Note:

- (i) On 23 September 2020, Sea Link Pacific Limited was incorporated with registered capital of HK\$100 and fully paid up during the year ended 31 December 2020.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

36. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Major non-cash transactions

- (i) During the year ended 31 December 2020, the Group acquired the interest in associates (Note 15) at the consideration of HK\$20,000,000 (equivalent to S\$3,547,464) which was financed by issuing a 2.8% coupon promissory note and payable on maturity in January 2021 (Note 27). The Group early repaid part of promissory note of HK\$8,500,000 (equivalent to S\$1,457,495) during the year ended 31 December 2020.
- (ii) During the year ended 31 December 2020, the Group entered into certain lease contracts in which additions to right-of-use assets and lease liabilities amounting to approximately S\$11,000 (2019: S\$84,000) was recognised at the lease commencement date.

(b) Reconciliation of liabilities arising from financing activities

For the year ended 31 December 2020

	Bank borrowings S\$'000	Lease liabilities S\$'000	Promissory notes S\$'000	Total S\$'000
As at 1 January 2020	10,458	3,450	1,095	15,003
Cash flows:				
Proceeds from new bank borrowings	500	—	—	500
Repayment of bank borrowings	(645)	—	—	(645)
Interest paid on bank borrowings	(394)	—	—	(394)
Capital element of lease rentals paid	—	(346)	—	(346)
Interest element of lease rentals paid	—	(185)	—	(185)
Repayments of promissory note	—	—	(1,458)	(1,458)
Non-cash:				
Entering into new leases	—	11	—	11
Remeasurement	—	64	—	64
Reclassified as held for sale	—	(466)	—	(466)
Issuance of promissory notes	—	—	3,547	3,547
Interest expenses	394	185	92	671
Termination of lease	—	(43)	—	(43)
As at 31 December 2020	<u>10,313</u>	<u>2,670</u>	<u>3,276</u>	<u>16,259</u>

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

36. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS *(Continued)*

(b) Reconciliation of liabilities arising from financing activities *(Continued)*

For the year ended 31 December 2019

	Bank borrowings S\$'000	Lease liabilities S\$'000	Promissory notes S\$'000	Total S\$'000
As at 1 January 2019	11,072	64	—	11,136
Impact on initial application of HKFRS 16 (note 3)	—	3,593	—	3,593
As at 1 January 2019, adjusted	11,072	3,657	—	14,729
Cash flows:				
Proceeds from new bank borrowings	—	—	—	—
Repayment of bank borrowings	(614)	—	—	(614)
Interest paid on bank borrowings	(365)	—	—	(365)
Capital element of lease rentals paid	—	(291)	—	(291)
Interest element of lease rentals paid	—	(189)	—	(189)
Non-cash:				
Entering into new leases	—	84	—	84
Issuance of promissory notes	—	—	1,045	1,045
Interest expenses	365	189	50	604
As at 31 December 2019	10,458	3,450	1,095	15,003

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

37. FINANCIAL INSTRUMENTS BY CATEGORY

As at 31 December 2020, the carrying amounts of each of the categories of financial instruments are as follows:

	2020 S\$'000	2019 S\$'000
Financial assets at amortised cost		
Trade receivables	5,088	6,254
Deposits and other receivables	274	279
Cash and cash equivalents	5,918	5,917
Financial assets at FVTOCI:		
Unlisted equity securities	—	17
Financial assets at FVTPL:		
Listed equity securities in Hong Kong	62	77
	11,342	12,544
Financial liabilities at amortised cost		
Trade payables	2,134	2,981
Accruals, other payables and deposits received	2,200	1,612
Bank borrowings	10,313	10,458
Promissory notes	3,276	1,095
Lease liabilities	2,670	3,450
	20,593	19,596

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group is exposed to a variety of financial risks in the normal course of business. The Group does not have written risk management policies and guidelines. However, the directors meet periodically to analyse and formulate strategies to manage the Group's exposure to market risks (specifically to foreign currency risk, interest rate risk and other price risk), credit risk and liquidity risk. Generally, the Group utilises conservative strategies on its risk management. The Group's exposure to market risk is kept to minimum. The Group has not used any derivatives or other instruments for hedging purposes. The Group does not hold or issue derivative financial instruments for trading purposes. The directors review and agree policies for managing each of these risks and they are summarised below.

