ALOK SINGAPORE PTE. LTD.
Reg No : 201136398E
(Incorporated in the Republic of Singapore)

FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED
31 MARCH 2016

ALOK SINGAPORE PTE. LTD.
(Incorporated in the Republic of Singapore)

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ALOK SINGAPORE PTE. LTD.
(Incorporated in the Republic of Singapore)

DIRECTORS' STATEMENT

The directors present their statements to the member together with the audited financial statements of Alok Singaore Pte. Ltd. (the "Company") for the financial year ended 31 March 2016.

1. Opinion of the directors

In the opinion of the directors,

(i) the financial statements of the Company set out on pages 6 to 24 are drawn up so as to give a true and fair view of the financial position of the Company as at 31 March 2016 and of the financial performance, changes in equity and cash flows of the Company for the financial year ended on that date; and

(ii) at the date of this statement, with the continuing financial support from the holding company, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

2. Directors

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

Ashok Bhagiratmal Jiwrajka
Dilip Bhagirathmal Jiwrajka
Surendra Bhagirathmal Jiwrajka

3. Arrangement to enable directors to acquire shares or debentures

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

4. Directors' interests in shares or debentures

The directors of the Company holding office at the end of the financial year and their interests in the share capital and debentures of the Company and related corporations as recorded in the register of directors' shareholdings kept by the Company under Section 164 of the Singapore Companies Act, Cap. 50 were as follow:-

	Shareholdings registered in the name of directors		Shareholdings in which directors are deemed to have an interest	
	At 01/04/2015	At 31/03/2016	At 01/04/2015	At 31/03/2016
Ordinary shares				
Number of ordinary shares				
Holding company				
Alok Industries Limited				
Ashok Bhagiratmal Jiwrajka	35,825,710	35,825,710	-	-
Dilip Bhagirathmal Jiwrajka	36,467,076	36,467,076	-	-
Surendra Bhagirathmal Jiwrajka	36,588,312	36,588,312	-	-

5. Directors' contractual benefits

Except as disclosed in the financial statements, since the end of the previous financial year, no director has received or become entitled to receive a benefit (other than a benefit included in the aggregate amount of emoluments received or due and receivable by the director or the fixed salary of a full-time employee of the Company) by reason of a contract made by the Company or a related corporation with the director or with a firm of which he/she is a member, or with a company in which he/she has a substantial financial interest.

6. Share options

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

No shares have been issued during the financial year by virtue of the exercise of options to take up unissued shares of the Company.

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

7. **Auditors**

The auditors, Precursor Assurance PAC (formerly known as K.G. Tan & Co. PAC), have expressed their willingness to accept re-appointment.

On behalf of the board of directors,

Ashok Bhagiratmal Jiwrajka

Surendra Bhagirathmal Jiwrajka

Date: 16 MAY 2017

Precursor Assurance PAC
Chartered Accountants of Singapore
UEN NO.: 201003376K

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INDEPENDENT AUDITOR'S REPORT TO THE MEMBER OF ALOK SINGAPORE PTE. LTD.

Report on the Financial Statements

We were engaged to audit the financial statements of Alok Singapore Pte. Ltd. (the "Company") for the financial year ended 31 March 2016 as set out on pages 6 to 24, which comprises of the statement of financial position of the Company as at 31 March 2016, and the statement of comprehensive income, the statement of changes in equity and the statement of cash flows of the Company for the financial year then ended, and a summary of significant accounting *policies* and other explanatory notes.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Singapore Companies Act, Chapter 50 (the "Act") and Singapore Financial Reporting Standards, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and that transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair statement of comprehensive income and statement of financial position and to maintain accountability of assets.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on conducting our audit in accordance with Singapore Standards on Auditing. Because of the matters described in the Basis for Disclaimer of Opinion paragraphs, however, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

Basis for Disclaimer of Opinion

(a) The Company incurred losses during the financial year ended 31 March 2016 and as at the end of the reporting date, the total liabilities of the Company exceeded the total assets by US$74,584,898. The financial statements were prepared on a going concern assumption that the holding company will provide continuing financial support to the Company. We are unable to ascertain whether the assumption made by the directors of the Company in preparing the financial statements on a going concern basis was proper and appropriate. There were no other satisfactory audit procedures that we could adopt to satisy ourselves as to the appropriateness of the going concern basis. In the event if the Company is unable to continue in operational existence for the foreseeable future, adjustments would have to be made to reflect the situation that the assets may need to be realised other than in the normal course of business and at amounts which could differ significantly from the amounts stated in the statement of financial position. In addition, the Company may have to provide for future liabilities which may arise;

