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CUE DIGITAL TECHNOLOGY PTE. LTD.

Registration Number: 201725890W

FINANCIAL STATEMENTS

Year ended 31 December 2021

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Company Registration No. 201725890W

Cue Digital Technology Pte. Ltd.

Annual Financial Statements
31 December 2021

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The directors present their statement to the members together with the audited financial statements of Cue Digital Technology Pte. Ltd. (the Company) Company for the financial year ended 31 December 2021.

Opinion of the directors

In the opinion of the directors,

(i) the accompanying balance sheet, statement of comprehensive income, statement of changes in equity and 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 2021 and the financial performance, changes in equity and cash flows of the Company for the financial year ended on that date, and

(ii) at the date of this statement there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due as the holding company has undertaken to provide adequate financial support and not to recall the loan owning to them within the next twelve months from the date of this statement.

Directors

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

Cui Guiyong
Shi Kan
Wang Mengzhi
Xu Kang
You Shuting
Ng Hon Thong

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 or debentures

No director who held office at the end of the financial year, had, according to the register of directors' shareholdings required to be kept under Section 164 of the Singapore Companies Act 1967, an interest in shares, share options, warrants or debentures of the Company, or its related corporations either at the beginning or at the end of the financial year.

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.

Auditor

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

On behalf of the board of directors:

Shi Kan
Director

Cui Guiyong
Director

22 July 2022

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Cue Digital Technology Pte. Ltd. (the Company), which comprise the balance sheet as at 31 December 2021, 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, the accompanying financial statements are properly drawn up in accordance with the provisions of the Companies Act 1967 (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 2021 and of the financial performance, changes in equity and cash flows of the Company for the 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.

Other information

Management is responsible for other information. The other information comprises the directors' statement, set out on pages 1 and 2.

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 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.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

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

- 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, 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.

Ernst & Young LLP
Public Accountants and
Chartered Accountants
Singapore

22 July 2022

	Note	2021 US$	2020 US$
Interest income	4	104,875	973,386
Professional service fee		(113,829)	(70,244)
Other expenses		(1,594,332)	(1,153,047)
Foreign exchange loss		(322,225)	(780,961)
Loss before tax	5	(1,925,511)	(1,030,866)
Income tax expense	6	–	–
Loss for the financial year, representing total comprehensive income for the financial year		(1,925,511)	(1,030,866)

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

	Note	2021 US$	2020 US$
ASSETS			
Non-current assets			
Investment in subsidiaries	7	159,030,147	159,030,147
Current assets			
Loans to related companies	8	9,166,836	7,289,907
Other receivables	9	560,323	43,558
Cash and bank balances	10	48,203,112	50,512,948
		57,930,271	57,846,413
TOTAL ASSETS		216,960,418	216,876,560
LIABILITIES			
Current liabilities			
Other payables	11	257,898	163,821
Loans from holding company	12	115,053,936	113,138,644
		115,311,834	113,302,465
Net current liabilities		(57,381,563)	(55,456,052)
Net assets		101,648,584	103,574,095
Equity			
Share capital	13	108,844,777	108,844,777
Accumulated losses		(7,196,193)	(5,270,682)
Total equity		101,648,584	103,574,095

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

	Share capital (Note 13) US$	Accumulated losses US$	Total US$
At 1 January 2020	108,844,777	(4,239,816)	104,604,961
Loss for the financial year, representing total comprehensive income for the financial year	–	(1,030,866)	(1,030,866)
At 31 December 2020	108,844,777	(5,270,682)	103,574,095
At 1 January 2021	108,844,777	(5,270,682)	103,574,095
Loss for the financial year, representing total comprehensive income for the financial year	–	(1,925,511)	(1,925,511)
At 31 December 2021	108,844,777	(7,196,193)	101,648,584