(i) Foreign currency risk

Currency risk refers to the risk that the fair values or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

(i) Foreign currency risk *(Continued)*

The Group only operates in Singapore with most of the transactions denominated and settled in S\$, RM, US\$, HK\$ and CHF. No foreign currency risk has been identified for the financial assets and financial liabilities denominated in S\$, which is the functional currency of the subsidiaries in Singapore to which these transactions relate.

As at 31 December 2020, the Group's assets and liabilities denominated in other currencies other than S\$ are disclosed in Notes 22, 23, 24 and 27.

The following table indicates the approximate effect on the result for the year in response to reasonably possible changes in the foreign exchange rates, with all other variables held constant, to which the Group has significant exposure at the end of the reporting period. The appreciation and depreciation of 4% in S\$ exchange rate against foreign currencies represents management's assessment of a reasonably possible change in currency exchange rate over the year. No sensitivity analysis for CHF is presented as management considered the exposure is insignificant.

	2020 S\$'000	2019 S\$'000
RM to S\$		
Appreciation by 4%	(5)	(6)
Depreciation by 4%	5	6
US\$ to S\$		
Appreciation by 4%	(3)	(12)
Depreciation by 4%	3	12
EUR to S\$		
Appreciation by 4%	(14)	(32)
Depreciation by 4%	14	32
HK\$ to S\$		
Appreciation by 4%	(21)	119
Depreciation by 4%	21	(119)

The measures to manage foreign currency risk have since prior years and are considered to be effective.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

(ii) Interest rate risk

The Group's interest rate risk arises primarily from borrowings. Borrowings issued at variable rates and at fixed rates expose the Group to cash flow interest rate risk and fair value interest risk respectively.

Other than cash and cash equivalents (Note 22), bank borrowings (Note 25), promissory notes (Note 27) and lease liabilities (Note 26), the Group does not have any other significant interest-bearing financial assets and liabilities. Any change in the interest rate promulgated by banks from time to time is not considered to have significant impact to the Group.

The Group's interest rate risk arises primarily from the floating rate borrowings whereas its lease liabilities and promissory notes bore interest at fixed rates. Borrowings at floating rates expose the Group to cash flow interest rate risk.

At 31 December 2020, it is estimated that a general increase/decrease of 50 basis points in interest rates, with all other variables held constant, would decrease/increase the Group's result for the year (through the impact on the Group's bank borrowings which are subject to floating interest rate) by approximately S\$43,000 (2019: S\$43,000). No impact would be on other components of consolidated equity in response to the general increase/decrease in interest rates.

The sensitivity analysis as above has been determined assuming that the change in interest rates had occurred at the reporting date and had been applied to the exposure to interest rate risk for financial instruments in existence at that date. The 50 basis point increase or decrease represents the management's assessment of a reasonably possible change in interest rates over the period until the next annual reporting date.

The measures to manage interest rate risk have been followed by the Group since prior years and are considered to be effective.

(iii) Credit risk

Credit risk refers to the risk that the counterparty to a financial instrument would fail to discharge its obligation under the terms of the financial instruments and cause a financial loss to the Group.

As at 31 December 2020, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of respective financial assets as stated in the consolidated statement of financial position.

The objective of the Group's measures to manage credit risk is to control potential exposure to recoverability problem. Most of the Group's cash and cash equivalents are held in major reputable financial institutions, which management believes are of high credit quality.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

(iii) Credit risk *(Continued)*

The Group has a certain concentration of credit risk with respect to trade receivables. As at 31 December 2020, the Group's trade receivables due from five largest customers amounting to approximately S\$1,809,000 (2019: S\$2,649,000) represents 36% (2019: 44%) of trade receivables. These customers have a good settlement record and reputation.

