

Company Registration No. 201412822M

AEV International Pte. Ltd.

Annual Financial Statements
For the financial year ended 31 December 2020



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AEV International Pte. Ltd.

Directors' statement

The directors are pleased to present their statement to the member together with the audited financial statements of AEV International Pte. Ltd. (the "Company") for the financial year ended 31 December 2020.

Opinion of the directors

In the opinion of the directors,

- (i) the accompanying balance sheet, statement of comprehensive income, statement of changes in equity and statement of cash flows together with notes thereto are drawn up so as to give a true and fair view of the financial position of the Company for the financial year ended 31 December 2020 and the financial performance, changes in equity and the cash flows of the Company for the period ended on that date; and
- (ii) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

Directors

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

Manuel Ramirez Lozano

Ma. Lope Gam Mabatid

Sabin Mendieta Aboitiz

(Appointed on 20 January 2020)

Arrangements to enable Directors to acquire shares and 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 acquisition of shares or debentures of the Company or any other body corporate.

Directors' interests in shares and debentures

No director, who held office at the end of the financial year, had, according to the register of directors' shareholdings required to be kept under section 164 of the Singapore Companies Act, Chapter 50, an interest in shares and share options of the Company and related corporations, either at the beginning of the financial year, or at date of appointment if later, or at the end of financial year.

Share options

No options have been issued by the Company during the financial year ended 31 December 2020. As at 31 December 2020, there were no outstanding options on the unissued shares of the Company or related corporations.

AEV International Pte. Ltd.

Directors' statement

Auditor

Ernst & Young LLP have expressed their willingness to accept reappointment as auditor.

On behalf of the board of directors,


Sabin Mendeta Aboitiz
Director


Manuel Ramirez Lozano
Director

Singapore
29 June 2021

AEV International Pte. Ltd.

**Independent auditor's report
For the financial year ended 31 December 2020**

Independent auditor's report to the member of AEV International Pte. Ltd.

Report on the Audit of the Financial Statements

Adverse Opinion

We have audited the financial statements of AEV International Pte. Ltd. (the "Company"), which comprise the balance sheet as at 31 December 2020, the statement of comprehensive income, statement of changes in equity and cash flow statement of the Company for the year ended 31 December 2020, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, because of the significance of the matters discussed in Basis of Adverse Opinion section of our report, the accompanying financial statements do not give a true and fair view of the financial position of the Company as at 31 December 2020 and of the financial performance, changes in equity and cash flows of the Company for the year then ended in accordance with the provisions of the Companies Act, Chapter 50 (the Act) and Singapore Financial Reporting Standards (International) (SFRS(I)).

Basis for Adverse Opinion

The Company has investments in a direct subsidiary and indirect subsidiaries that are disclosed in Note 6 to the financial statements as at 31 December 2020 and is required by Section 201(5)(a) of the Act and SFRS(I) 10 *Consolidated Financial Statements* to prepare consolidated financial statements. As described in Note 2.1 to the financial statements, management has not prepared consolidated financial statements of the Company and its subsidiaries for the year ended 31 December 2020 and has presented its investment in its direct subsidiary at cost. This is not in compliance with the requirements of Section 201(5)(a) of the Act and SFRS(I) 10. Had consolidated financial statements been prepared, virtually every account in, and the information provided by way of notes to, the accompanying financial statements, would have been materially different. The effects of these non-compliances are pervasive to the financial statements and have not been quantified.

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

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. In addition to the matters described in the *Basis for Adverse Opinion* section of our report, we have determined the matters described below to be the key audit matters to be communicated in our report. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

AEV International Pte. Ltd.

**Independent auditor's report
For the financial year ended 31 December 2020**

Independent auditor's report to the member of AEV International Pte. Ltd.

Key audit matters (cont'd)

We have fulfilled our responsibilities described in the Auditor's responsibilities for the audit of the financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matter below, provide the basis for our audit opinion on the accompanying financial statements.

Impairment assessment of investment in a subsidiary

As at 31 December 2020, the Company has an investment in a subsidiary with a carrying amount of \$488,807,805 and impairment indicators were identified for the investment. As a result, an impairment assessment was performed by comparing the carrying value of the investment to its recoverable amount to determine whether an impairment charge was required to be recognised as at 31 December 2020.

Management has determined the recoverable amount of the investment in the subsidiary based on its value in use estimated using a discounted cash flow computation. As disclosed in Note 6 to the financial statements, the key assumptions for the estimate included budgeted sales, growth rates, materials price and the discount rates. Based on the impairment assessment, management has concluded that the investment in a subsidiary is not impaired. As the impairment assessment involves significant judgement and estimation uncertainty, we have regarded this as a key audit matter.

As part of our audit procedures, we have reviewed management's assessment of impairment indicators for the investment in a subsidiary and obtained an understanding of management's bases, methodologies and processes to determine the carrying amount and recoverable amount of the investment. We checked that the cash flow projections used were based on approved management budgets that reflected the current business plans. We also involved our internal valuation specialist to assist us in assessing management's valuation methodologies and certain key assumptions and inputs used in the estimate of value in use.

We evaluated the key cash flows assumptions used by considering our observations on past budget variances, comparing management's budgeted sales and materials price to historical data; corroborating the budgets against economic and industry forecasts from external sources. We assessed the discount rates used by the management by comparing to external data of comparable companies. We performed sensitivity analysis of the impairment assessment to reasonable changes in key assumptions. The Company's disclosures on the impairment assessment and related sensitivity analysis are included in Note 6 to the financial statements and those disclosures related to significant accounting judgements and estimates that are included in Note 3.1 to the financial statements.

Other information

Management is responsible for other information. The other information comprises the directors' statements. It does not include the financial statements and our auditor's report thereon.

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

Other information (cont'd)

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. The Directors' statement states that the financial statements are drawn up to give a true and fair view of the financial position of the Company as at year end and the financial performance, changes in equity and cash flows of the Company for the year ended on that date. However, as described in the Basis for Adverse Opinion section of our report, we have modified our opinion on these financial statements for the reasons described in that section.

