

Financial Statements
Hopespace Pte. Ltd.

31 December 2020

Company information

Company registration number	200008583R
Registered office	200 Jalan Sultan #04-24 Textile Centre Singapore 199018
Directors	Chan Wan Leng Pang Kiam Tat
Secretary	Kweok Choon Peng
Banker	Overseas-Chinese Banking Corporation Ltd
Independent auditor	Foo Kon Tan LLP Public Accountants and Chartered Accountants 24 Raffles Place, #07-03 Clifford Centre Singapore 048621

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Directors' statement for the financial year ended 31 December 2020

The directors submit this statement to the members together with the audited financial statements of the Company for the financial year ended 31 December 2020.

In the opinion of the directors,

- (a) the financial statements of the Company are drawn up so as to give a true and fair view of the financial position of the Company as at 31 December 2020 and the financial performance, changes in equity and cash flows of the Company for the year ended on that date in accordance with the provisions of the Singapore Companies Act, Chapter 50 (the "Act") and Singapore Financial Reporting Standards; and
- (b) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

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

Name of directors

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

Chan Wan Leng
Pang Kiam Tat

Arrangements to acquire shares or debentures

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

Directors' interests in shares or debentures

According to the Register of Directors' Shareholdings kept by the Company under Section 164 of the Act, the Directors who held office at the end of the financial year had no interests in the shares or debentures of the Company and its related corporations.

Share options

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

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

Hopespace Pte. Ltd.
Directors' statement for the financial year ended 31 December 2020

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Independent auditor

The independent auditor, Foo Kon Tan LLP, Public Accountants and Chartered Accountants, has expressed its willingness to accept re-appointment.



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CHAN WAN LENG



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PANG KIAM TAT

Dated: 2 June 2021

Independent auditor's report to the members of Hopespace Pte. Ltd.

Report on the Audit of the financial statements

Opinion

We have audited the accompanying financial statements of Hopespace Pte. Ltd. ("the Company"), which comprise the statement of financial position of the Company as at 31 December 2020, the statement of comprehensive income, 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 information.

In our opinion, the financial statements of the Company are properly drawn up in accordance with the provisions of the Companies Act, Chapter 50 (the "Act") and Financial Reporting Standards in Singapore ("FRSs") so as to give a true and fair view of the financial position of the Company as at 31 December 2020 and of the financial performance, changes in equity and cash flows of the Company for the financial year ended on that date.

Basis for opinion

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

Material Uncertainty Related to Going Concern

We draw your attention to Note 2.1 to the financial statements which state that as at 31 December 2020, the Company's accumulated losses has exceeded the paid-up capital by \$1,198,375 and the Company incurred a net loss of \$1,036,167 for the year. The financial statements have been prepared on a going concern basis as the Company has received letter of financial support from its holding company. If the financial support is not forthcoming, the Company may be unable to continue in operational existence for the foreseeable future, then 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 further liabilities which may arise. In forming our opinion, we have considered the adequacy of the disclosure of this matter in the financial statements. Our opinion is not modified in respect of this matter.

Independent auditor's report to the members of Hopespace Pte. Ltd. (Cont'd)

Other Information

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

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Director for the Financial Statements

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

Independent auditor's report to the members of Hopespace Pte. Ltd. (Cont'd)

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

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

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

Independent auditor's report to the members of Hopespace Pte. Ltd. (Cont'd)

Report on Other Legal and Regulatory Requirements

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



Foo Kon Tan LLP
Public Accountants and
Chartered Accountants

Singapore, 2 June 2021

Statement of financial position

as at 31 December 2020

	Note	31 December 2020 \$	31 December 2019 \$
ASSETS			
Non-Current			
Investment properties	3	12,300,000	14,595,190
Current			
Trade and other receivables	4	274,898	447,546
Prepayments		9,613	4,803
Cash and cash equivalents	5	374,016	180,456
		658,527	632,805
Total assets		12,958,527	15,227,995
EQUITY AND LIABILITIES			
Capital and Reserves			
Share capital	6	15,000	15,000
Accumulated losses		(1,213,375)	(177,208)
		(1,198,375)	(162,208)
LIABILITIES			
Non-Current			
Lease liabilities	8	12,405,279	13,666,044
		12,405,279	13,666,044
Current			
Other payables	7	490,857	502,237
Lease liabilities	8	1,260,766	1,221,922
		1,751,623	1,724,159
Total liabilities		14,156,902	15,390,203
Total equity and liabilities		12,958,527	15,227,995