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Chartered Accountants of Singapore
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INDEPENDENT AUDITOR'S REPORT TO THE MEMBER OF ALOK SINGAPORE PTE. LTD. ("CONTINUED")

(b) During the financial year, the Company has defaulted on the borrowings and its related interest payable as disclosed under Note 10 to the financial statements. As a result, the bank has issued a statutory demand to seek full repayment of the borrowings and its interest from the Company and its holding company who is the guarantor for the borrowings. We are unable to obtain independent confirmation and perform alternatives procedures to verify the borrowings and its related interest payables as at 31 March 2016. As a result, we are unable to determine whether any adjustments to the carrying amounts of these balances that might be necessary as at 31 March 2016; and

(c) We were unable to obtain confirmations confirming the balances of advance payments from customers of US$19,532,965 as at 31 March 2016. We are also not able to perform alternative audit procedures to verify these balances as at 31 March 2016 and unable to determine any adjustments to the carrying amount of these balances that might be necessary as at 31 March 2016.

Disclaimer of Opinion

Because of the significance of the matters described in the Basis for Disclaimer of Opinion paragraphs, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordinly, we do not express an opinion on the financial statements.

Report on Other Legal and Regulatory Requirements

In our opinion, in view of the significance of the matters referred to in the Basis for Disclaimer of Opinion paragraphs, we do not express an opinion on whether the accounting and other records required by the Act to be kept by the Company have been properly kept in accordance with the provisions of the Act.

Precursor Assurance PAC
Public Accountants and
Chartered Accountants

Singapore
Date: 16 MAY 2017

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ALOK SINGAPORE PTE. LTD.
(Incorporated in the Republic of Singapore)

STATEMENT OF COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2016

	Note	2016	2015
		US$	US$
Revenue	3	20,446,456	67,060,595
Cost of sales		(16,595,420)	(61,426,025)
Gross profit		3,851,036	5,634,570
Administrative expenses		(75,954,882)	(411,136)
Finance costs	4	(3,228,499)	(5,051,196)
(Loss)/Profit before tax	5	(75,332,345)	172,238
Income tax	6	19,103	(13,498)
Net (loss)/profit for the year, representing total comprehensive (loss)/income for the year		(75,313,242)	158,740

The accompanying notes form an integral part of the financial statements

STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2016

	Note	2016	2015
		US$	**US$**
ASSETS			
Current assets			
Cash and cash equivalents	7	34,002	2,292,872
Trade and other receivables	8	100,927	95,326,242
Total assets		134,929	97,619,114
EQUITY			
Share capital	9	1	1
Accumulated (losses)/profits		(74,584,899)	728,343
Total equity		(74,584,898)	728,344
LIABILITIES			
Current liabilities			
Borrowings (secured)	10	54,264,273	73,544,316
Other payables	11	19,546,237	22,418,032
Amount due to related parties	12	850,000	850,000
Income tax payable		59,317	78,422
Total liabilities		74,719,827	96,890,770
Total equity and liabilities		134,929	97,619,114

STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2016

	Share capital	Accumulated profits/(losses)	Total equity
	US$	US$	US$
Balance as at 01 April 2014	1	569,603	569,604
Total comprehensive income for the year	-	158,740	158,740
Balance as at 31 March 2015	1	728,343	728,344
Balance as at 01 April 2015	1	728,343	728,344
Total comprehensive loss for the year	-	(75,313,242)	(75,313,242)
Balance as at 31 March 2016	1	(74,584,899)	(74,584,898)

The accompanying notes form an integral part of the financial statements

STATEMENT OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2016

	Note	2016	2015
		US$	US$
Cash flows from operating activities			
(Loss)/Profit before tax		(75,332,345)	172,238
Adjustments for:			
- Interest expense on borrowings		3,224,440	4,245,764
Operating cash flows before working capital changes		(72,107,905)	4,418,002
Changes in operating assets and liabilities:			
- Trade and other receivables		93,723,452	25,146,660
- Other payables		(2,871,795)	20,907,851
Net cash generated from operations		18,743,752	50,472,513
- Income tax paid		(2)	(22,071)
Net cash generated from operating activities		18,743,750	50,450,442
Cash flows from financing activities			
Interest expense paid		(3,224,440)	(4,245,764)
Proceeds from borrowings		-	20,000,000
Repayment of borrowings		(19,280,043)	(53,955,684)
Amount due to a related party		1,501,863	(11,603,931)
Restricted cash released/(pledged)		2,259,934	(2,290,548)
Net cash used in financing activities		(18,742,686)	(52,095,927)
Net increase/(decrease) in cash and cash equivalents		1,064	(1,645,485)
Cash and cash equivalents at beginning of the year		2,324	1,647,809
Cash and cash equivalents at the end of the year	7	3,388	2,324