Responsibilities of management and directors for the financial statements

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

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

AEV International Pte. Ltd.

**Independent auditor's report
For the financial year ended 31 December 2020**

Independent auditor's report to the member of AEV International Pte. Ltd.

Auditor's responsibilities for the audit of the financial statements (cont'd)

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

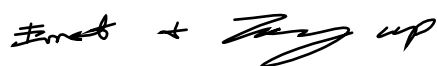
We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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

Report on other legal and regulatory requirements

In our opinion, because of the significance of the matters described in the Basis for Adverse Opinion paragraph, the accounting and other records required by the Act to be kept by the Company have not been properly kept in accordance with the provisions of the Act.

The engagement partner on the audit resulting in this independent auditor's report is Tan Boon Leong.



Ernst & Young LLP
Public Accountants and
Chartered Accountants
Singapore
29 June 2021

AEV International Pte. Ltd.

**Statement of comprehensive income
For the year ended 31 December 2020**

	Note	2020 USD	2019 USD
Income			
Dividend income	6	13,000,000	–
Interest income	7, 8,12	2,954,003	1,923
Income from interest rate swap	13	–	91,378
		15,954,003	93,301
Expenses			
Interest expenses	4,10,13	(22,779,277)	(9,032,728)
Professional fees		(69,387)	(29,847)
Bank charges		(1,612)	(22,644)
Foreign exchange loss		(1,594)	(4,662)
Licenses		(643)	(643)
Salaries		–	(65,709)
		(22,852,513)	(9,156,233)
Loss before taxation			
		(6,898,510)	(9,062,932)
Taxation	5	–	–
Loss for the year			
		(6,898,510)	(9,062,932)
Other comprehensive (loss)/income for the year	13	(4,735,750)	917,021
Loss for the year, representing total comprehensive loss for the year			
		(11,634,260)	(8,145,911)

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

AEV International Pte. Ltd.

Balance sheet
As at 31 December 2020

	Note	31 December 2020 USD	31 December 2019 USD	1 January 2019 USD
Non-current assets				
Investment in a subsidiary	6	488,807,805	488,307,805	367,507,805
Other non-current assets		–	206,068	–
		488,807,805	488,513,873	367,507,805
Current assets				
Cash and cash equivalents	7	1,260,945	226,124	626,222
Short-term deposits	8	208,443,891	–	–
Amounts due from related companies	12	39,277,686	–	–
Other receivables		321,262	–	–
Derivative assets	13	–	1,008,398	–
		249,303,784	1,234,522	626,222
Current liabilities				
Other payables	9	8,445,077	1,303,837	117,151
Derivative liabilities	13	4,062,123	–	–
		12,507,200	1,303,837	117,151
Net current assets/(liabilities)		236,796,584	(69,315)	509,071
Non-current liability				
Long-term debts	10	618,907,921	220,113,830	219,311,452
Net assets		106,696,468	268,330,728	148,705,424
Equity				
Share capital	11	132,246,216	282,246,216	154,475,001
Accumulated loss		(21,731,019)	(14,832,509)	(5,769,577)
Other comprehensive (loss)/income		(3,818,729)	917,021	–
Total equity		106,696,468	268,330,728	148,705,424

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

AEV International Pte. Ltd.

**Statement of changes in equity
For the year ended 31 December 2020**

	Share capital (Note 11) USD	Accumulated loss USD	Other comprehensive (loss)/income USD	Total equity USD
Balance as at 1 January 2019	154,475,001	(5,769,577)	–	148,705,424
Loss for the year	–	(9,062,932)	–	(9,062,932)
<u>Other comprehensive income</u>				
Unrealized gain on cashflow hedge (Note 13)	–	–	917,021	917,021
Total comprehensive (loss)/income for the year	–	(9,062,932)	917,021	(8,145,911)
Issuance of preference shares (Note 11)	127,771,215	–	–	127,771,215
Balance as at 31 December 2019 and 1 January 2020	282,246,216	(14,832,509)	917,021	268,330,728
Loss for the year	–	(6,898,510)	–	(6,898,510)
<u>Other comprehensive loss</u>				
Unrealized loss on cashflow hedge (Note 13)	–	–	(4,735,750)	(4,735,750)
Total comprehensive loss for the year	–	(6,898,510)	(4,735,750)	(11,634,260)
Redemption of preference shares (Note 11)	(150,000,000)	–	–	(150,000,000)
Balance as at 31 December 2020	132,246,216	(21,731,019)	(3,818,729)	106,696,468

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

AEV International Pte. Ltd.

Statement of cash flows
For the year ended 31 December 2020

	Note	2020 USD	2019 USD
Operating activities			
Loss before taxation		(6,898,510)	(9,062,932)
Adjustments for:			
Interest expense	4,10,13	22,779,277	9,032,728
Dividend income	6	(13,000,000)	–
Interest income	7, 8,12	(2,954,003)	(1,923)
Income from interest rate swaps	13	–	(91,378)
Operating cash flows before changes in working capital		(73,236)	(123,505)
Changes in other payables		(81,921)	69,301
Net cash flows used in operations		(155,157)	(54,204)
Interest received		2,605,055	1,923
Net cash flows generated from/(used in) operating activities		2,449,898	(52,281)
Cash flows from investing activities			
Dividend received	6	13,000,000	–
Increase in short-term deposits	8	(208,443,891)	–
Loans to related parties	12	(39,250,000)	–
Increase investment in a subsidiary	6	(500,000)	(120,800,000)
Net cash flows used in investing activities		(235,193,891)	(120,800,000)
Cash flows from financing activities			
Proceeds from issuance of long-term debts	10	400,000,000	–
Redemption of preference shares	11	(150,000,000)	–
Interest paid		(14,272,025)	(7,112,964)
Transaction costs incurred for securing long-term debt	10	(1,949,161)	(206,068)
Proceeds from issuance of redeemable preference shares	11	–	127,771,215
Net cash flows generated from financing activities		233,778,814	120,452,183
Net increase/(decrease) in cash and cash equivalents		1,034,821	(400,098)
Cash and cash equivalents at beginning of the year		226,124	626,222
Cash and cash equivalents at the end of the year	7	1,260,945	226,124

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

1. Corporate information

AEV International Pte. Ltd. (the "Company") is a private limited company which is domiciled and incorporated in Singapore. The holding company of the Company is Aboitiz Equity Ventures, Inc. ("AEV"), a publicly-listed company in the Philippine Stock Exchange.