The annexed notes form an integral part of and should be read in conjunction with these financial statements.

Statement of comprehensive income

for the financial year ended 31 December 2020

	Note	Year ended 31 December 2020 \$	Year ended 31 December 2019 \$
Revenue	9	1,879,957	1,810,866
Cost of sales		(272,388)	(446,530)
Gross profit		1,607,569	1,364,336
Other income - Grant received from government		238,155	1,716
Administrative expenses		(17,130)	(25,910)
Depreciation of investment properties	3	(1,506,712)	(1,125,352)
Finance costs		(456,003)	(328,759)
Other operating expenses	10	(902,046)	(177,892)
Loss before taxation	11	(1,036,167)	(291,861)
Taxation	13	-	-
Loss after taxation representing total comprehensive loss for the year		(1,036,167)	(291,861)

The annexed notes form an integral part of and should be read in conjunction with these financial statements.

Statement of changes in equity

for the financial year ended 31 December 2020

	Share capital \$	Accumulated losses \$	Total \$
Balance at 1 January 2019	15,000	114,653	129,653
Total comprehensive loss for the year	-	(291,861)	(291,861)
Balance at 31 December 2019	15,000	(177,208)	(162,208)
Total comprehensive loss for the year	-	(1,036,167)	(1,036,167)
Balance at 31 December 2020	15,000	(1,213,375)	(1,198,375)

The annexed notes form an integral part of and should be read in conjunction with these financial statements.

Statement of cash flows

for the financial year ended 31 December 2020

	Note	Year ended 31 December 2020 \$	Year ended 31 December 2019 \$
Cash Flows from Operating Activities			
Loss before taxation		(1,036,167)	(291,861)
Adjustments for:			
Depreciation of investment properties	3	1,506,712	1,125,352
Impairment loss on investment properties		788,478	-
Interest expense on lease liabilities		456,003	328,759
Operating profit before working capital changes		1,715,026	1,162,250
Decrease in trade and other receivables		172,648	33,167
(Increase)/Decrease in prepayments		(4,810)	14,266
(Decrease)/Increase in other payables		(11,380)	18,689
Net cash generated from operating activities		1,871,484	1,228,372
Cash Flows used in Financing Activities			
Interest paid		(456,003)	(328,759)
Repayment of lease liabilities		(1,221,921)	(832,576)
Net cash used in financing activities		(1,677,924)	(1,161,335)
Net increase in cash and cash equivalents		193,560	67,037
Cash and cash equivalents at beginning of year		180,456	113,419
Cash and cash equivalents at end of year	5	374,016	180,456

Reconciliation of liabilities arising from financing activities

The following is the disclosure of the reconciliation of liabilities arising from financing activities:

	As at 1 January 2020 \$	Additions \$	Interest accretion \$	Payment \$	As at 31 December 2020 \$
Lease liabilities	14,887,966	-	456,003	(1,677,924)	13,666,045

	As at 1 January 2019 \$	Additions \$	Interest accretion \$	Payment \$	As at 31 December 2019 \$
Lease liabilities	3,745,840	11,974,702	328,759	(1,161,335)	14,887,966

The annexed notes form an integral part of and should be read in conjunction with these financial statements.

Notes to the financial statements

for the financial year ended 31 December 2020

1 General information

The financial statements of the Company for the year ended 31 December 2020 were authorised for issue in accordance with a resolution of the directors on the date of the Directors' statement.