The accompanying notes form an integral part of the financial statements

NOTES TO THE FINANCIAL STATEMENTS

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

1. General

The Company is incorporated and domiciled in Singapore. The address of its registered office and principal place of business is 60 Paya Lebar Road #08-43, Paya Lebar Square, Singapore 409051.

The principal activity of the Company is wholesale of textiles. There is no significant change in the nature of the principal activity of the Company during the financial year.

The Company is a wholly-owned subsidiary of Alok Industries Limited, incorporated in India, which is also the Company's ultimate holding company.

2. Significant accounting policies

Basis of preparation

The financial statements have been prepared in accordance with the historical cost convention, except as disclosed in the accounting policies below, and are drawn up in accordance with the provisions of the Singapore Companies Act and Singapore Financial Reporting Standards ("FRS").

The Company has adopted all the new/revised FRS and Singapore Interpretations of Financial Reporting Standards ("INT FRS") that are relevant to its operations and are mandatory for the financial year beginning on or after 01 April 2015.

The adoption of the above FRS and INT FRS did not result in material changes to the Company's financial statements.

Going concern

At the end of the reporting period, the total liabilities of the Company exceeded the total assets by US$74,584,898. The financial statements are prepared on a going concern basis as the holding company has undertaken to provide continuing financial support to the Company. If the financial support is not forthcoming, and as a result, the Company is unable to continue in operational existence for the foreseeable future, adjustments would have to be made to reflect the situation that the assets may need to be realised other than in the normal course of business and at amounts which could differ significantly from the amounts stated in the statement of financial position. In addition, the Company may have to provide for future liabilities which may arise.

Functional and presentation currency

The financial statements of the Company are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The financial statements are presented in United States Dollar ("US$"), which is the Company's functional and presentation currency.

Foreign currency transactions

All material transactions in currencies other than the Company's functional currency are recorded at the rate of exchange prevailing on the date of the transaction. At the end of each reporting period, monetary items denominated in foreign currencies are translated to United States Dollar at the exchange rates prevailing on the end of the reporting period. Non-monetary items denominated in foreign currencies that are measured at fair values are translated at the exchange rates ruling at the dates on which the fair values were determined. Foreign exchange differences arising from translation are recognised in the statement of comprehensive income.

Standards issued but not yet effective

The Company has not adopted the following standards and interpretations that have been issued but not yet effective:

Description	Effective for annual periods beginning on or after
FRS 114 Regulatory Deferral Account	1 January 2016
Amendments to FRS 1 Disclosure Initiative	1 January 2016
Amendments to FRS 27 Equity Method in Separate Financial Statements	1 January 2016
Amendments to FRS 16 and FRS 38 Clarification of Acceptable Methods of Depreciation and Amortisation	1 January 2016
Amendments to FRS 16 and FRS 41 Agriculture: Bearer Plants	1 January 2016
Amendments to FRS 111 Accounting for Acquisitions of Interests in Joint Operations	1 January 2016
Amendments to FRS 110 and FRS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	1 January 2016
Amendments to FRS 110, FRS 112 and FRS 28 Investment Entities: Applying the Consolidation Exception	1 January 2016
Improvements to FRS (November 2014)	
(a) Amendment to FRS 105 Non-current Assets Held for Sale and Discontinued Operations	1 January 2016
(b) Amendment to FRS 107 Financial Instruments: Disclosures	1 January 2016
(c) Amendment to FRS 19 Employee Benefits	1 January 2016
(d) Amendment to FRS 34 Interim Financial Reporting	1 January 2016
Amendments to FRS 7 Disclosure Initiative	1 January 2017
Amendments to FRS 12 Recognition of Deferred Tax Assets for Unrealised Losses	1 January 2017
Amendments to FRS 102 Classification and Measurement of Share-Based Payment Transactions	1 January 2018
FRS 109 Financial Instruments	1 January 2018
FRS 115 Revenue from Contracts with Customers	1 January 2018
Amendments to FRS 115 Clarifications to FRS 115 Revenue From Contracts with Customers	1 January 2018
FRS 116 Leases	1 January 2019

The Company expects that the adoption of the above standards and interpretations will not have material impact on the financial statements in the period of initial application.

