Company Registration No. 201024705C

Merica Holdings Pte. Ltd.

Annual Financial Statements
31 December 2020

Building a better working world

Merica Holdings Pte. Ltd.

General Information

Directors

Glen Wayn Mac Nair
Michael Saalfeld
Stephan Karl JosefSchueller
Lu Kee Hong
Herbert Werner Gottfried Haidar Aly (Appointed on 2 January 2020)

Company secretaries

Chan Wan Mei
Lee Pay Lee

Registered office

80 Robinson Road
#02-00
Singapore 068898

Banker

Oversea-Chinese Banking Corporation Limited

Auditor

Ernst & Young LLP

Contents

The directors present their statement to the members together with the audited financial statements of Merica Holdings Pte. Ltd. (the "Company") for the financial year ended 31 December 2020.

Opinion of the directors

In the opinion of the directors,

(a) the accompanying balance sheet, statement of comprehensive income, statement of changes in equity and cash flow statement together with the notes thereto 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; 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 as the Company entered into an agreement on 12 June 2020 with the intermediate holding company, immediate holding company and shareholders to amend the terms of outstanding payable (including all accrued interests) to be due and repayable to these parties on 1 January 2028.

Directors

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

Glen Wayn Mac Nair
Michael Saalfeld
Stephan Karl Josef Schueller
Lu Kee Hong
Herbert Werner Gottfried Haidar Aly (Appointed on 2 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 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 or debentures of the Company or any other body corporate.

Directors' interests in shares and debentures

The following directors, 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 of the Company's related corporations as stated below:

	Direct interest	
Name of Director	**At beginning of financial year**	**At end of financial year**
Ordinary shares of penultimate holding company, Saalfeld GmbH & Co. KG GmbH		
Michael Saalfeld	1	1
Ordinary shares of subsidiary company, Forest Solutions Malaysia Sdn Bhd		
Glen Wayn Mac Nair	165,000	165,000

Directors' interests in shares and debentures (cont'd)

Except as disclosed in this statement, no director who held office at the end of the financial year had interests in shares, share options, warrants or debentures of the Company, or of related corporations, either at the beginning of the financial year, on date of appointment if later, or at the end of the financial year.

Options

No options were granted by the Company to any persons to take up unissued shares of the Company.

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

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

Auditor

Ernst & Young LLP have expressed their willingness to accept re-appointment as auditor.

On behalf of the board of directors:

Glen Wayn Mac Nair
Director

Michael Saalfeld
Director

Singapore
20 August 2021

Independent Auditor's Report to the Members of Merica Holdings Pte. Ltd.

Report on the Audit of the Financial Statements

Adverse Opinion

We have audited the financial statements of Merica Holdings 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 then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, because of the significance of the matter described in the Basis for 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 its financial performance, changes in equity and its cash flows for the year then ended in accordance with the provisions of the Companies Act, Chapter 50 (the Act) and Financial Reporting Standards in Singapore (FRSs).

Basis for Adverse Opinion

The Company has investments in subsidiaries. As disclosed in Note 2.6 to the financial statements, the Company has not prepared a set of consolidated financial statements of the Company and its subsidiaries for the financial year ended 31 December 2020 as the directors are of the view that there is no practical benefit to be gained by the members of the Company. This is not in compliance with the requirements of Section 201 (5)(a) of the Act and Singapore Financial Reporting Standard 110 which require the Company to present consolidated financial statements. Had consolidated financial statements been prepared, every account in, and the information provided by way of notes to the accompanying financial statements, would have been materially affected. The effects on the financial statements from the non-consolidation of the investments in subsidiaries have not been quantified as it is impracticable to do so. Our audit report on the financial statements of the Company for the financial year ended 31 December 2019 was qualified for the same basis.

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.

Other Information

Management is responsible for other information. The other information comprises general information and 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 qualified our opinion on these financial statements for the reason 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 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 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.

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.

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.

Ernst & Young LLP.

Ernst & Young LLP

Public Accountants and
Chartered Accountants
Singapore

20 August 2021

Merica Holdings Pte. Ltd.