The Company is incorporated as a limited liability company and domiciled in Singapore. It is a wholly-owned subsidiary of Hope Church (Singapore), a Society approved by The Registrar of Societies and a Charity under The Charity Act, Cap. 37.

The registered office is located at 200 Jalan Sultan #04-24 Textile Centre, Singapore 199018.

The principal activities of the Company are to carry on the business of management consultancy services and letting of self-owned or leased real estate property.

With effect from 06 February 2020, the name of the Company was changed from Vernazza Investment Pte Ltd to Hopespace Pte. Ltd.

2.1 Basis of preparation

The financial statements are prepared in accordance with Singapore Financial Reporting Standards ("FRSs") including related Interpretations to FRS ("INT FRS") promulgated by the Accounting Standards Council ("ASC"). The financial statements have been prepared under the historical cost convention, except as disclosed in the accounting policies below.

The financial statements are presented in Singapore dollars which is the Company's functional currency. All financial information is presented in Singapore dollars, unless otherwise stated.

Going concern

Although the accumulated losses of the Company have exceeded the paid-up capital by \$1,198,375 and the Company incurred a net loss of \$1,036,167 for the year, the financial statements have been prepared on the basis that the Company is a going concern as the holding organisation has given written confirmation of its continued financial support for the Company and not to demand payment of debts in the next twelve months.

The ability of the Company to continue as a going concern is dependent on the holding organisation providing continuing financial support so that the Company is able to pay its debts as and when they fall due.

If the continuing financial support from the holding organisation 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 further liabilities which may arise. In forming our opinion, we have considered the adequacy of the disclosure of this matter in the financial statements.

2.1 Basis of preparation (Cont'd)

Significant accounting estimates and judgements

The preparation of the financial statements in conformity with FRSs requires the use of judgements, estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the financial year. Although these estimates are based on management's best knowledge of current events and actions, actual results may differ from those estimates.

The critical accounting estimates and assumptions used and areas involving a high degree of judgements are described below:

Depreciation of investment properties (Note 3)

Investment property is depreciated on a straight-line basis over their estimated useful lives. The carrying amount of the Company's investment properties as at 31 December 2020 was \$12,300,000 (2019 - \$14,595,190). Changes in the expected level of usage could impact the economic useful lives of these assets, therefore future depreciation charges could be revised.

Income tax (Note 13)

Significant judgement is required in determining the capital allowances and deductibility of certain expenses during the estimation of the provision for income tax. There are also claims for which the ultimate tax determination is uncertain during the ordinary course of business. The Company recognises liabilities for expected tax issues based on estimates of whether additional taxes will be due. When the final tax outcome of these matters is different from the amounts that were initially recognised, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

2.2 Adoption of new and revised standards

On 1 January 2020, the Company adopted all the new and revised FRSs, interpretations ("INT FSRS") and amendments to FRSs, effective for the current financial year that are relevant to them. The adoption of these new and revised FRS pronouncements does not result in significant changes to the Company's accounting policies and has no material effect on the amounts or the disclosures reported for the current or prior reporting periods.

2.3 FRS issued but not yet effective

At the date of authorisation of these financial statements, the following FRS issued but not yet effective and which the Company has not early adopted:

Reference	Description	Effective date (Annual Periods beginning on)
Amendments to FRS 37	Onerous Contracts-Cost of Fulfilling a Contract	1 January 2022
Amendments to FRS 1	Classification of Liabilities as Current or Non-current	1 January 2023
Annual Improvements to FRSs 2018-2020		1 January 2022

The Management do not expect that the adoption of the above standard will have any material impact on the financial statements in the period of initial application.

2.4 Summary of significant accounting policies

Investment properties

Investment properties are commercial buildings held for long-term rental yields and/or for capital appreciation and where an insignificant portion is held for the Company's own occupation.

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

Depreciation is calculated using a straight-line method to allocate the depreciable amounts over the estimated useful lives of 7 to 13 years.