In addition, as set out in Note 2.8, the Group measures loss allowances for trade receivables at an amount equal to lifetime ECLs under HKFRS 9, which is calculated using a provision matrix, the expected loss rates are based on the historical payment record as well as the corresponding historical credit losses. As the Group's historical credit loss experience does not indicate significantly different loss patterns for different customer segments, the loss allowance based on past due status is not further distinguished between the Group's different customer bases. The Group does not obtain collateral from customers.

The following table provides information about the Group's exposure to credit risk and ECLs for trade receivables:

2020	Expected loss rate %	Gross carrying amount S\$'000	Loss allowance S\$'000	Net carrying amount S\$'000
Neither past due nor impaired	0.1%	2,125	(2)	2,123
1 to 30 days past due	0.1%	1,938	(2)	1,936
31 to 90 days past due	0.5%	964	(5)	959
91 to 180 days past due	10%	18	(2)	16
Over 180 days past due	50%	108	(54)	54
		5,153	(65)	5,088
<hr/>				
2019				
Neither past due nor impaired	0.1%	2,406	(2)	2,404
1 to 30 days past due	0.1%	1,574	(2)	1,572
31 to 90 days past due	0.5%	2,021	(10)	2,011
91 to 180 days past due	10%	296	(30)	266
Over 180 days past due	50%	1	—	1
		6,298	(44)	6,254

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

(iii) Credit risk *(Continued)*

Expected loss rates are based on actual loss experience over the past 3 years. These rates are adjusted to reflect differences between economic conditions during the period over which the historic data has been collected, current conditions and the Group's view of economic conditions over the expected lives of the receivables.

For deposits and other receivables, management makes periodic as individual assessment on the recoverability based on historical settlement records, past experience, and also available reasonable and supportive forward-looking information. The management believes that there is no material credit risk inherent in the Group's outstanding balance of deposits and other receivables.

The credit risk for bank balances is considered not material as such amounts are placed in reputable banks with high credit ratings assigned by international credit-rating agencies. There has been no recent history of default in relation to these banks and thus the risk of default is regard as low.

Short term investment represent the investment to a promissory note issued by third party, with (i) redemption anytime by delivering a written notice to the issuer; (ii) the issuer need to repay the principal amount plus interest accrued within 3 days after received the written notice and (iii) management makes periodic assessment on the recoverability based on historical settlement records, past experience, and also available reasonable and supportive forward-looking information, and considers the credit risk to be insignificant.

No significant changes to estimation techniques or assumptions were made during the year.

At each reporting date, the Group's trade receivables are individually determined for impairment testing. At 31 December 2020, the Group's trade receivables that were neither past due nor impaired for whom there was no recent history of default. The Group's management considers that trade receivables that were past due but not impaired under review are of good credit quality. Based on past experience, management believes that no impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are considered fully recoverable. The Group does not hold any collateral in respect of trade receivables past due but not impaired. When the Group is satisfied that recovery of trade receivables is remote, the amount considered irrecoverable is written off against trade receivables directly.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

(iii) Credit risk *(Continued)*

Movement in the loss allowance account in respect of trade receivables during the year is as follows:

	2020 S\$'000	2019 S\$'000
Balance at 1 January	44	14
Impairment losses recognised (Note 8)	21	37
Amounts written off	—	(7)
Balance at 31 December	<u>65</u>	<u>44</u>

The increase in gross trade receivables resulted in an increase in loss allowance.

(iv) Liquidity risk

Liquidity risk relates to the risk that the Group will not be able to meet its obligations associated with its financial liabilities. The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank borrowings, also regularly monitor its liquidity requirements, its compliance with lending covenants and its relationship with its bankers to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term. The Group's liquidity position is monitored on a daily basis by management.