Financial assets

a) Classification

The Company classifies its financial assets in the following categories: (i) fair value through profit or loss, (ii) loans and receivables, (iii) held-to-maturity, and (iv) available-for-sale. The classification depends on the purpose for which the assets were acquired. Management determines the classification of its financial assets at initial recognition and re-evaluates this designation at every reporting date. The designation of financial assets, at fair value through profit or loss is irrevocable.

i) Financial assets, at fair value through profit or loss

This category has 2 sub-categories: "financial assets held for trading" and those designated at fair value through profit or loss at inception. A financial asset is classified as held for trading if acquired principally for the purpose of selling in the short-term. Financial assets designated as fair value through profit or loss at inception are those that are managed, and their performance are evaluated on a fair value basis, in accordance with a documented Company's investment strategy. Derivatives are also categorised as "held for trading" unless they are designated as hedges. Assets in this category are classified as current assets if they are held for trading or are expected to be realised within 12 months after the end of the reporting period.

ii) Loan and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except those maturing later than 12 months after the end of the reporting period which are classified as non-current assets. Loans and receivables are classified within "trade and other receivables" and cash and cash equivalents" on the statement of financial position.

iii) Financial assets, held-to-maturity

Financial assets, held-to-maturity are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Company's management has the positive intention and ability to hold to maturity. If the Company was to sell other than an insignificant amount of financial assets, held-to-maturity, the whole category would be tainted and reclassified as available-for–sale. They are presented as non-current assets, except for those maturing within 12 months after the end of the reporting period which are presented as current assets.

iv) Financial assets, available-for-sale

Financial assets, available-for-sale are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the assets within 12 months after the end of the reporting period.

b) Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade date – the date on which the Company commits to purchase or sell the assets. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership.

On sale of a financial asset, the difference between the net sale proceeds and its carrying amount is taken to the statement of comprehensive income. Any amount in the fair value reserve relating to that asset is also taken to the statement of comprehensive income.

c) Initial measurement

Financial assets are initially recognised at fair value plus transaction costs except for financial assets, at fair value through profit or loss, which are recognised at fair value. Transaction costs for financial assets, at fair value through profit or loss are recognised in the statement of comprehensive income.

d) Subsequent measurement

Financial assets, available-for-sale and at fair value through profit or loss are subsequently carried at fair value. Loans and receivables and financial assets, held-to-maturity are carried at amortised cost using the effective interest method.

Gains or losses arising from changes in the fair value of "financial assets, at fair value through profit or loss" are presented in the statement of comprehensive income in the financial year in which the changes in fair values arise.

Changes in the fair value of monetary assets denominated in a foreign currency and classified as available-for-sale are analysed into translation differences resulting from changes in amortised cost of the assets and other changes. The translation differences are recognised in the statement of comprehensive income and other changes are recognised in the fair value reserve within equity. Changes in fair values of other monetary and non-monetary assets that are classified as available-for-sale are recognised in the fair value reserve within equity.

Interest on financial assets, available-for-sale, calculated using the effective interest method, is recognised in the statement of comprehensive income. Dividends on available-for-sale equity securities are recognised in the statement of comprehensive income when the Company's right to receive payment is established. When financial assets classified as available-for-sale are sold or impaired, the accumulated fair value adjustments recognised in the fair value reserve within equity are included in the statement of comprehensive income as "gains and losses from investment securities".

e) Impairment

The Company assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired and recognises an allowance for impairment when such evidence exists.

i) Loans and receivables/Financial assets, held-to-maturity

Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy, and default or significant delay in payments are objective evidence that these financial assets are impaired.

The carrying amount of these assets is reduced through the use of an impairment allowance account which is calculated as the difference between the carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. When the asset becomes uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are recognised against the same line item in the statement of comprehensive income.