The residual value, useful life and depreciation method of its investment property is reviewed, and adjusted as appropriate, at the end of each reporting period. The effects of any revision are included in the profit or loss when the changes arise.

Investment property is subject to renovations or improvements at regular intervals. The cost of major renovations and improvements is capitalised as addition and the carrying amounts of the replaced components are written off to profit or loss. The cost of maintenance, repairs and minor improvement is charged to profit or loss when incurred.

Investment property is derecognised when either it has been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. On disposal or retirement of an investment property, the difference between any disposal proceeds and the carrying amount is recognised in profit or loss.

Transfers are made to investment property only when there is a change in use, evidenced by the cessation of owner-occupation or commencement of an operating lease to another party. Transfers are made from investment property only when there is a change in use, evidenced by the commencement of owner-occupation or commencement of development with a view to sell.

Financial assets

The Company classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through OCI or through profit or loss), and
- those to be measured at amortised cost.

The classification depends on the Company's business model for managing the financial assets and the contractual terms of the cash flows.

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 asset. 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 the risks and rewards of ownership.

Measurement

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 (FVPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

2.4 Summary of significant accounting policies (Cont'd)

Financial assets (Cont'd)

Debt instruments

Subsequent measurement of debt instruments depends on the Company's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Company classifies its debt instruments:

- **Amortised cost** - Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/(losses) together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the statement of profit or loss.
- **FVOCI** - Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in other gains/(losses). Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other gains/(losses) and impairment expenses are presented as separate line item in the statement of profit or loss.
- **FVPL** - Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognised in profit or loss and presented net within other gains/(losses) in the period in which it arises.

Impairment

The Company assesses on a forward-looking basis the expected credit loss associated with its debt instruments carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

The Company applies the simplified approach to provide for expected credit losses for all trade receivables and contract assets. The simplified approach requires the loss allowance to be measured at an amount equal to lifetime expected credit losses.

Cash and cash equivalents

Cash and cash equivalents comprise cash and bank balances.

Share capital

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

2.4 Summary of significant accounting policies (Cont'd)

Financial liabilities

The Company's financial liabilities include other payables.

Financial liabilities are recognised when the Company becomes a party to the contractual agreements of the instrument.

Financial liabilities are derecognised if the Company's obligations specified in the contract expire or are discharged or cancelled.

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

Financial liabilities are initially measured at fair value, and subsequently measured at amortised cost, using the effective interest method.

Other payables

Other payables are initially measured at fair value, and subsequently measured at amortised cost, using the effective interest method.

Leases

(i) The Company as lessee

The Company assesses whether a contract is or contains a lease, at inception of the contract. The Company recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of twelve months or less) and leases of low value assets. For these leases, the Company recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

(a) Lease liability

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Company uses the incremental borrowing rate specific to the lessee. The incremental borrowing rate is defined as the rate of interest that the lessee would have to pay to borrow over a similar term and with a similar security the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment.

Lease payments included in the measurement of the lease liability comprise:

- fixed lease payments (including in-substance fixed payments), less any lease incentives;
- variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- the amount expected to be payable by the lessee under residual value guarantees;
- exercise price of purchase options, if the lessee is reasonably certain to exercise the options; and
- payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

Variable lease payments that are not based on an index or a rate are not included as part of the measurement and initial recognition of the lease liability. The Company shall recognise those lease payments in profit or loss in the periods that trigger those lease payments.

2.4 Summary of significant accounting policies (Cont'd)

Leases (Cont'd)

For all contracts that contain both lease and non-lease components, the Company has elected to not separate lease and non-lease components and account these as one single lease component.

The lease liabilities are presented as a separate line item in the statement of financial position.