Statement of Comprehensive Income
For the year ended 31 December 2020

	Note	2020 US$	2019 US$
Other income		18,702	16,250
Foreign exchange (loss)/gain		(1,105,103)	101,901
General and administrative expenses		(342,103)	(270,168)
Finance costs		(503,290)	(404,967)
Loss before tax	4	(1,931,794)	(556,984)
Income tax credit/(expense)	5	188	(188)
Loss for the year, representing total comprehensive income for the year		(1,931,606)	(557,172)

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

Merica Holdings Pte. Ltd.

Balance Sheet
As at 31 December 2020

	Note	2020 US$	2019 US$
ASSETS			
Non-current assets			
Investments in subsidiaries	6	62,152,219	59,667,020
Amount due from a subsidiary	7	320,429	–
		62,472,648	59,667,020
Current assets			
Amount due from immediate holding company	7	543,222	478,913
Amount due from shareholders		5,132	5,036
Cash and cash equivalents	9	18,486	110,934
		566,840	594,883
Total assets		63,039,488	60,261,903
LIABILITIES			
Current liabilities			
Other payables		100,678	24,305
Amount due to intermediate holding company	8	–	1,471,271
Amount due to immediate holding company	8	–	5,633,937
Amount due to shareholders	8	–	3,533,329
Provision for taxation		–	188
		100,678	10,663,030
Net current assets/(liabilities)		466,162	(10,068,147)
Non-current liabilities			
Amount due to shareholder	8	6,471,701	2,159,467
Amount due to intermediate holding company	8	1,674,147	–
Amount due to immediate holding company	8	7,523,567	–
Loan from external parties	10	366,038	–
		16,035,453	2,159,467
Total liabilities		16,136,131	12,822,497
NET ASSETS		46,903,357	47,439,406
EQUITY			
Share capital	11	54,175,471	53,338,137
Accumulated losses		(9,829,353)	(7,897,747)
Shareholder's contribution reserve	12	558,223	–
Other reserves	13	1,999,016	1,999,016
		46,903,357	47,439,406

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

Merica Holdings Pte. Ltd.

Statement of Changes in Equity
For the financial year ended 31 December 2020

	Share capital (Note 11) US$	**Shareholder's contribution reserve (Note 12)** US$	**Accumulated losses** US$	**Other reserve (Note 13)** US$	**Total** US$
At 1 January 2019	53,338,137	–	(7,340,575)	1,999,016	47,996,578
Loss for the year, representing total comprehensive income for the year	–	–	(557,172)	–	(557,172)
At 31 December 2019 and 1 January 2020	53,338,137	–	(7,897,747)	1,999,016	47,439,406
Issuance of share capital	837,334	–	–	–	837,334
Shareholder's advances deemed capital contribution	–	558,223	–	–	558,223
Loss for the year, representing total comprehensive income for the year	–	–	(1,931,606)	–	(1,931,606)
At 31 December 2020	54,175,471	558,223	(9,829,353)	1,999,016	46,903,357

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

Merica Holdings Pte. Ltd.

Cash Flow Statement
For the financial year ended 31 December 2020

	2020 US$	2019 US$
Operating activities		
Loss before taxation	(1,931,794)	(556,984)
Adjustment for		
Interest income	(18,702)	(16,250)
Interest expense	503,290	404,967
Unrealised foreign exchange loss	1,302,098	–
Operating cash flows before changes in working capital	(145,108)	(168,267)
Changes in working capital		
Decrease in other receivables	–	652
Increase/(decrease) in other payables	74,316	(77,504)
Cash used in operations	(70,792)	(245,119)
Income tax refund	–	13,395
Net cash flows used in operating activities	(70,792)	(231,724)
Investing activities		
Increase in investment in a subsidiary	(2,485,199)	(6,994,679)
(Increase)/decrease in amount due from a subsidiary company	(315,138)	1,894,959
Net cash flows used in investing activities	(2,800,337)	(5,089,850)
Financing activities		
Increase in loan from external parties	349,041	–
Decrease in amount due to shareholders	–	(117,085)
Increase in amount due from shareholders	–	(65)
Increase in amount due to immediate holding company	1,034,083	2,629,277
Decrease in amount due to intermediate holding company	–	(30,229)
Proceeds from issuance of share capital	837,334	–
Proceeds from shareholder to be capitalised as share capital	558,223	–
Net cash flows generated from financing activities	2,778,681	2,481,898
Net decrease in cash and cash equivalents	(92,448)	(2,839,676)
Cash and cash equivalents at beginning of financial year	110,934	2,950,610
Cash and cash equivalents at end of financial year (Note 9)	18,486	110,934