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

	Note	2021 US$	2020 US$
Cash flows from operating activities			
Loss before tax		(1,925,511)	(1,030,866)
Adjustments:			
Interest income	4	(104,875)	(973,386)
Interest expenses		1,592,508	1,145,253
Operating profit before working capital changes		(437,878)	(858,999)
Increase in other receivables		(497,513)	(31,582)
Increase in other payable		94,077	100,000
Increase in loans from holding company		322,784	53,993,318
Cash flows used in operations		(518,530)	53,202,737
Interest received		85,623	1,140,550
Net cash flows (used in)/generated from operating activities		(432,907)	54,343,287
Cash flows from investing activities			
Acquisition of subsidiaries	7	–	(58,067,181)
Uplift of fixed deposit (maturity more than 3 months from financial year end)		–	50,000,000
Uplift of pledged deposit (maturity more than 3 months from financial year end)		48,653,442	–
Placement of pledged deposit (maturity more than 3 months from financial year end)		(29,013,904)	(40,773,410)
Net cash flows generated from/(used in) investing activities		19,639,538	(48,840,591)
Net cash flows used in financing activities			
Loans to related companies		(1,876,929)	(7,289,907)
Net increase/(decrease) in cash and cash equivalents		17,329,702	(1,787,211)
Cash and cash equivalents at beginning of the financial year		1,859,506	3,646,717
Cash and cash equivalents at end of financial year	10	19,189,208	1,859,506

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

1. Corporate information

Cue Digital Technology Pte. Ltd. (the Company) is a limited liability company domiciled and incorporated in Singapore. The address of the Company's registered office is 10 Anson Road #18-01 International Plaza Singapore 079903

The company is a wholly-owned subsidiary of Cue Holding Limited, which is also the ultimate holding company that is incorporated in the Cayman Islands.

With effect from 1 July 2022, the Company has changed its registered name to Cue Digital Technology Pte. Ltd., which was formerly known as Sino Ad Investment Pte. Ltd.

The principal activity of the company is that of other holding. The principal activity of the subsidiary is described in Note 7 to the financial statements.

2. Summary of significant accounting policies

2.1 Basis of preparation

The financial statements have been prepared in accordance with Financial Reporting Standards in Singapore (FRSs).

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

The financial statements are presented in United States Dollars (US$), unless otherwise stated.

Going concern uncertainty

As at 31 December 2021, the Company incurred a net loss of US$1,925,511 (2020: US$1,030,866) and as at that date, the Company’s current liabilities exceeded its current assets by US$57,381,563 (2020: US$55,456,052).

These factors indicate the existence of a material uncertainty which may cast significant doubt over the Company’s ability to continue as a going concern. The ability of the Company to continue as a going concern is dependent on the undertaking of its holding company, Cue Holding Limited, to provide adequate financial support and not to recall the loan owning to them within the next twelve months from the date of this statement to enable the company to continue as a going concern.

The management is of the view that there is no going concern issue because the holding company has given a commitment to provide continuing financial support a to enable the Company to operate as a going concern and meet its liabilities as and when they fall due. The holding company has also undertaken to not recall the amount owning to them until cash flows of the Company permits.

2.2 *Basis of Consolidation*

As the Company meets the exemption criteria of FRS110 Consolidated Financial Statement, it is exempted from the preparation of consolidated financial statements as the Company is a wholly-owned subsidiary of Cue Holding Limited, which is incorporated and domiciled in Cayman Islands, which produces consolidated financial statements available for public use. The registered office of the ultimate holding company is located at PO BOX 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands.

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

2.3 *Changes in accounting policies*

The accounting policies adopted are consistent with those of the previous financial year except that in the current financial year, the Company has adopted all the new and amended standards which are relevant to the Company and are effective for annual financial periods beginning on or after 1 January 2021. The adoption of these standards did not have any material effect on the financial performance or position of the Company.

2.4 *Standard issued but not yet effective*

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

Description	***Effective for annual periods beginning on or after***
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 *Presentation of Financial Statements:* Classification of Liabilities as Current or Non-current	1 January 2023
Amendments to FRS 110 *Consolidated Financial Statements and* FRS 28 *Investments in Associates and Joint Ventures*: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Date to be determined

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

2.5 *Foreign currency transactions and balances*

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

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. Summary of significant accounting policies (cont'd)

2.6 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 of continuing operations 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.