The lease liability is subsequently measured at amortised cost, by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The Company remeasures the lease liability (with a corresponding adjustment to the related right-of-use asset or to profit or loss if the carrying amount of the right-of-use asset has already been reduced to nil) whenever:

- the lease term has changed or there is a significant event or change in circumstances resulting in a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate;
- the lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using the initial discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used); or
- a lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

(b) Right-of-use asset

The right-of-use asset comprises the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Whenever the Company incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognised and measured under FRS 37. To the extent that the costs relate to a right-of-use asset, the costs are included in the related right-of-use asset, unless those costs are incurred to produce inventories.

Depreciation on right-of-use assets is calculated using the straight-line method to allocate their depreciable amounts over the shorter period of lease term and useful life of the underlying asset, as follows:

Leasehold premises: over lease term of 6 to 13 years

If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Company expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The right-of-use assets are presented as a separate line item in the statement of financial position

The Company applies FRS 36 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss.

2.4 Summary of significant accounting policies (Cont'd)**Leases (Cont'd)**(ii) The Company as lessor

Generally, the accounting policies applicable to the Company as a lessor in the comparative period were not different from FRS 116, except for the classification of the sublease entered into that resulted in a finance lease classification.

When the Company acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease.

To classify each lease, the Company makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease. As part of this assessment, the Company considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

At inception or on modification of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices. If an arrangement contains lease and non-lease components, then the Company applies FRS 115 to allocate the consideration in the contract.

The Company applies the derecognition and impairment requirements in FRS 109 to the net investment in the lease. The Company further regularly reviews estimated unguaranteed residual values used in calculating the gross investment in the lease.

Employee BenefitsDefined contribution plans

The Company contributes to the central provident fund (“CPF”) or equivalents fund, a defined contribution plan regulated and managed by the Government of Singapore or other authorities, which applies to the majority of the employees and other equivalent fund. The Company’s contributions to CPF and other equivalent fund are charged to surplus or deficit in the period to which the contributions relate.

Employee leave entitlements

Employee entitlements to annual leave are recognised when they accrue to employees. Accrual is made for the unconsumed leave as a result of services rendered by employees up to the end of the reporting period.

Key management personnel

Key management personnel are those persons holding the authority and responsibility for planning, directing and controlling the activities of the entity. Directors are considered key management personnel and do not receive remuneration from the Company.

Income taxes

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

Deferred income tax is recognised for all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements except when the deferred income tax arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and affects neither accounting or taxable profit or loss at the time of the transaction.

2.4 Summary of significant accounting policies (Cont'd)

Income taxes (Cont'd)

A deferred income tax liability is recognised on temporary differences arising on investments in subsidiaries, associates, and joint ventures, except where the Company is able to control the timing of the reversal of the temporary differences and it is probable that the temporary difference will not reverse in the foreseeable future.

A deferred income tax asset is recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences and tax losses can be utilised.

Deferred income tax is measured:

- (i) at the tax rates that are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted by the date of the financial position; and
- (ii) based on the tax consequence that will follow from the manner in which the Company expects, at the date of the financial position, to recover or settle the carrying amounts of its assets and liabilities.

Current and deferent income taxes are recognised as income or expense in the profit or loss, except to the extent that the tax arises from a business combination or a transaction which is recognised either in other comprehensive income or directly in equity. Deferred tax arising from a business combination is adjusted against goodwill on acquisition.

Related parties

A related party is defined as follows:

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

2.4 Summary of significant accounting policies (Cont'd)**Related parties (Cont'd)**

- (c) Affiliated organisations comprise mainly companies or organisations which are controlled by the Company's key management personnel and their close family members.

Provisions

Provisions are recognised when the Company have a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

The directors review the provisions annually and where in their opinion, the provision is inadequate or excessive, due adjustment is made.