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

1. Corporate information

Merica Holdings Pte. Ltd. (the “Company”) is a private liability company incorporated and domiciled in Singapore. The immediate holding company is Merica Singapore Pte. Ltd., which is incorporated in Singapore. The ultimate and intermediate holding company are Saalfeld GmbH & Co. KG and Merica Holding GmbH, which are incorporated in Germany.

The registered office and principal place of business of the Company is located at 80 Robinson Road #02-00, Singapore 068898.

The principal activity of the Company is investment holding. The principal activities of the subsidiaries are set out in Note 6 to the financial statements.

Related companies refer to the Saalfeld GmbH & Co. KG group of companies.

2. Summary of significant accounting policies

2.1 *Basis of preparation*

The financial statements of the Company have been prepared in accordance with Financial Reporting Standards in Singapore (“FRSs”).

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

The financial statements are presented in United States Dollars (“USD or US$”).

2.2 *New accounting standards effective on 1 January 2020*

The accounting policies adopted are consistent with those of the previous financial year except in the current financial period, the Company has adopted all the new and revised FRSs interpretation and amendments that are effective for annual periods beginning on or after 1 January 2020.

The adoption of the above new FRSs, Interpretation and amendments to published standards did not result in substantial changes to the Company’s accounting policies and did not have any significant impact on the financial performance or position of the Company.

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

2.3 *Standards issued but not yet effective*

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

Description	**Effective for annual periods beginning on or after**
Amendments to FRS 109 Financial Instruments, FRS 39 Financial Instruments: Recognition and Measurement, FRS 107 Financial Instruments: Disclosures, FRS 104 Insurance Contracts, FRS 116 Leases: Interest Rate Benchmark Reform – Phase 2	1 January 2021
Amendments to FRS 16 Property, Plant and Equipment: Proceeds before Intended Use	1 January 2022
Amendments to FRS 37 Provisions, Contingent Liabilities and Contingent Assets: Onerous Contracts – Cost of Fulfilling a Contract	1 January 2022
Annual Improvements to FRSs 2018-2020	1 January 2022
Amendments to FRS 1 Classification of Liabilities as Current or Non-current	1 January 2023

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

2.4 *Foreign currency*

The financial statements are presented in United States Dollars, which is also the Company's functional currency.

Transactions and balances

Transactions in foreign currencies are measured in the functional currency of the Company and are recorded on initial recognition in the functional currency 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.

2.5 *Subsidiaries*

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.

Investments in subsidiaries are accounted for at cost less impairment losses.

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

2.6 *Consolidation*

A set of consolidated financial statements of the Company and its subsidiaries is not prepared because the directors are of the view that there is no practical benefit to be gained by the members of the Company.

2.7 *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 group 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.

Impairment losses are recognised in profit or loss, except for assets that are previously revalued where the revaluation was taken to other comprehensive income. In this case, the impairment is also recognised in other comprehensive income up to the amount of any previous revaluation.

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 unless the asset is measured at revalued amount, in which case the reversal is treated as a revaluation increase.

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

2.8 *Financial instruments*

(a) Financial assets

Initial recognition and measurement

Financial assets are recognised when, and only when, the entity becomes a party to the contractual provisions of the instruments.

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 expensed in profit or loss.

Subsequent measurement

Investments in debt instruments

Subsequent measurement of debt instruments depends on the Company's business model for managing the asset and the contractual cash flow characteristics of the asset. The Company measures its 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 the 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.

De-recognition

A financial asset is derecognised when 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 other comprehensive income for debt instruments is recognised in profit or loss.