The following tables show the remaining contractual maturities at the end of the reporting period of the Group's financial liabilities, based on undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the reporting date) and the earliest date the Group can be required to pay.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

(iv) Liquidity risk *(Continued)*

	Carrying amount S\$'000	Total contractual undiscounted cash flow S\$'000	Within 1 year or on demand S\$'000	More than 1 year but less than 2 years S\$'000	More than 2 year but less than 5 years S\$'000	Over 5 years S\$'000
At 31 December 2020						
Trade payables	2,134	2,134	2,134	—	—	—
Accruals, other payables and deposits received	2,200	2,220	2,167	33	—	—
Bank borrowings	10,313	12,401	4,081	739	2,258	5,323
Promissory notes	3,276	3,332	2,135	1,197	—	—
Lease liabilities	2,670	4,033	410	410	655	2,558
	20,593	24,100	10,927	2,379	2,913	7,881
At 31 December 2019						
Trade payables	2,981	2,981	2,981	—	—	—
Accruals, other payables and deposits received	1,612	1,612	1,554	—	58	—
Bank borrowings	10,458	13,489	980	980	2,941	8,588
Promissory note	1,095	1,142	52	1,090	—	—
Lease liabilities	3,450	5,103	535	535	1,021	3,012
	19,596	24,327	6,102	2,605	4,020	11,600

The measures to manage liquidity risk have been followed by the Group since prior years and are considered to be effective.

(v) Other price risk

Other price risk relates to the risk that the fair values or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than changes in interest rates and foreign exchange rates). The Group is mainly exposed to change in market prices of listed equity securities in respect of its investments in listed equity classified as financial assets at FVTPL. The management will monitor the price movements and take appropriate actions when it is required.

The policies to manage other price risk have been considered to be effective.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

(v) Other price risk *(Continued)*

A hypothetical 10% change in prices of trading investments would result in an effect to the Group's result for the year as follows:

	2020 S\$'000	2019 S\$'000
Decrease in loss for the year as a result of increase in price of financial assets at FVTPL	6	8
Increase in loss for the year as a result decrease in price of financial assets at FVTPL	(6)	(8)

(vi) Fair value measurements

The Group's financial assets measured and recognised at fair value in the consolidated statement of financial position are grouped into three levels of a fair value hierarchy. The three levels are defined based on the observability and significance of inputs to the measurement, as follows:

- (i) Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- (ii) Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly, and not using significant unobservable inputs.
- (iii) Level 3: significant unobservable inputs for the asset or liability

Disclosures of level in fair value hierarchy:

As at 31 December 2020		Level 1	Level 2	Level 3	Total
	Note	S\$'000	S\$'000	S\$'000	S\$'000
Recurring fair value measurements:					
Financial assets at FVTOCI:					
Unlisted equity securities	(a)	—	—	—	—
Financial assets at FVTPL:					
Listed equity securities in Hong Kong	(b)	62	—	—	62
		62	—	—	62

There have been no transfers between levels 1, 2 and 3 for the years ended 31 December 2020 and 2019. The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

(vi) Fair value measurements *(Continued)*

The methods and valuation techniques used for the purpose of measuring fair value are unchanged compared to the previous reporting periods.

Note:

- (a) The financial assets at FVTOCI represented 15% of the entire issued share capital of an unlisted company principally engaged in dessert catering business (the "Acquisition").

	2020 S\$'000	2019 S\$'000
Financial assets at FVTOCI	—	17

Any gains or losses arising from the measurement of the financial assets at FVTOCI are recognised in the consolidated statement of other comprehensive income.

Information about level 3 fair value measurements for the year ended 31 December 2019:

Description	Valuation techniques	Significant unobservable inputs	Range	Effect on fair value for increase of inputs
Unlisted equity securities	Income-based approach	Risk-adjusted discount rate	11.19%	Decrease
		Discount for lack of marketability	15.8%	Decrease

(b) Listed equity securities in Hong Kong

The listed equity securities are denominated in HK\$. Fair values have been determined by reference to their quoted bid prices at the reporting date.