The allowance for impairment loss account is reduced through the statement of comprehensive income in a subsequent period when the amount of impairment loss decreases and the related decrease can be objectively measured. The carrying amount of the asset previously impaired is increased to the extent that the new carrying amount does not exceed the amortised cost had no impairment been recognised in prior periods.

ii) Financial assets, available-for-sale

Significant or prolonged declines in the fair value of the securities below its cost and the disappearance of an active trading market for the securities are objective evidence that the security is impaired.

The cumulative loss that was recognised in the fair value reserve is transferred to the statement of comprehensive income. The cumulative loss is measured as the difference between the acquisition cost (net of any principal repayments and amortisation) and the current fair value, less any impairment loss previously recognised in the statement of comprehensive income on debt securities. The impairment losses recognised in the statement of comprehensive income on equity securities are not reversed through the statement of comprehensive income.

Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits with financial institutions and bank overdrafts.

Financial liabilities

Financial liabilities are recognised on the statement of financial position when, and only when, the Company becomes a party to the contractual provisions of the financial instrument.

Financial liabilities are recognised initially at fair value which is normally represented by the transaction price.

Financial liabilities, at fair value through profit or loss includes financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value. Financial liabilities are classified as held for trading if they are acquired for the purpose of selling in the near term. Subsequent to initial recognition, financial liabilities at fair value through profit or loss are measured at fair value. Any gains or losses arising from changes in fair value of the financial liabilities are recognised in profit or loss.

Subsequent to initial recognition, all financial liabilities are measured at amortised cost using the effective interest method.

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expired. Gains and losses are recognised in the statement of comprehensive income when the liabilities are derecognised and through the amortisation process.

Provisions for other liabilities and charges

Provisions for other liabilities and charges are recognised when the Company has a legal or constructive obligation as a result of past events, it is more likely than not that an outflow of resources will be required to settle the obligation and a reliable estimate of the amount can be made.

Share capital

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

Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured, regardless of when the payment is made. Revenue is measured at the fair value of consideration received or receivable, taking into account contractually defined terms of payment and excluding discounts, rebates and sales taxes or duty. The following specific recognition criteria must also be met before revenue is recognised.

Revenue from sale of goods is recognised when the Company has delivered the products to the customer, the customer has accepted the products and the collectibility of the related receivables is reasonably assured.

Revenue from marketing service is recognised at a percentage markup of expenses incurred by the Company.

Income taxes

Income tax expense represents the sum of the current tax and deferred tax liabilities.

Tax is recognised in profit or loss except to the extent that the tax relates to items recognised outside profit or loss, either in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

(i) Current income tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the statement of comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are not taxable or tax deductible. The Company's liability for current tax is measured at the amount expected to be paid to the tax authorities, using tax rates that have been enacted or substantively enacted at the end of the reporting period.

Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

(ii) Deferred income tax

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, if the deferred income tax arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss, it is not accounted for.

Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Related parties

Related party is defined as follows:

(a) A person or a close member of that person's family is related to the Company if that person:

i) Has control or joint control over the Company;

ii) Has significant influence over the Company; or

iii) Is a member of the key management personnel of the Company or of a parent of the Company.

(b) An entity is related to the Company if any of the following conditions applies:

i) The entity and the Company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to others);

ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member);

iii) Both entities are joint ventures of the same third party;

iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity;

v) The entity is a post-employment benefit plan for the benefit of employees of either the Company or an entity related to the Company. If the Company is itself such a plan, the sponsoring employers are also related to the Company;

vi) The entity is controlled or jointly controlled by a person identified in (a);

vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); or

viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the reporting entity or to the parent of the reporting entity.

Financial risk and management

The Company's overall business strategies, its tolerance of risks and its risk management philosophy are determined by the management in accordance with prevailing economic and operating conditions.

The main risks arising from the Company's operations are credit risk, liquidity risk, and foreign currency risk. The Company is not exposed to price risk and interest risk. The Board reviews and agrees policies for their risks and they are summarised below:

Credit risk

Credit risk is the potential financial loss resulting from the future of a customer or a counterparty to settle its financial and contractual obligations to the Company, as and when they fall due.

The maximum exposure to credit risk for each class of financial assets is the carrying amount of that class of financial instruments presented on the statement of financial position. The Company's major classes of financial asset are cash and cash equivalents and trade and other receivables.

Cash and fixed deposits are placed with banks and financial institutions which are regulated.

The Company manages its credit risk by having policies in place to ensure that the Company deals with customers with appropriate credit history and credit standing.