Revenue recognition

The Company recognises revenue from contracts with customers based on a five-step model as set out in FRS 115:

- Step 1: Identify contract(s) with a customer: A contract is defined as an agreement between two or more parties create enforceable rights and obligations and sets out the criteria for every contract that must be met.
- Step 2: Identify performance obligations in the contract: A performance obligation is a promise in a contract with a customer to transfer a good or service to the customer.
- Step 3: Determine the transaction price: The transaction price is the amount of 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.
- Step 4: Allocate the transaction price to the performance obligations in the contract: For a contract that has more in an amount that depicts the amount of consideration to which the Company expects to entitle in exchange for satisfying each performance obligation.
- Step 5: Recognise revenue when (or as) the Company satisfies a performance obligation.

Revenue is recognised when the Company satisfies a performance obligation by transferring a promised good or extending a service to the customer, which is when the customer obtains control of the good or derived benefits from the usage of the service. A performance obligation may be satisfied at a point in time or over time. The amount of revenue recognised is the amount allocated to the satisfied performance obligation.

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 on the following basis:

Management fee income are recognised over the period in which services are rendered.

Rental income is recognised on a straight-line basis over the term of the lease. Lease incentive, if any, are recognised as an integral part of total lease income. Penalty payments on early termination, if any, are recognised when incurred.

3 Investment properties

	Leasehold premises \$
<u>Cost</u>	
At 1 January 2019	3,745,840
Additions	11,974,702
At 31 December 2019	15,720,542
Additions	-
At 31 December 2020	15,720,542
<u>Accumulated depreciation</u>	
At 1 January 2019	-
Depreciation for the year	1,125,352
At 31 December 2019	1,125,352
Depreciation for the year	1,506,712
At 31 December 2020	2,632,064
<u>Accumulated impairment loss</u>	
Impairment loss for the year	788,478
At 31 December 2020	788,478
<u>Net book value</u>	
At 31 December 2020	12,300,000
At 31 December 2019	14,595,190

Details of the Company's investment properties as at 31 December 2020 are as follow:

Location	Description	Area square meter	Tenure
151 Lor Chuan, #02-05A/06/07 Lobby F, Singapore 556741	New Tech Park	2,245.00	13 years lease commencing from Jun 2019
No. 200 Jalan Sultan, #08-11 Textile Centre, Singapore 199018	Textile Centre	940.00	6 years lease commencing from May 2018

As at 31 December 2020, the fair value of investment properties was \$12,300,000 as determined by a firm of independent professional valuers based on the properties' highest and best use using the cost method.

As at 31 December 2019, the fair value of investment property at \$14,687,000 was determined by the management based on the income approach with reference to the future expected cash inflow to Hopespace Pte Ltd

Investment properties are fully leased out to the holding organisation under operating leases.

	2020 \$	2019 \$
Rental and other income	1,372,798	1,128,923
Direct operating expenses arising from investment properties that generate rental income	344,902	490,283

4 Trade and other receivables

	2020 \$	2019 \$
Trade receivables		
- Parent organisation	36,609	251,485
- Third parties	1,442	1,442
Other receivables		
- Third parties	57,203	136
- Related party	482	3,745
- Deposit	179,162	190,738
	274,898	447,546

Trade receivables are generally on 30 days (2019 - 30 days) credit term.

Trade and other receivables are denominated in Singapore dollar.

5 Cash and bank balance

	2020 \$	2019 \$
Cash on hand	415	462
Cash at bank	373,601	179,994
	374,016	180,456

Cash and bank balance are denominated in Singapore dollar.

6 Share capital

	2020 No. of shares	2019 No. of shares	2020 \$	2019 \$
Issued and fully paid with no par value:				
Balance at beginning and end of year	15,000	15,000	15,000	15,000

The holder of ordinary shares is entitled to receive dividends as declared from time to time and is entitled to one vote per share at shareholder meetings of the Company. All shares rank equally with regard to the Company's residual assets.

7 Other payables

	2020 \$	2019 \$
Accruals	1,646	8,758
Other payables - third parties	32,646	41,533
Amount owing to parent organisation	163,796	164,688
Amount owing to affiliated organisations	2,400	2,400
Rental income collected on behalf of parent organisation	25,663	20,265
Deposit placed by parent organisation	264,000	264,000
Provision for unutilised leave	706	593
	490,857	502,237

The amount owing to parent organisation and affiliated organisations are non-trade, unsecured, interest-free and repayable on demand.