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

2.8 *Financial instruments (cont'd)*

(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 or loss, directly attributable transaction costs.

Subsequent measurement

After initial recognition, financial liabilities that are not carried at fair value through profit or loss 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, and through the amortisation process.

De-recognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. On de-recognition, the difference between the carrying amounts and the consideration paid is recognised in profit or loss. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

2.9 *Impairment of financial assets*

The Company recognises an allowance for expected credit losses (ECLs) 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 for 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).

The Company considers a financial asset to be in default when internal or external information indicates that the Company is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Company.

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

2.9 *Impairment of financial assets (cont'd)*

Irrespective of the above analysis, the Company considers that default has occurred when a financial asset is more than 365 days past due unless the Company has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

2.10 *Provisions*

Provisions are recognised when the Company has 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 the amount of the obligation can be estimated reliably.

Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of economic resources will be required to settle the obligation, the provision is reversed. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

2.11 *Cash and cash equivalents*

Cash and cash equivalents comprise cash at bank and on hand which are subject to an insignificant risk of changes in value.

2.12 *Other income*

Interest income

Interest income is recognised using the effective interest method.

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

2.13 *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 substantively enacted at the end of the reporting period, in the country where the Company operates and generates taxable income.

Current income taxes are recognised in profit or loss except to the extent that the tax relates to items recognised outside profit or loss, either in other comprehensive income or directly in equity. 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.

(b) Deferred tax

Deferred 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 tax liabilities are recognised for all temporary differences, except:

- Where the deferred tax liability arises from the initial recognition of goodwill or 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; and

- In respect of taxable temporary differences associated with investments in subsidiaries, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, the 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; and

- In respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

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

2.13 *Taxes (cont'd)*

(b) Deferred tax (cont'd)

The carrying amount of deferred 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 tax asset to be utilised. Unrecognised deferred 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 recovered.

Deferred 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.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity and deferred tax arising from a business combination is adjusted against goodwill on acquisition.

2.14 *Share capital and share issuance expenses*

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.

3. Significant accounting judgments 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 period. 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 *Key sources of estimation uncertainty*

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period are discussed below. The Company based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Company. Such changes are reflected in the assumptions when they occur.

3. Significant accounting judgments and estimates (cont'd)

3.1 *Key sources of estimation uncertainty (cont'd)*

Provision for expected credit losses of debt instruments

The Company recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. 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 Company considers internal or external information in determining the cash flows that is expected to be received. This includes the Company's historical observed default rates, adjusted with forward-looking information. At every reporting date, historical default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Company's historical credit loss experience and forecast of economic conditions may also not be representative of the cash flows the Company will receive in the future.

The carrying amount of the Company's debt instruments at the end of the reporting period is disclosed in Note 7 to the financial statements.

3.2 *Judgements made in applying accounting policies*

In the process of applying the Company's accounting policies, management has made the following judgement which has the most significant effect on the amounts recognised in the financial statements:

Determination of functional currency

The Company measures foreign currency transactions in the functional currency of the Company. In determining the functional currency of the Company, judgement is required to determine the currency that mainly influences sales prices for goods and services and of the country whose competitive forces and regulations mainly determines the sales prices of its goods and services. As the principal activity of the Company is of investment holding, the functional currency of the Company is determined based on management's assessment of the economic environment in which the entity and its subsidiaries operate and the subsidiaries' process of determining sales prices. Management has assessed that prices are mainly denominated and settled in USD. Therefore, management concluded that the functional currency of the Company is USD.