(vii) Fair value of financial assets and liabilities carried at other than fair value

The carrying amounts of the Group's financial instruments carried at amortised cost are not materially different from their fair values as at 31 December 2020.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

39. CAPITAL MANAGEMENT

The Group's objective of managing capital is to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debts.

The capital structure of the Group consists of debts, which includes the bank borrowings (Note 25), lease liabilities (Note 26), promissory notes (Note 27), cash and cash equivalents (Note 22) and total equity, comprising share capital (Note 28), reserves (Note 29) and non-controlling interests. The Group's risk management reviews the capital structure on a semi-annual basis. As part of this review, management considers the cost of capital and the risks associated with each class of capital.

	2020 S\$'000	2019 S\$'000
Bank borrowings	10,313	10,458
Promissory notes	3,276	1,095
Lease liabilities	2,670	3,450
Less: Cash and cash equivalents	(5,918)	(5,917)
Net debt	10,341	9,086
Total equity	15,332	15,658
Net debt to equity ratio	67%	58%

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

40. EVENTS AFTER THE REPORTING DATE

At the time of this annual report, the COVID-19 outbreak has occurred in the world. The ramification and impact of this is still manifesting not only in the loss of human lives but in the disruption to economic and social activities in the markets that the Group operates in.

- (a) On 22 January 2021, the Group proposed to change of the company name from “Cool Link (Holdings) Limited” to dual name “Asia Health Link Group Limited” and to adopt the Chinese name “亞太健康鏈集團有限公司”. Mr. Choi Wai Tong Winton, appointed as a non-executive Director and Vice Chairman of the Board of the Company, with effect from 22 January 2021. Mr. Cheng King Yip, the non-executive Director, as well as a member of each of the audit committee, remuneration committee and nomination committee of the Board of the Company, resigned from the above position of the Company with effect from 22 January 2021.
- (b) Prior to 31 December 2020, the Group entered into a sale and purchase agreement with an independent third party to sell one of the investment properties which was subsequently reclassified as held for sale at a cash consideration of S\$1,960,000 excluded any GST payable. The disposal of investment property was completed on 2 March 2021.
- (c) On 2 March 2021, the Company entered into the Placing Agreement with Emperor Securities Limited, (the “Placing Agent”) pursuant to which the Company has conditionally agreed to place, through the Placing Agent, on a best efforts basis, up to 120,000,000 Placing Shares to not less than six independent Placees at the Placing Price of HK\$0.071 per Placing Share. The gross proceeds from the Placing will be HK\$8.52 million and the net proceeds from the Placing (after deducting the placing commission for the Placing and other relevant expenses) will be approximately HK\$8.30 million. The Placing was completed on 24 March 2021. Details of the placing were disclosed in the announcements of the Company on 2 March 2021 and 24 March 2021.

Financial Summary

RESULTS

	For the year ended 31 December				
	2020 S\$'000	2019 S\$'000	2018 S\$'000	2017 S\$'000	2016 S\$'000
Revenue	27,441	23,825	25,405	27,593	28,177
Gross profit	7,135	6,066	5,698	7,403	7,161
(Loss)/profit before income tax	(113)	(708)	(152)	(675)	1,551
(Loss)/profit for the year	(309)	(883)	(402)	(1,076)	1,210
(Loss)/profit and total comprehensive income for the year	(326)	(1,911)	(402)	(1,076)	1,210

ASSETS AND LIABILITIES

	As at 31 December				
	2020 S\$'000	2019 S\$'000	2018 S\$'000	2017 S\$'000	2016 S\$'000
Total assets	36,804	35,539	32,757	26,777	18,094
Total liabilities	21,472	19,881	15,188	8,774	11,195
Total equity	15,332	15,658	17,569	18,003	6,899