Other payables are generally on 30 days (2019 - 30 days) credit term.

Other payables are denominated in Singapore dollar.

8 Lease liabilities

	2020 \$	2019 \$
Maturity analysis:		
- Less than one year	1,677,924	1,677,924
- Two to five years	6,094,329	6,574,940
- Later than five years	8,454,702	9,652,014
	16,226,955	17,904,878
Less: Unearned interest	(2,560,910)	(3,016,912)
	13,666,045	14,887,966
Disclosed as:		
- Current liabilities	1,260,766	1,221,922
- Non-current liabilities	12,405,279	13,666,044
	13,666,045	14,887,966

Interest expense on lease liabilities of \$456,003 (2019: \$328,759) is recognised within “finance costs” in profit or loss.

Total cash outflows for all leases in the year amount to \$1,677,924 (2019: \$1,161,335). There are no restrictions or covenants imposed by the leases. Lease liabilities are denominated in Singapore dollars.

9 Revenue

	2020 \$	2019 \$
Rental income	1,372,798	1,128,923
Management fee income	507,159	681,943
	1,879,957	1,810,866

Management fee income is recognised over time.

10 Other operating expenses

	2020	2019
	\$	\$
Utilities	31,394	58,525
Property tax	14,693	22,370
Personnel expenses (Note 12)	62,749	69,533
Telecommunication	1,768	1,270
Non-capitalised assets	-	502
Impairment loss on investment properties (Note 3)	788,478	-
Others	2,964	25,692
	902,046	177,892

11 Loss before taxation

	2020	2019
	\$	\$
Loss before taxation has been arrived at after charging:		
Non-capitalised assets	-	502

12 Personnel expenses

	2020	2019
	\$	\$
Salaries and wages	53,858	59,981
Contributions to defined contribution plan	7,581	8,081
Other personnel related expenses	1,310	1,471
	62,749	69,533

13 Taxation

	2020	2019
	\$	\$
Current taxation	-	-

The tax expense on the results of the financial year varies from the amount of income tax determined by applying the Singapore statutory rate of income tax on Company's loss as a result of the following:

	2020	2019
	\$	\$
Loss before taxation	(1,036,167)	(291,861)
Tax at statutory rate of 17% (2019 - 17%)	(176,148)	(49,616)
Tax effect on non-deductible expenses	179,727	49,772
Singapore statutory stepped income exemption	(3,579)	(156)
	-	-

The Company had unabsorbed tax losses of approximately \$13,995 (2019 - \$13,995) which is subject to agreement with the tax authorities. The tax losses can be carried forward for offsetting against future taxable income subject to agreement by the tax authorities.

Unutilised tax benefits at 31 December 2020 of approximately \$2,400 (2019 - \$2,400) arising from unabsorbed tax losses have not been recognised as there is no reasonable certainty of their realisation in future periods.

14 Significant related party transactions

Other than as disclosed elsewhere in the financial statements, the following are related party transactions entered into by the Company with related parties at negotiated rates:

	2020 \$	2019 \$
Rental income received from parent organisation	1,372,798	1,128,923
Management fees received from parent organisation	507,159	681,943
Expenses paid on behalf by parent organisation	(754)	(1,946)
Expenses paid on behalf for affiliated organisation	482	(3,745)
Rental income collected on behalf of parent organisation	(5,399)	(20,008)
Accounting fees paid to affiliated organisation	(15,900)	(15,100)

15 Financial risk management objectives and policies

The Company is primarily exposed to credit, interest rate and other market risks arising in the normal course of the Company's business. The Company's overall risk management strategy seeks to minimise adverse effects from unpredictability of financial markets on the Company's financial performance.

15.1 Currency risk

Currency risk arises on financial instruments that are denominated in a currency other than the functional currency in which they are measured.