4. Loss before tax

The following items have been included in arriving at loss before tax:

	2020 US$	**2019** US$
Interest income from debt instruments at amortised cost	18,702	16,250
Interest expense on financial liabilities at amortised cost	(503,290)	(404,967)
Travelling and Transport	(47,953)	(89,255)
Director Remuneration	(31,522)	(30,926)
Directors' fees	(2,872)	(2,749)
Accountancy fees	(4,208)	(1,360)
Audit fees	(7,964)	1,645
Consulting Fees	(182,560)	(99,905)

5. Income tax (credit)/expense

The major components of income tax (credit)/expense for the years ended 31 December 2020 and 2019 are:

	2020 US$	**2019** US$
Current income tax provision	–	183
(Over)/under provision in respect of previous years	(188)	5
	(188)	188

Relationship between tax (credit)/expense and accounting loss

A reconciliation between tax (credit)/expense and the product of accounting loss multiplied by the applicable corporate tax rate for the year ended 31 December 2020 and 2019 are as follows:

	2020 US$	**2019** US$
Loss before tax	(1,931,794)	(556,984)
Tax at statutory rate of 17%	(328,405)	(94,687)
Effect of partial tax exemption and rebates	–	(784)
(Over)/under provision in respect of prior years	(188)	5
Non-deductible expenses	328,004	95,654
Losses not available for carry-forward	(401)	–
Income tax (credit)/expense recognised in profit or loss	(188)	188

6. Investments in subsidiaries

Movement of investments in subsidiaries

	2020 US$	**2019** US$
Unquoted shares, at cost		
At 1 January	59,667,020	52,672,341
Subscription of shares in a subsidiary	2,485,199	6,994,679
At 31 December	62,152,219	59,667,020

Name of subsidiary	**Principal activities**	**Country of incorporation and place of business**	**Equity Holding 2020** %	**Equity Holding 2019** %
Merica Forest Pte. Ltd.[1] (p.k.a Asian Forest Holdings Pte. Ltd.)	Investment holding	Singapore	100	100
Forest Solutions Malaysia Sdn Bhd[2]	Investment holding	Malaysia	67	67

[1] Audited by Ernst & Young LLP, Singapore
[2] Audited by member firm of Ernst & Young Global

During the current financial year, the Company subscribed new ordinary shares for total cash consideration of US$2,485,199 (2019: US$6,994,679) in Merica Forest Pte Ltd.

7. Amounts due from immediate holding company and subsidiary companies

	2020 US$	2019 US$
Amount due from immediate holding company		
- Non-trade receivables	6,296	5,750
- Loan receivables (current)	536,926	473,163
	543,222	478,913
Amount due from a subsidiary		
- Loan receivables (non-current)	320,429	–
	863,651	478,913
Add:		
Amount due from shareholders	5,132	5,036
Cash and cash equivalents (Note 9)	18,486	110,934
Total financial assets recognised at amortised cost	887,269	594,883

The non-trade receivables from immediate holding company is unsecured, non-interest bearing and repayable on demand.

The loan from immediate holding company is unsecured, bears interest at 4% (2019: 4%) per annum and repayable on demand.

The loan from a subsidiary is unsecured, bears interest at 11% per annum and is to be repaid on 15 October 2025.

The amounts due from immediate holding companies and subsidiary companies denominated in foreign currencies as at 31 December are as follows:

	2020 US$	2019 US$
Euro (EUR)	863,500	478,765
Singapore Dollar (SGD)	151	148

7. Amounts due from immediate holding company and subsidiary companies (cont'd)

Receivables subject to an enforceable master netting arrangement that are not otherwise set-off

The Company has balances due from and due to its immediate holding company, as a result of intercompany financing and maintaining of liquidity amongst the Company and its related companies. Both parties do not have an arrangement to settle the amount due to or due from each other on a net basis but have the right to set off.

The Company's receivables and payables subject to an enforceable master netting arrangement that are not otherwise set-off are as follows:

	31 December 2020		
	Gross carrying amounts US$	**Amounts not set off in the balance sheet** US$	**Net amount** US$
Amounts due from immediate holding company	543,222	(543,222)	–
Amounts due to immediate holding company	7,523,567	(543,222)	6,980,345

	31 December 2019		
	Gross carrying amounts US$	**Amounts not set off in the balance sheet** US$	**Net amount** US$
Description			
Amounts due from immediate holding company	478,913	(478,913)	–
Amounts due to immediate holding company	5,633,937	(478,913)	5,155,024