The registered office of the Company is located at 47 Scotts Road #16-01/02 Goldbell Towers Singapore 228233.

The principal activity of the Company is to carry on the business of an investment holding company. The principal activity of its subsidiary is stated in Note 6 to the financial statements.

2. Summary of significant accounting policies

2.1 Basis of preparation

Except as mentioned in Note 2.4, the financial statements of the Company are prepared in accordance with Singapore Financial Reporting Standards (International) ("SFRS(I)").

For all periods up to and including the year ended 31 December 2019, the Company prepared its financial statements in accordance with Singapore Financial Reporting Standards (FRS). These financial statements for the year ended 31 December 2020 are the first the Company has prepared in accordance with SFRS(I). The adoption of SFRS(I) has no impact on the Company's financial performance or position. Refer to Note 2.2 for information on how the Company adopted SFRS(I).

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

The financial statements are presented in United States Dollar (USD), unless otherwise stated.

2.2 Change in accounting policies

First-time adoption of SFRS(I)

The financial statements for the year ended 31 December 2020 are the first the Company has prepared in accordance with SFRS(I). Accordingly, the Company has prepared financial statements that comply with SFRS(I) applicable as at 31 December 2020, together with the comparative period data for the year ended 31 December 2019. On preparing the financial statements, the Company's opening balance sheet was prepared as at 1 January 2019, the Company's date of transition to SFRS(I).

2. Summary of significant accounting policies (cont'd)

2.2 Change in accounting policies (cont'd)

New accounting standards effective 1 January 2020

The accounting policies adopted are consistent with those previously applied under FRS except that in current financial year, the Company adopted all the SFRS(I) which are effective for annual financial periods beginning on or after 1 January 2020. Except for the impact assessment on the amendments to SFRS(I) 9, SFRS(I) 1-39, and SFRS(I) 7 as described below, the adoption of these standards did not have any material effect on the financial performance or position of the Company in the current or prior periods.

Amendments to SFRS(I) 9, SFRS(I) 1-39, SFRS(I) 7 Interest Rate Benchmark Reform

The amendments to SFRS(I) 9 provide a number of reliefs, which apply to all hedging relationships that are directly affected by the interest rate benchmark reform. A hedging relationship is affected if the reform gives rise to uncertainties about the timing and or amount of benchmark-based cash flows of the hedged item or the hedging instrument.

The Company adopted the amendments starting 1 January 2020 and availed the reliefs covered by the amendments. The table below indicates the nominal amount and weighted average maturity of derivatives in hedging relations that will be affected by interbank offered rate (IBOR) reform as financial instruments transition to risk-free interest rates (RFRs), analysed by interest rate basis. The derivative hedging instruments provide a close approximation to the extent of the risk exposure the Company manages through hedging relationships.

Interest rate swaps	Nominal Amount	Maturity (years)
USD LIBOR (3 months)	\$114 million	2.60

The Company's treasury function is managing the Company's LIBOR transition plan. The greatest change will be amendments to the contractual terms of the LIBOR-referenced floating-rate debt and the associated swap and the corresponding update of the hedge designation. However, the changed reference rate may also affect other systems, processes, risk and valuation models, as well as having tax and accounting implications.

The Company has applied the following reliefs that were introduced by the amendments:

- When considering the 'highly probable' requirement, the Company has assumed that the LIBOR interest rate on which the Company's hedged debt is based does not change as a result of IBOR reform;
- In assessing whether the hedge is expected to be highly effective on a forward-looking basis the Company has assumed that the LIBOR interest rate on which the cash flows of the hedged debt and the interest rate swap that hedges it are based is not altered by the IBOR reform; and
- The Company has not recycled the cash flow hedge reserve relating to the period after the reforms are expected to take effect.

2. Summary of significant accounting policies (cont'd)

2.2 Change in accounting policies (cont'd)

In calculating the change in fair value attributable to the hedged risk of floating-rate debt, the Company has made the following assumptions that reflect its current expectations:

- The floating-rate debt will move to RFRs subsequently and the spread will be similar to the spread included in the interest rate swap used as the hedging instrument; and
- No other changes to the terms of the floating-rate debt are anticipated.

2.3 Standards issued but not yet effective

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

Description	Effective for annual periods beginning on or after
Amendments to SFRS(I) 9, SFRS(I) 1-39, SFRS(I) 7, SFRS(I) 4, SFRS(I) 16 - <i>Interest Rate Benchmark Reform - Phase 2</i>	1 January 2021
Reference to Conceptual Framework – <i>Amendments to SFRS(I) 3</i>	1 January 2022
Amendments to SFRS(I) 1-16 - <i>Property, Plant and Equipment - Proceeds before Intended Use</i>	1 January 2022
Onerous Contracts - Costs of Fulfilling a Contract - <i>Amendments to SFRS(I) 1- 37</i>	1 January 2022
SFRS(I) 1 <i>First-time Adoption of International Financial Reporting Standards - Subsidiary as a first-time adopter</i>	1 January 2022
SFRS(I) 9 Financial Instruments - <i>Fees in the '10 per cent' test for derecognition of financial liabilities</i>	1 January 2022
Annual Improvement to SFRS(I)s 2018-2020	1 January 2022
SFRS(I) 17 <i>Insurance Contracts</i>	1 January 2023
Amendment to SFRS(I) 1-1 - <i>Classification of Liabilities as Current or Non-current</i>	1 January 2023
Amendments to SFRS(I) 10 and SFRS(I) 1-28: <i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i>	Date to be determined

The directors expect that the adoption of the standards above will have no material impact on the financial statements in the period of initial application.