The aging of the trade receivables are as follows:

	2016		2015	
	Gross **US$**	Impairment **US$**	Gross **US$**	Impairment **US$**
Not past due	22,052	-	4,931,660	-
Past due within 60 days	10,177	-	672,384	-
Past due more than 60 days	27,145,523	27,090,480	22,752,107	283,139
	27,177,752	27,090,480	28,356,151	283,139

Liquidity risk

The Company monitors its liquidity risk and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Company's operation and to mitigate the effects of fluctuations in cash flows. The Company also obtains available funding from the holding company who has pledged to provide continuing financial support to enable the Company to pay its debts as and when they fall due.

All financial liabilities are expected to mature within 12 months from the end of the reporting period.

Foreign currency risk

The Company operates regionally and is exposed to foreign currency risk, primarily with respect to Singapore Dollar. The Company did not engage in any hedging activities to mitigate exposure to foreign currency risk.

The Company's currency exposure on its financial assets and liabilities are disclosed in the respective notes to the financial statements.

Sensitivity analysis

2016	US$ equivalents (US$)	Impact on (loss)/profit before tax arising from +/- 5% change in the exchange rate (US$) (Note 1)
Other payables		
Singapore Dollar	13,272	+/- 664
2015		
Other payables		
Singapore Dollar	11,795	-/+ 590

Note 1: Assuming all other variables held constant

Capital risk management

The Company's objective when managing capital risk is to safeguard the Company's ability to continue as a going concern and to maintain an optimal capital structure so as to maximise shareholder's value.

The Company reviews the capital structure regularly. As part of the review, the Company also ensures that it is in compliance with the capital requirement required by the regulator. The Company overall strategy remains unchanged from the previous financial year.

The Company is not subjected to any externally improved capital requirements.

Fair value of financial assets and financial liabilities

The following methods and assumptions are used to estimate the fair value of each class of financial instruments.

Cash and cash equivalents, trade and other receivables, borrowings, other payables and amount due to related parties

The fair values of these financial instruments approximate their carrying amounts at the end of the reporting period because of their short term maturity.

Critical accounting judgements and key sources of estimation uncertainty

The preparation of financial statements in conformity with FRSs require management to make judgements, estimates and assumptions. They affect the application of the Company's accounting policies, reported amounts of assets, liabilities, income and expenses and disclosures made. They are assessed on an on-going basis and are based on historical experience and other relevant factors, including expectations of future events that are believed to be reasonable under the circumstances.

a) Impairment of receivables

The Company makes allowance for impairment based on an assessment of the recoverability of trade and other receivables. Allowance is applied to trade and other receivables where events or changes in circumstances indicate that the balances may not be collectible. The identification of doubtful receivables requires the use of judgement and estimates. Where the expectation is different from the original estimate, such difference will impact the carrying amount of trade and other receivables and the allowance for impairment in the financial year in which such estimate has been changed.

b) Income taxes

The Company is subject to income taxes in Singapore. Judgement is required in determining the capital allowance and deductibility of certain expenses during the estimation of the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Company recognise liabilities for anticipated tax audit issues based on estimation 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 impact the income tax and deferred income tax provisions in the year in which such determination is made.

3. Revenue

	2016	**2015**
	US$	**US$**
Sale of goods	16,638,779	61,428,850
Marketing services income	3,807,677	5,631,745
	20,446,456	67,060,595

4. Finance costs

	2016	**2015**
	US$	**US$**
Interest expense on borrowings	3,224,440	4,245,764
Upfront fees for borrowings	-	805,432
Others	4,059	-
	3,228,499	5,051,196

5. (Loss)/Profit before tax

(Loss)/Profit before tax has been arrived at after charging/(crediting):

	2016 US$	2015 US$
Staff costs	-	-
Directors' remuneration	-	-
Allowance for impairment loss on trade receivables	26,851,056	98,764
Allowance for impairment loss on amount due from holding company	49,061,285	-
Write back of allowance for impairment loss on trade receivables	(43,715)	-

There is no employee in the Company as all administrative functions are handled by the holding company.