The Company is not exposed to any significant foreign currency risk on its operating activities as most of the transactions and balances are denominated in Singapore dollar.

15.2 Interest rate risk

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

The Company has no interest-bearing financial instruments and hence is not exposed to any movements in market interest rates.

15.3 Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss.

For trade receivables, the Company's policy is to deal with creditworthy counterparties to mitigate credit risk. In addition, these receivables are monitored closely on an ongoing basis. As at reporting date, 96% of the Company's trade receivables were due from its holding organisation.

The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the statement of financial position.

15 Financial risk management objectives and policies (Cont'd)**15.3 Credit risk (Cont'd)****Trade Receivables**

The Company applies the FRS 109 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for trade receivables.

To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and days past due.

The expected loss rates are based on the payment profiles of sales over a period of 36 month before 31 December 2020 or 2019 respectively and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables.

On that basis, the loss allowance as at 31 December 2020 and 2019 was determined as follows for trade receivables:

31 December 2020	Trade receivables					Total \$
	Current	Days past due				
		1-30 days	31-60 days	61-90 days	>90 days	
		\$	\$	\$	\$	
Estimated total gross carrying amount at default	36,609	1,442	-	-	-	38,051
Expected credit loss	-	-	-	-	-	-
	36,609	1,442	-	-	-	38,501

31 December 2019	Trade receivables					Total \$
	Current	Days past due				
		1-30 days	31-60 days	61-90 days	>90 days	
		\$	\$	\$	\$	
Estimated total gross carrying amount at default	153,098	98,387	1,442	-	-	252,927
Expected credit loss	-	-	-	-	-	-
	153,098	98,387	1,442	-	-	252,927

Financial assets that are neither past due nor impaired

Trade receivables that are neither past due nor impaired are creditworthy debtors with good payment record with the Company. Cash and bank balance are placed with or entered into with reputable financial institutions or companies with high credit ratings and no history of defaults.

15.4 Liquidity risk

Liquidity risk is the risk that an enterprise will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from an inability to sell a financial asset quickly at close to its fair value.

The Company's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities. All financial liabilities are repayable on demand or due within one year and are non interest bearing. As part of its overall prudent liquidity management, the Company maintains sufficient level of cash to meet its working capital requirement and may consider obtaining bank borrowing from time to time.

16 Capital management

The Company's objectives when managing capital are:

- (a) To safeguard the Company's ability to continue as a going concern,
- (b) To support the Company's stability and growth;
- (c) To provide capital for the purpose of strengthening the Company's risk management capability; and
- (d) To provide an adequate return to shareholders.

The Company actively and regularly reviews and manages its capital structure to ensure optimal capital structure and shareholders returns, taking into consideration the future capital requirements of the Company and capital efficiency, prevailing and projected profitability, projected operating cash flows, projected capital expenditures and projected strategic investment opportunities. Capital includes share capital and retained profits.

The Company monitors capital on the basis of the carrying amount of equity less cash and bank balance as presented in the statement of financial position.

The Company is not subject to externally imposed capital requirements. The Company currently does not adopt any formal dividend policy.

17 Financial instruments

Fair values

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

However, the Company does not anticipate that the carrying amounts recorded at the end of the reporting period would be significantly different from the values that would eventually be received or settled.

The carrying amount of financial assets and financial liabilities by categories at the reporting date are as follows:

	Note	At amortised cost \$
31 December 2020		
Financial assets		
Trade and other receivables	4	274,898
Cash and bank balance	5	374,016
		648,914
Financial liabilities		
Other payables	7	490,857
Lease liabilities	8	13,666,045
		14,156,902

17 Financial instruments (Cont'd)

	Note	At amortised cost \$
31 December 2019		
Financial assets		
Trade and other receivables	4	447,546
Cash and bank balance	5	180,456
		<u>628,002</u>
Financial liabilities		
Other payables	7	502,237
Lease liabilities	8	14,887,966
		<u>15,390,203</u>