2.4 Basis of consolidation

The Company has not prepared a set of consolidated financial statements of the Company and its subsidiaries as the directors are of the view that the benefits outweigh the costs and effort involved and that the holding company has prepared consolidated financial statements that includes the Company and its subsidiaries that are available for public use. The non-preparation of consolidated financial statements is not in accordance with Singapore Financial Reporting Standards (International) (SFRS(I)) 10 *Consolidated Financial Statements*.

2. Summary of significant accounting policies (cont'd)

2.5 Foreign currency

The financial statements are presented USD, which is the Company's functional and presentation currency.

Transactions in foreign currencies are measured in the functional currency of the Company and are recorded on initial recognition in the functional currencies at exchange rates approximating those ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the end of the reporting period. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured.

Exchange differences arising on the settlement of monetary items or on translating monetary items at the end of the reporting period are recognised in profit or loss.

2.6 Financial instruments

(a) Financial assets

Initial recognition and measurement

Financial assets are recognised when, and only when, the Company becomes a party to the contractual provisions of the financial instrument. The Company determines the classification of its financial assets at initial recognition.

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

Subsequent measurement

Investments in debt instruments at amortised cost

Financial assets that are held for the collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Financial assets are measured at amortised cost using effective interest method, less impairment. Gains and losses are recognised in profit or loss when the assets are derecognised or impaired, and through amortisation process.

2. Summary of significant accounting policies (cont'd)

2.6 Financial instruments (cont'd)

(a) Financial assets (cont'd)

Financial assets at fair value through other comprehensive income (FVOCI)

A financial asset is measured at FVOCI if (i) it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and (ii) its contractual terms give rise on specified dates to cash flows that are Solely Payments of Principal and Interest (SPPI) on the principal amount outstanding. These financial assets are initially recognised at fair value plus directly attributable transaction costs and subsequently measured at fair value. Gains and losses arising from changes in fair value are included in other comprehensive income (OCI) within a separate component of equity. Impairment losses or reversals, interest income and foreign exchange gains and losses are recognised in profit and loss until the financial asset is derecognised. Upon derecognition, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss. This reflects the gain or loss that would have been recognised in profit or loss upon derecognition if the financial asset had been measured at amortised cost. Impairment is measured based on the expected credit loss (ECL) model.

Amounts recognised in OCI are not subsequently transferred to profit or loss. However, the Company may transfer the cumulative gain or loss within equity. Dividends on such investments are recognised in profit or loss, unless the dividend clearly represents a recovery of part of the cost of the investment.

Fair value through profit or loss

Assets that do not meet the criteria for amortised cost or FVOCI are measured at fair value through profit or loss. A gain or loss on a debt instruments that is subsequently measured at fair value through profit or loss and is not part of a hedging relationship is recognised in profit or loss in the period in which it arises.

Derecognition

A financial asset is derecognised where the contractual right to receive cash flows from the asset has expired. On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received and any cumulative gain or loss that had been recognised in OCI is recognised in profit or loss.

(b) Financial liabilities

Initial recognition and measurement

Financial liabilities are recognised when, and only when, the Company becomes a party to the contractual provisions of the financial instrument. The Company determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value plus, in the case of financial liabilities not at fair value through profit and loss, directly attributable transaction costs.

2. Summary of significant accounting policies (cont'd)

2.6 Financial instruments (cont'd)

(b) Financial liabilities (cont'd)

Subsequent measurement

After initial recognition, financial liabilities are subsequently measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the amortisation process.

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. On derecognition, the difference between the carrying amounts and the consideration paid is recognised in profit or loss.

(c) Derivatives

Derivative financial instruments, including embedded derivatives, are initially recognised at fair value on the date in which a derivative transaction is entered into or bifurcated, and are subsequently remeasured at fair value through profit or loss (FVTPL), unless designated as effective hedge. Changes in fair values of derivative instruments not accounted as hedges are recognised immediately in profit or loss. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

The Company assesses whether embedded derivatives are required to be separated from host contracts when the Company first becomes party to the contract. An embedded derivative is separated from the host financial or nonfinancial contract and accounted for as a derivative if all of the following conditions are met:

- the economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics of the host contract;
- a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and
- the hybrid or combined instrument is not recognized as at FVTPL.

Reassessment only occurs if there is a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required.

Embedded derivatives that are bifurcated from the host contracts are accounted for either as financial assets or financial liabilities at FVTPL.

The Company uses derivative financial instruments, such as interest rate swap, to hedge its interest rate risks.

At the inception of a hedge relationship, the Company formally designates and documents the hedge relationship to which it wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge.

2. Summary of significant accounting policies (cont'd)

2.6 Financial instruments (cont'd)

(c) Derivatives (cont'd)

The documentation includes identification of the hedging instrument, the hedged item, the nature of the risk being hedged and how the Company will assess whether the hedging relationship meets the hedge effectiveness requirements (including the analysis of sources of hedge ineffectiveness and how the hedge ratio is determined).

A hedging relationship qualifies for hedge accounting if it meets all of the following effectiveness requirements:

- There is 'an economic relationship' between the hedged item and the hedging instrument.
- The effect of credit risk does not 'dominate the value changes' that result from that economic relationship.
- The hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Company actually hedges and the quantity of the hedging instrument that the Company actually uses to hedge that quantity of hedged item.

The Company's hedge that meets all the qualifying criteria for hedge accounting is accounted for, as described below:

Cash flow hedges

The Company accounts for its interest rate swap agreement as cash flow hedge.

Cash flow hedges are hedges of the exposure to variability in cash flows that are attributable to a particular risk associated with a recognized asset, liability or a highly probable forecast transaction. The effective portion of the gain or loss on the hedging instrument is recognized in OCI, while the ineffective portion is recognized in profit or loss.