8. Amounts due to intermediate holding company, immediate holding company and shareholders.

	2020 US$	2019 US$
Amount due to intermediate holding company		
- Loan (current)	–	1,471,271
- Loan (non-current)	1,674,147	–
	1,674,147	1,471,271
Amount due to immediate holding company		
- Non-trade payable (current)	–	72,583
- Non-trade payable (non-current)	227,104	–
- Loan (current)	–	5,561,354
- Loan (non-current)	7,296,463	–
	7,523,567	5,633,937
Amount due to shareholders		
- Loan (current)	–	3,533,329
- Loan (non-current)	6,471,701	2,159,467
	6,471,701	5,692,796
Total amount due to immediate holding company, immediate holding company and shareholders	15,669,415	12,798,004
Add: Other payables	100,678	24,305
Loan from external parties (Note 10)	366,038	–
Total financial liabilities measured at amortised cost	16,136,131	12,822,309

Loans due to intermediate holding company, immediate holding company and shareholders bear interest at 4% to 4.5% per annum, are unsecured and denominated in EUR. Except as disclosed below, the loans are due on 1 January 2028 (2019: repayable on demand).

Amount due to shareholders amounting to $2,450,363 as at 31 December 2020 (2019: $2,159,467) are due on November 2023 or first year of harvest for its subsidiaries, whichever is earlier, with condition that the Company retain minimum cash balance of EUR 2,000,000.

The non-trade payable to immediate holding company is unsecured, non-interest bearing and repayable on demand. As the Company expects to settle the payable upon generation of revenue of operations, which is expected to be more than 12 months from the financial year ended 31 December 2020, the amount is classified as non-current receivables.

9. Cash and cash equivalents

	2020 US$	2019 US$
Cash at bank and on hand	18,486	110,934

9. Cash and cash equivalents (cont'd)

Cash at bank and on hand denominated in foreign currencies as at 31 December are as follows:

	2020 US$	**2019** US$
Euro (EUR)	2,680	190
Singapore Dollar (SGD)	15,806	110,744

10. Loan from external parties

Loan from external parties relates to crowdfunding obtained by the Company via a third-party brokerage firm. The loan is unsecured, bears interest at 5% per annum and repayable on 15 October 2025.

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

			Non-cash changes			
	1 January 2020 US$	**Cash flows** US$	**Foreign exchange movement** US$	**Accretion of interest** US$	**Others** US$	**31 December 2020** US$
Loan from external parties						
- non-current	–	349,041	13,740	3,257	–	366,038
Loan from immediate holding company						
- current	5,633,937	1,034,083	395,133	233,310	(7,296,463)	–
- non-current	–	–	–	–	7,296,463	7,296,463
Loan from intermediate holding company						
- current	1,471,271	–	146,939	55,937	(1,674,147)	–
- non-current	–	–	–		1,674,147	1,674,147
Loan from shareholders						
- current	3,533,329	–	326,462	135,072	(3,994,863)	–
- non-current	2,159,467	–	241,657	75,714	3,994,863	6,471,701
Total	12,798,004	1,383,124	1,123,931	503,290	–	15,808,349

10. Loan from external parties (cont'd)

			Non-cash changes		
	1 January 2019 US$	**Cash flows** US$	**Foreign exchange movement** US$	**Accretion of interest** US$	**31 December 2019** US$
Loan from immediate holding company					
- current	2,860,850	2,629,277	–	143,810	5,633,937
Loan from intermediate holding company					
- current	1,446,785	–	(30,230)	54,716	1,471,271
Loan from shareholders					
- current	3,473,528	–	(72,578)	132,379	3,533,329
- non-current	2,129,912	–	(44,507)	74,062	2,159,467
Total	9,911,075	2,629,277	(147,314)	404,967	12,798,004

11. Share capital

	2020		2019	
	No. of shares	US$	**No. of shares**	US$
Issued and fully paid ordinary shares				
At beginning and end of the year	6,685,053	53,338,137	6,685,053	53,338,137
Issued during the financial year	267,856	837,334	–	–
	6,952,909	54,175,471	6,685,053	53,338,137

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. The ordinary shares have no par value.

12. Shareholder's contribution reserve

Shareholder's contribution reserve represents amounts due to a shareholder (non-trade) amounting to US$558,223, received in cash during the year, designated by shareholder to be capitalised as share capital.