6. Income tax

	2016 US$	2015 US$
Current tax		
- Current year	-	15,827
- Over provision in prior years	(19,103)	(2,329)
	(19,103)	13,498

The income tax on results differs from the amount that would arise using the Singapore standard rate of income tax due to the following:

	2016 US$	2015 US$
(Loss)/Profit before tax	(75,332,345)	172,238
Tax calculated at tax rate of 17% (2015: 17%)	(12,806,499)	29,280
Reconciling items		
Expenses not deductible for tax purposes	8,340,418	16,789
Income tax exemption	-	(20,052)
Income tax rebate	-	(7,805)
Deferred tax asset arising from tax losses not recognised	4,466,081	-
Others	-	(2,385)
Over provision of current tax in prior years	(19,103)	(2,329)
Tax (credit)/charge	(19,103)	13,498

As at the end of the reporting period, the Company have unutilised losses of approximately US$26,271,000 (2015: US$Nil) which is available for off-setting against future taxable income subject to there being no substantial change in the shareholders as requested by the relevant provision of the Singapore Income Tax Act. This amount is subject to agreement with the Inland Revenue Authority of Singapore and has not been recognised in the financial statement.

7. Cash and cash equivalents

For the purpose of representing the statement of cash flows, cash and cash equivalents comprise of the following:

	2016	2015
	US$	US$
Cash and cash equivalents	34,002	2,292,872
Less: Restricted cash (Note 1)	(30,614)	(2,290,548)
Cash and cash equivalents as presented in statement of cash flows	3,388	2,324

Note 1: The restricted cash as at the end of the financial year represents cash pledged to the bank as securities for credit facility granted to the Company and can only be used for the followings:

a) Payments of loans related to bank; and
b) Collection from debtors.

8. Trade and other receivables

	2016	2015
	US$	US$
Trade balances due from:		
- Holding company	26,729,852	22,922,175
- Related party	22,052	1,523,915
- Third parties	425,848	3,910,061
	27,177,752	28,356,151
Less: Allowance for impairment loss	(27,090,480)	(283,139)
	87,272	28,073,012
Other receivables	10,655	-
Deposits	3,000	3,000
Prepayments	-	4,365
Advance payment to holding company	49,061,285	67,245,865
Less: Allowance for impairment loss	(49,061,285)	-
	-	67,245,865
	100,927	95,326,242

Movement in the allowance for impairment on trade receivables are as follows:

	2016	2015
	US$	US$
Balance as at beginning of the year	283,139	184,375
Charged to statement of comprehensive income	26,851,056	98,764
Write back to statement of comprehensive income	(43,715)	-
Balance as at end of the year	27,090,480	283,139

Movement in the allowance for impairment on amount due from holding company are as follows:

	2016	2015
	US$	US$
Charged to statement of comprehensive income, representing balance as at end of the year	49,061,285	-

9. Share capital

	No. of share	Value
		US$
Issued and fully paid ordinary share		
2016		
Balance as at beginning and end of the year	1	1
2015		
Balance as at beginning and end of the year	1	1

There is no par value on the ordinary share.

10. Borrowings (secured)

The loans are to be repayable over 18 months from the date of drawdown, bears interest at 4.00% per annum plus LIBOR. The loans are pledged and have to be used only for the followings:

a) Payments to supplier (holding company) in respect of purchase of goods;
b) Payment of fees, costs and expenses on the facility; and
c) Repayment of existing facility.

The loans are secured by:

a) the Company's bank deposit of US$2,290,548;
b) the ordinary share in the Company held by the holding company; and
c) corporate guarantee of US$172,500,000 from the holding company.

During the financial year, the Company has defaulted on the borrowings and its related interest payable. As a result, the bank has issued a statutory demand to seek full repayment of the borrowings and its interest from the Company and its holding company who is the guarantor for the borrowings.

11. Other payables

	2016	2015
	US$	US$
Advance payments from customers	19,532,965	22,395,318
Accrued operating expenses	13,272	22,714
	19,546,237	22,418,032

The other payables that are not denominated in the functional currency of the Company are as follow:

	2016	2015
	US$	US$
Singapore Dollar	13,272	11,795

12. Amount due to related parties

The balances are unsecured, interest free and repayable on demand.

13. Related party transactions

The Company had significant transactions with related parties on terms agreed the party as follows:

	2016	2015
	US$	**US$**
Income		
Holding company		
Marketing services	3,807,677	5,631,745
Related party		
Sale of goods	-	358,065
Expenses		
Holding company		
Purchases	14,418,091	61,426,025
Others		
Advances to a related party	600,000	-

14. Authorisation of financial statements

These financial statements were authorised for issue in accordance with a resolution of the board of director of Alok Singapore Pte. Ltd. on 16 MAY 2017.