Amounts taken to OCI are transferred to profit or loss when the hedged transaction affects profit or loss, such as when hedged financial income or expense is recognized or when a forecast sale or purchase occurs. Where the hedged item is the cost of a non-financial asset or liability, the amounts taken to OCI are transferred to the initial carrying amount of the non-financial asset or liability.

If cash flow hedge accounting is discontinued, the amount that has been accumulated in OCI must remain in OCI if the hedged future cash flows are still expected to occur. Otherwise, the amount will be immediately reclassified to profit or loss as a reclassification adjustment. After discontinuation, once the hedged cash flow occurs, any amount remaining in OCI must be accounted for depending on the nature of the underlying transaction as described above.

2. Summary of significant accounting policies (cont'd)

2.7 *Impairment of financial assets*

The Company recognises an allowance for ECL for all debt instruments not held at fair value through profit or loss and financial guarantee contracts. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognised in two stages. For credit exposures or which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL).

For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is recognised for credit losses expected over the remaining life of the exposure, irrespective of timing of the default (a lifetime ECL).

2.8 *Investment in a subsidiary*

A subsidiary is an investee that is controlled by the Company. The Company controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Investment in subsidiary is accounted for at cost less impairment losses.

2.9 *Impairment of non-financial assets*

The Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when an annual impairment testing for an asset is required, the Company makes an estimate of the asset's recoverable amount.

An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs of disposal and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows expected to be generated by the asset are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used.

Impairment losses of continuing operations are recognised in profit or loss.

2. Summary of significant accounting policies (cont'd)

2.9 Impairment of non-financial assets (cont'd)

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Company estimates the asset's or cash-generating unit's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increase cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised previously. Such reversal is recognised in profit or loss.

2.10 Revenue recognition

Revenue is measured based on the consideration to which the Company expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties.

Revenue is recognised when the Company satisfies a performance obligation by transferring a promised good or service to the customer, which is when the customer obtains control of the good or service. A performance obligation may be satisfied at a point in time or over time. The following specific recognition criteria must also be met before revenue is recognised.

2.11 Cash and cash equivalents

Cash and cash equivalents comprises cash at bank and other short-term highly liquid investments which are subject to an insignificant risk of changes in value. These earn interest at the respective bank deposit rates.

2.12 Short-term deposits

Short-term deposits are fixed-term deposits with maturities of less than one year from dates of acquisition. These earn interest at the respective bank deposit rates.

2.13 Share capital

Proceeds from issuance of ordinary shares are recognised as share capital in equity. Incremental costs directly attributable to the issuance of ordinary shares are deducted against share capital, net of any tax effects.

2.14 Taxes

(a) Current income tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantially enacted at the end of the reporting period, in the countries where the Company operates and generates taxable income.

Current income taxes are recognised in profit or loss. 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.

2. Summary of significant accounting policies (cont'd)

2.14 Taxes (cont'd)

(b) *Deferred income tax*

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

Deferred income tax liabilities are recognised for all temporary differences, except where the deferred tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

Deferred income tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised except, where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

The carrying amount of deferred income tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised. Unrecognised deferred income tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be utilised.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the end of each reporting period.

2.15 Contingencies

A contingent liability is:

- (a) a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Company; or
- (b) a present obligation that arises from past events but is not recognised because:
 - (i) It is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or
 - (ii) The amount of the obligation cannot be measured with sufficient reliability.

2. Summary of significant accounting policies (cont'd)

2.15 Contingencies (cont'd)

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Company.

Contingent liabilities and assets are not recognised on the balance sheet of the Company, except for contingent liabilities assumed in a business combination that are present obligations and which the fair values can be reliably determined.

2.16 Segment Reporting

The Company's operating businesses are recognized and managed according to the nature of the services offered, with each segment representing a strategic business unit that serves different markets.

3. Significant accounting judgements and estimates

The preparation of the Company's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities at the end of each reporting date. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in the future periods.

3.1 Judgements made in applying accounting policies

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

Impairment of investment in a subsidiary

The Company assesses at each reporting date whether there is an indication that an investment in a subsidiary may be impaired. An impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. The value in use calculations are based on a discounted cash flow models. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash inflows. The key assumptions applied in the determination of the value in use are disclosed and further explained in Note 6 to the financial statements.

The carrying amount of the Company's investment in a subsidiary at the end of the reporting period is disclosed in Note 6 to the financial statements.

Notes to the financial statements
For the financial ended 31 December 2020

4. Interest expense

	2020 USD	2019 USD
Long-term debts		
- Bond	16,240,000	–
- Loan	4,929,578	8,230,350
Amortisation of transaction costs		
- Bond	172,139	–
- Loan	807,523	802,378
	<u>22,149,240</u>	<u>9,032,728</u>

5. Taxation

Relationship between tax expense and accounting loss

A reconciliation between tax expense and product of accounting loss multiplied by the applicable corporate tax rate for the financial years ended 31 December 2020 and 2019 is as follows:

	2020 USD	2019 USD
Loss before taxation	<u>(6,898,510)</u>	<u>(9,062,932)</u>

Relationship between tax expense and accounting loss (cont'd)

	2020 USD	2019 USD
Tax at statutory rate of 17% (2019: 17%)	(1,172,747)	(1,540,698)
Adjustments:		
Non-deductible expenses	3,884,927	1,545,388
Income not subjected to tax	(2,712,180)	(15,861)
Deferred tax assets not recognised	–	11,171
Income tax expense recognised in profit or loss	<u>–</u>	<u>–</u>

As at 31 December 2020, the Company has unutilised tax losses amounting to approximately USD129,149 (2019: USD129,149), that are available for offset against future taxable profits of the Company. The use of these tax losses is subject to the agreement of the tax authority and compliance with certain provisions of the tax legislation.