13. Other reserve

Other reserve relates to the amalgamation of its previously wholly owned subsidiaries, Sabah Forest Pte. Ltd. ("SFPL") and Forest Solutions Pte. Ltd. ("FSPL") ("amalgamated subsidiaries") into the Company, by way of a short form amalgamation. The amalgamation was accounted for using "as-if-pooling" method. It represents (1) retained earnings / accumulated losses of the amalgamated subsidiaries, (2) the difference between the Company's cost of investment (net of impairment) and share capital of the amalgamated subsidiaries, and reversal of impairment on receivables of the amalgamated subsidiaries.

14. Financial risk management objectives and policies

The Company is exposed to financial risks arising from the use of financial instruments. The key financial risks include credit risk, liquidity risk and foreign currency risk. The Company does not use derivatives and other instruments in its risk management activities. The Company does not hold or issue derivative financial instruments for trading purposes. The Board reviews and agrees policies for managing this risk and they are summarised below:

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's exposure to credit risk arises primarily from cash and cash equivalents, amount due from immediate holding company and a subsidiary company. The Company minimises credit risk by dealing exclusively with high credit rating counterparties. To mitigate its credit risks, cash and cash equivalents are placed with reputable banks.

The Company consider the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period.

The Company has determined the default event on a financial asset to be when the counterparty fails to make contractual payments, within 365 days when they fall due.

To assess whether there is a significant increase in credit risk, the Company compares the risk of a default occurring on the asset as at reporting date with the risk of default as at the date of initial recognition. The Company considers available reasonable and supportive forwarding-looking information which includes the following indicators:

- Actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the borrower's ability to meet its obligations
- Actual or expected significant changes in the operating results of the borrower
- Significant increases in credit risk on other financial instruments of the same borrower

Regardless of the analysis above, a significant increase in credit risk is presumed if a debtor is more than 30 days past due in making contractual payment.

The Company determined that its financial assets are credit-impaired when:

- There is significant difficulty of the issuer or the borrower
- A breach of contract, such as a default or past due event
- It is becoming probable that the borrower will enter bankruptcy or other financial reorganisation

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

Credit risk (cont'd)

Amount due from immediate holding company and a subsidiary company

The Company assessed the latest performance and financial position of the counterparties, adjusted for the outlook of the industry in which the counterparties operates in, and concluded there has been no significant increase in the credit risk since the initial recognition of the financial assets. Accordingly, the Company measured the impairment loss allowance using simplified approach ECL and determined that the ECL is insignificant for years ended 31 December 2020 and 2019.

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 manages its liquidity risk by maintaining a level of cash and cash equivalents deemed adequate to finance the Company's operations to meet its liabilities when due. Access to sources of funding is sufficiently available and debt maturing within 12 months can be rolled over with existing lenders.

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 end of the reporting period based on contractual undiscounted repayment obligations.

	1 year or less US$	**Within 2 to 5 years** US$	**More than 5 years** US$	**Total** US$
2020				
Financial assets:				
Amount due from a subsidiary	–	495,505	–	495,505
Amount due from immediate holding company	543,222	–	–	543,222
Amount due from shareholders	5,132	–	–	5,132
Cash and cash equivalents	18,486	–	–	18,486
Total undiscounted financial assets	566,840	495,505	–	1,062,345

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

Credit risk (cont'd)

Analysis of financial instruments by remaining contractual maturities (cont'd)

2020	**1 year or less** US$	**Within 2 to 5 years** US$	**More than 5 years** US$	**Total** US$
Financial liabilities:				
Other payables	100,678	–	–	100,678
Amount due to intermediate holding company	–	–	2,094,563	2,094,563
Amount due to immediate holding company	–	–	9,279,998	9,279,998
Amounts due to shareholders	–	2,687,489	5,036,517	7,724,005
Loan from external parties	–	456,725	–	456,725
Total undiscounted financial liabilities	100,678	3,144,214	16,411,078	19,655,970
Total net undiscounted financial assets/ (liabilities)	466,162	(2,648,709)	(16,411,079)	(18,593,625)