6. Investment in a subsidiary

	31 December 2020 USD	31 December 2019 USD	1 January 2019 USD
Unquoted shares, at cost	488,807,805	488,307,805	367,507,805

Details of the subsidiary entities as at 31 December are as follows:

Name of company (Country of incorporation)	Principal activity	Percentage of equity held by the Company	
		2020	2019
<i>Held by the Company</i>			
Pilmico International Pte. Ltd. (PIPL; Singapore)	Investment Holding	100%	100%
<i>Held by PIPL</i>			
Gold Coin Management Holdings Pte. Ltd. (GCMH; formerly Gold Coin Management Holdings Limited)	Food Manufacturing	100%	100%
Pilmico Vietnam Company Limited	Food Manufacturing	100%	100%
Abaqa International Pte Ltd. (formerly Comfez Pte. Ltd.)	Trading Company	100%	–

On 29 January 2020, the Company made additional capital injection to PIPL amounting to USD500,000 (2019: USD120,800,000).

On 7 July 2020, the Company received USD13,000,000 (2019: Nil) dividend from its investment in PIPL.

In 2020, the Company has determined that an impairment test has to be performed on its investment in a subsidiary because of certain impairment indicators noted. In performing an impairment test calculation, the Company determined the recoverable amount of the investment through value-in-use (VIU). VIU is derived based on financial budgets prepared by the senior management covering the operations of the companies under PIPL.

The following describes each key assumption on which management has based its cash flow projections to undertake the impairment testing of investment in a subsidiary:

Discount rates and growth rates

Discount rate reflects the management's estimate of risks applicable to the investment in a subsidiary. The discount rate applied to the cash flow projections are from 7.19% to 20.67% in 2020 (2019: 10.20% to 16.82%), cash flows beyond the five-year period are extrapolated using a zero percent growth rate.

6. Investment in a subsidiary (cont'd)

Sales assumptions

Sales assumptions in 2020 are based on forecasted increase in animal feeds sales (13.00% in 2021, 8.00% in 2022 and 2023, 6.00% in 2024 and 2025 (2019: 19.00% in 2020, 10.00% in 2021 to 2023 and 8.00% in 2024).

Materials price inflation

In 2020, the assumption used to determine the value assigned to the materials price inflation is 2.50% in 2021, and settles at 3.00% for the next 4 years until 2025. The starting point of 2021 is consistent with external information sources (3.30% in 2020, 3.20% in 2021 and settles at 3.00% for the next 3 years until 2024).

With regards to the assessment of value in use for the investment in a subsidiary, management believes that no reasonably possible changes in any of the above key assumptions would cause the carrying value of the investment in a subsidiary to materially exceed its recoverable amount.

7. Cash and cash equivalents

Cash and cash equivalents comprise the following balance sheet amount:

	31 December 2020 USD	31 December 2019 USD	1 January 2019 USD
Cash in banks	1,260,945	226,124	626,222

Cash in banks earn interest at floating rates based on daily bank deposit rates.

Interest income earned from cash and cash equivalents for the year then ended amounted to USD1,295,001 (2019: Nil).

8. Short-term deposits

As at 31 December 2020, the Company also has deposits of USD208,443,891 (2019: Nil) with original maturities of more than three months to one year from date of acquisition and earn interest at the prevailing short-term deposit rates.

Interest income earned from short-term deposits for the year then ended amounted to USD1,566,378 (2019: Nil).

Notes to the financial statements
For the financial ended 31 December 2020

9. Other payables

	31 December 2020	31 December 2019	1 January 2019
	USD	USD	USD
Interest payable	8,374,439	1,181,621	69,054
Withholding tax payable	17,181	37,986	33,168
Others	53,457	84,230	14,929
	8,445,077	1,303,837	117,151

Others pertain to accruals of professional fees.

10. Long-term debts

Long-term debts consist of fixed rate USD bond and syndicated loan facility obtained from financial institutions, as follows:

	31 December 2020	31 December 2019	1 January 2019
	USD	USD	USD
Long-term debts			
- Bond	397,986,568	—	—
- Loan	220,921,353	220,113,830	219,311,452
	618,907,921	220,113,830	219,311,452

Fixed rate USD bond

On 16 January 2020, the Company issued a USD bond amounting to USD400,000,000 to be used for the reimbursement of funding the Company received for the acquisition of GCMH, proposed offshore investments and for general corporate purposes. The bond bears a fixed interest rate of 4.20% payable semi-annually and will mature in ten (10) years. The USD bond are payable in full on 16 January 2030 with an optional redemption from year 5 onwards. The USD bond is listed on the Singapore Exchange.

Total interest expense on this bond presented in the statement of comprehensive income amounted to USD16,412,139. Amortised transaction cost is recorded as part of interest expense.

Non-cash financing activity

Transaction costs paid in 2020 amounted to USD1,949,161 (2019: USD206,068). Unpaid transaction costs amounted to USD30,340 as at 31 December 2020.

Notes to the financial statements
For the financial ended 31 December 2020

10. Long-term debts (cont'd)

Floating rate USD bank loan

On 20 July 2018, the Company availed of a syndicated loan facility amounting to USD338,000,000. The proceeds of the loan were used to make additional capital injection to PIPL to finance the acquisition of 75% equity interest in GCMH. The loan bears a floating interest rate ranging from 1.41% to 3.13% in 2020 (2019: 3.13% to 3.72%) based on applicable spread over LIBOR and will mature in five (5) years. The loan is payable in full on 20 July 2023.

On 28 December 2018, the Company made a partial loan repayment of USD115,000,000.

Total interest expense on this loan presented in the statement of comprehensive income amounted to USD5,737,101 (2019: USD9,032,728). Amortised transaction cost is recorded as part of interest expense.

The bonds and loans are unconditionally and irrevocably guaranteed by AEV.

Changes in liabilities arising from financing activities

A reconciliation of liabilities arising from financing activities is as follows:

	Beginning of the financial year USD	Net Cash Flows USD	Non-cash Changes USD	End of the financial year USD
2020				
Long-term debts:				
Bond	–	398,050,839	(64,271)	397,986,568
Loan	220,113,830	–	807,523	220,921,353
	<u>220,113,830</u>	<u>398,050,839</u>	<u>743,252</u>	<u>618,907,921</u>
2019				
Long-term debts:				
Loan	219,311,452	–	802,378	220,113,830
	<u>219,311,452</u>	<u>–</u>	<u>802,378</u>	<u>220,113,830</u>

Notes to the financial statements
For the financial ended 31 December 2020

11. Share capital

	Ordinary shares		Preference shares		Total USD
	No. of shares	USD	No. of shares	USD	
Issued and fully paid:					
As at 1 January 2019	19,975,001	19,975,001	134,500,000	134,500,000	154,475,001
Issuance	–	–	127,771,215	127,771,215	127,771,215
As at 31 December 2019 and 1 January 2020	19,975,001	19,975,001	262,271,215	262,271,215	282,246,216
Redemption	–	–	(150,000,000)	(150,000,000)	(150,000,000)
As at 31 December 2020	19,975,001	19,975,001	112,271,215	112,271,215	132,246,216

Issued ordinary shares

The holders of ordinary shares are entitled to receive dividends as and when declared by the Company. All ordinary shares carry one vote per share without restrictions and have no par value.

Issued redeemable preference shares

The redeemable preference shares rank *pari passu* with the ordinary shares except in the event of liquidation of the Company whereby the holder of the redeemable preference shares have priority in repayment of capital over the holder of ordinary shares.

The holders of redeemable preference shares are entitled to one vote per share as if redeemable preference shares were ordinary shares. The holders of the redeemable preference shares have right to dividend as determined by the Company in a general meeting in accordance with the articles and shall not have the right to convert any issued redeemable preference shares to ordinary shares.

The Company shall have the right at any time or times to redeem the whole or any part of the redeemable preference shares for the time being issued and outstanding upon giving to the holders of the redeemable preference shares prior notice in writing.

During the financial year, the Company redeemed 150,000,000 preference shares amounting to USD150,000,000.

During 2019, the Company issued 127,771,215 preference shares amounting to USD127,771,215 to AEV, which were fully paid as at year end.

Notes to the financial statements
For the financial ended 31 December 2020

12. Related party transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence.

Except for the related party information disclosed below and elsewhere in the financial statements, no other significant transactions between the Company and related parties took place during the period.

The summary of significant transactions and account balances with related parties are summarized as follows:

Related parties	2020		2019	
	Transactions during the financial year USD	Amounts due from related companies USD	Transactions during the financial year USD	Amounts due from related companies USD
<i>Subsidiaries</i>				
GCMH	24,700,000	24,700,000	—	—
Abaqa International Pte. Ltd. (Abaqa International)	14,000,000	14,000,000	—	—
<i>Entity under common control</i>				
AboitizPower International Pte. Ltd. (AP International)	550,000	550,000	—	—
Total	39,250,000	39,250,000	—	—

In September and December 2020, the Company extended interest-bearing notes receivables with a repayment term of 360 days to GCMH amounting to USD24,700,000. Annual interest on these notes receivable is 1.24% in 2020.

In August 2020, the Company also extended interest-bearing note receivable with a term of 360 days to Abaqa International amounting to USD14,000,000. Annual interest on this note receivable is 1.06% in 2020.

In January 2020, the Company extended interest-bearing notes receivable from AP International amounting to USD550,000. The note provides that principal is payable in full on 28 February 2020 but may be extended by a period of ninety (90) days, or such number of days as mutually agreed by the parties. Interest is repriced and paid on a monthly basis and is equivalent to a 30-day LIBOR plus margin of 70 basis points. Annual interest ranges from 0.85% to 2.35% in 2020.

Interest income

The Company earned interest on loans from its related parties amounting to USD92,624 in 2020 (2019: USD1,923), of which USD27,686 remains outstanding as at 31 December 2020.

13. Fair value of financial instruments

Fair value is defined as the amount at which the instrument could be exchanged in a current transaction between knowledgeable willing parties in an arm's length transaction, other than in a forced or liquidation sale.

(a) Fair value hierarchy

The Company categorises fair value measurements using a fair value hierarchy that is dependent on the valuation inputs used as follows:

- Level 1 – Quoted prices (unadjusted) in active market for identical assets or liabilities that the Company can access at the measurement date;
- Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and
- Level 3 – Unobservable inputs for the asset or liability.

Fair value measurements that use inputs of different hierarchy levels are categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

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

Cash and cash equivalents, short-term deposits, amounts due from related companies, other receivables and other payables

The carrying amounts approximate fair values due to the relatively short-term nature of these financial instruments.

Derivative assets and liabilities

Interest rate swaps (IRS)

In August 2019, the Company entered into an IRS agreement effective 31 October 2019 to fully hedge its floating rate exposure on its USD-denominated loan. Under the interest rate swap agreement, the Company, on a quarterly basis, pays a fixed rate of 1.464% per annum and receives variable interest at 3-month LIBOR plus margin, subject to a floor of 0% on LIBOR. The interest payments and receipts are based on the outstanding USD notional amount simultaneous with the interest payments on the hedged loan. Similar with the hedged loan, the IRS has amortizing notional amounts which cover a period up to final maturity. The Company designated the swap as a cash flow hedge.

The outstanding notional amount as a result of this agreement amounting to USD75,000,000 (2019: USD75,000,000) and derivative liabilities amounting to USD2,694,757 (2019: Derivative assets amounting to USD634,816).

13. Fair value of financial instruments (cont'd)

(a) Fair value hierarchy (cont'd)

Derivative assets and liabilities (cont'd)

Interest rate swaps (IRS) (cont'd)

In September 2019, the Company entered into an IRS agreement effective 31 October 2019 to fully hedge its floating rate exposure on its USD-denominated loan. Under the interest rate swap agreement, the Company, on a quarterly basis, pays a fixed rate of 1.435% per annum and receives variable interest at 3-month LIBOR plus margin, subject to a floor of 0% on LIBOR. The interest payments and receipts are based on the outstanding USD notional amount simultaneous with the interest payments on the hedged loan. Similar with the hedged loan, the IRS has amortizing notional amounts which cover a period up to final maturity. The Company designated the swap as a cash flow hedge.