2019	**1 year or less** US$	**Within 2 to 5 years** US$	**Total** US$
Financial assets:			
Amount due from immediate holding company	478,913	–	478,913
Amount due from shareholders	5,036	–	5,036
Cash and cash equivalents	110,934	–	110,934
Total undiscounted financial assets	594,883	–	594,883
Financial liabilities:			
Other payables	24,305	–	24,305
Amount due to intermediate holding company	1,471,271	–	1,471,271
Amount due to immediate holding company	5,633,937	–	5,633,937
Amounts due to shareholders	3,533,329	2,449,749	5,983,078
Total undiscounted financial liabilities	10,662,842	2,449,749	13,112,591
Total net undiscounted financial liabilities	(10,067,959)	(2,449,749)	(12,517,708)

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

Foreign currency risk

The Company has receivables and payables denominated in Euro (EUR), Malaysian Ringgit (MYR) and Singapore Dollars (SGD).

Sensitivity analysis for foreign currency risk

The following table demonstrates the sensitivity to the Company's result before tax to a reasonably possible change in the EUR, MYR and SGD exchange rates with all other variables held constant.

	Result before tax (Decrease)/increase	
	2020	**2019**
EUR/USD – strengthened 5% (2019: 5%)	(758,518)	(615,952)
– weakened 5% (2019: 5%)	758,518	615,952
MYR/USD – strengthened 1% (2019: NIL)	(11)	–
– weakened 1% (2019: NIL)	11	–
SGD/USD – strengthened 1% (2019: 1%)	(774)	(962)
– weakened 1% (2019: 1%)	774	962

15. Fair values of financial instruments

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

Fair value of financial instruments by classes that are not carried at fair value and whose carrying amounts are reasonable approximation of fair value

Management has determined that the carrying amounts of cash and cash equivalents, amount due from a subsidiary, amount due from/(to) immediate holding company, amount due from/(to) shareholders, other payables, amount due to intermediate holding company and loan from external parties reasonably approximate their fair values because they are short term in nature or that they are subjected to interest rates close to market rate of interests for similar arrangements with financial institutions.

16. Related party transactions

The following significant transaction between the Company and related parties took place at terms agreed between the parties during the financial year:

	2020 US$	2019 US$
Management fees paid to Forest Solutions Malaysia	37,589	32,012
Consultancy fees paid to immediate holding company	127,286	50,295
Interest income from immediate holding company	(16,613)	(16,250)
Interest income from a subsidiary	(2,089)	–
Interest expenses to:		
- Intermediate holding company	55,937	54,716
- Immediate holding company	233,310	143,810
- Shareholders	210,786	206,441

Compensation of key management personnel

	2020 US$	2019 US$
Director remuneration	31,522	30,926
Director fees	2,872	2,749
Allowances	33,723	57,384
At 31 December	68,117	91,059

17. 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 make 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. No changes were made in the objectives, policies or processes during the years ended 31 December 2020 and 2019.

18. Events after reporting period

(i) Increase in share capital

On 18 January 2021, the Company has increased its paid-up capital of US$558,223 divided into 178,571 ordinary shares by way of capitalisation of amounts due to a shareholder (non-trade) (Note 12).

(ii) Additional borrowings

On 24 March 2021, 26 March 2021 and 14 April 2021, the Company issued promissory notes to its immediate holding company, Merica Singapore Pte Ltd, for the amounts of EUR1,000,000, EUR1,000,000 and EUR231,000 respectively received on the same dates. The interest payable under the promissory notes is 4.5 percent per annum and calculated on the basis of actual days elapsed and a 365-day year.

On 9 June 2021, the Company entered into loan agreements with its immediate holding company and some of its shareholders to borrow a loan amount of EUR3,500,000. The interest payable under the loan is 4.5 percent per annum and calculated on the basis of actual days elapsed and a 365-day year.

19. Authorisation of financial statements for issue

The financial statements of the Company for the financial year ended 31 December 2020 were authorised for issue in accordance with a resolution of the Directors on 20 August 2021.