The outstanding notional amount and derivative assets as a result of this agreement amounted to USD39,000,000 (2019: USD39,000,000) and derivative liabilities amounting to USD1,367,366 in 2020 (2019: Derivative assets amounting to USD373,582).

The Company uses income approach in determining fair value. The fair value of these derivative liabilities totalling to USD4,062,123 (2019: Derivative assets amounting to USD1,008,398) is derived from the counterparty bank's which considers the use of market observable valuation inputs. This fair value determination is under Level 2 of the fair value hierarchy.

In 2020, the Company recognised the difference between the fixed and floating interest on the interest rate swap amounting to USD630,037 as part of interest expense. The Company recognised income from interest rate swap amounting to USD91,378 in 2019, which represents the difference between the fixed and floating interest.

The Company also recognised unrealized fair value loss amounting to USD4,735,750 (2019: Unrealized fair value gain amounting to USD917,021) in Other Comprehensive Income.

Long-term debts

The carrying amount of the Company's fixed rate USD bond and floating rate USD bank loan as at 31 December 2020 amounted to USD397,986,568 (2019: Nil) and USD220,921,353 (2019: USD220,113,830), respectively, while the corresponding fair value as at 31 December 2020 amounted to USD412,376,000 (2019: Nil) and USD218,742,714 (2019: USD228,588,615), respectively.

The fair values of fixed rate USD bond is based on the quoted market price with a yield of 3.79% as of 31 December 2020 and the fair value of the floating USD bank loan is determined based on Level 3 inputs using discounted value of expected future cash flows with reference to prevailing market rates. Discount rates used as at 31 December 2020 range from 2.19% to 2.20% (2019: 2.14% to 2.20%).

14. Financial risk management objectives and policies

The Company is exposed to financial risks arising from its operations and the use of financial instruments. The key financial risks include credit risk, liquidity risk and interest rate risk. The Board of Directors reviews and agrees policies and procedures for the management of these risks.

The following sections provide details regarding the Company's exposure to the above-mentioned financial risks and the objectives, policies and processes for the management of these risks.

(a) Credit risk

Credit risk is the risk of loss that may arise on outstanding financial instruments should a counterparty default on its obligations. The Company minimises credit risk by dealing exclusively with high credit rating counterparties.

The Company has no significant concentration of credit risk. The Company has policies in place to ensure that transactions are entered into only with counterparties that are of acceptable credit quality.

The maximum exposure to credit risk is represented by the net carrying amount of financial assets recorded in the financial statements.

(b) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting financial obligations due to shortage of funds. The Company's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities.

The Company monitors its liquidity risk and maintains a level of cash deemed adequate by management to finance the Company's operation and to mitigate the effects of fluctuations in cash flows. In the events of insufficient cash, the holding Company will transfer cash to the Company for it to meet its obligations.

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14. Financial risk management objectives and policies (cont'd)

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

Analysis of financial instruments by remaining contractual maturities

The table below summarises the maturity profile of the Company's financial assets and liabilities at the reporting date based on contractual undiscounted repayment obligations.

2020	One year or less USD	One to five years USD	More than five years USD	Total USD
Financial assets				
Cash and cash equivalents	1,260,945	–	–	1,260,945
Short-term deposits	208,443,891	–	–	208,443,891
Amounts due from related companies	39,277,686	–	–	39,277,686
Other receivables	321,262	–	–	321,262
Total undiscounted financial assets	249,303,784	–	–	249,303,784
Financial liabilities				
Other payables	8,445,077	–	–	8,445,077
Derivative liabilities	4,062,123	–	–	4,062,123
Long-term debts	19,380,753	295,994,312	471,400,000	786,775,065
Total undiscounted financial liabilities	31,887,953	295,994,312	471,400,000	799,282,265
Total undiscounted financial assets/(liabilities)	217,415,831	(295,994,312)	(471,400,000)	(549,978,481)

14. Financial risk management objectives and policies (cont'd)

(b) Liquidity risk (cont'd)

Analysis of financial instruments by remaining contractual maturities

2019	One year or less USD	One to five years USD	Total USD
Financial assets			
Cash and cash equivalents	226,124	–	226,124
Derivative assets	1,008,398	–	1,008,398
Total undiscounted financial assets	1,234,522	–	1,234,522
Financial liabilities			
Other payables	1,303,837	–	1,303,837
Derivative liabilities	–	–	–
Long-term debts	7,855,668	231,909,504	239,765,171
Total undiscounted financial liabilities	9,159,505	231,909,504	241,069,008
Total undiscounted financial liabilities	(7,924,983)	(231,909,504)	(239,834,486)

(c) Interest rate risk

Interest rate risk is the risk that arises when the interest rates fluctuates and directly affects the Company's profit or loss. The Company's exposure to interest rate risk relates primarily to its long-term debt with floating interest rate risk.

To mitigate the risk of unfavourable interest rate fluctuations, the Company entered into IRS agreements with various financial institutions.

15. Capital management

The primary objective of the Company's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximise shareholder value.

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

16. Segment reporting

SFRS(I) 8, *Operating Segments*, requires operating segments to be identified on the basis of internal reports about components of the Company that are regularly reviewed by the chief operating decision maker (CODM).

The Company determined that it only has one operating segment which is its food manufacturing segment.

The operating results from this segment is regularly being reviewed by the CODM. Revenues and expenses are measured and classified in accordance with SFRS(I)s thus, consistent with the presentation in the financial statements.

17. Events after balance sheet date

On 1 February 2021, the Company provided additional funds to AP International amounting to USD260,000 through issuance of 91-day promissory note.

The note provides that principal is payable in full on 3 May 2021 has been extended by a period of ninety (90) days as mutually agreed by the parties. Interest is equivalent to a 91-day LIBOR plus margin of 70 basis points.

18. Authorisation of financial statements

These financial statements for the year ended 31 December 2020 were authorised for issue in accordance with a resolution of the Directors dated 29 June 2021.