2.7 *Financial instruments*

(a) Financial assets

Initial recognition and measurement

Financial assets are recognised when, and only when, the Company becomes a party to the contractual provisions of the financial instrument.

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.

Trade receivables are measured at the amount of 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 party, if the receivables do not contain a significant financing component at initial recognition.

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

2.7 ***Financial instruments (cont'd)***

(a) Financial assets (cont'd)

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 only has debt instruments at amortised cost.

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 amortized cost. Financial assets are measured at amortized 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 amortization process.

Derecognition

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

(b) Financial liabilities

Initial recognition and measurement

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

All financial liabilities are recognised initially at fair value plus in the case of other 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, cancelled or expires. On derecognition, the difference between the carrying amounts and the consideration paid is recognised in profit or loss.

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

2.8 ***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).

For trade receivables and contract assets, the Company applies a simplified approach in calculating ECLs. Therefore, the Company does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Company has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

The Company considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Company may also consider 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. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

2.9 ***Cash and cash equivalents***

Cash and cash equivalents in the statement of financial position comprise cash at banks which are readily convertible to known amount of cash and which are subject to an insignificant risk of changes in value.

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

2.11 ***Share capital***

(i) ***Ordinary shares***

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

(ii) ***Preference shares – equity instruments***

Financial instrument is determined as an equity instrument rather than a financial liability if the following conditions are met:

- The instrument includes no contractual obligation to deliver cash or another financial asset to another entity or to exchange financial assets or financial liability under conditions that are potentially unfavourable to the issuer; and

- If the instrument will or may be settled in the issuer's own equity instruments, it is a non-derivative that includes no contractual obligation for the issuer to deliver a variable number of its own equity instruments or a derivative that will be settled only by the issuer exchanging a fixed amount of cash or another financial asset for a fixed number of its own equity instruments.

2.12 ***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 by the end of the reporting period.

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 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 assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current income tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

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

2.12 *Taxes (cont'd)*

(b) Deferred tax (cont'd)

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, associates and interests in joint ventures, 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, 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, associates and interests in joint ventures, 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.

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.

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3. Significant accounting judgement 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.

The Company are of the opinion that there is no significant judgement made in applying accounting policies and no estimation uncertainty that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial period.

4. Interest income

	2021	**2020**
	US$	US$
Interest income	104,875	973,386

Interest income arises from pledged deposit and is recognised using the effective interest method.

5. Loss before tax

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

	2021	**2020**
	US$	US$
Professional fees	113,829	70,244
Interest expenses	1,592,508	1,145,253
Foreign exchange loss	322,225	780,961

6. Income tax expense

Major components of income tax expense for the financial years ended 31 December 2021 and 2020 were:

A reconciliation between tax expense and the product of accounting loss multiplied by applicable corporate tax for the financial years ended 31 December 2021 and 2020 were as follows:

	2021 US$	2020 US$
Loss before tax	(1,925,511)	(1,030,866)
Tax expense at the applicable tax rate of 17% (2020: 17%)	(327,337)	(175,247)
Income not subjected to tax	(17,829)	(165,476)
Non-deductible expenses	333,905	287,428
Deferred tax asset not recognised	11,261	53,295
Income tax expense	–	–

7. Investment in subsidiaries

	2021 US$	2020 US$
Unquoted equity shares at cost		
At beginning of year	159,030,147	100,962,966
Newly incorporation during the year	–	58,067,181
At end of the year	159,030,147	159,030,147

In 2020, the Company incorporated Cue International Holdings Limited and Cue Korea Co., Ltd for a consideration of CNY384,000,000 (US$56,876,181) and KRW1,300,000,000 (US$1,091,000) respectively, which was fully paid as at year end. The Company also incorporated Cue Digital International Pte Ltd for a consideration of US$100,000 and was payable as of the financial year. The carrying amount of investments were included in the balance sheet under investment in subsidiaries.

7. Investment in subsidiaries (cont'd)

The subsidiaries held is listed below:

Name of company	Principal activities	Country of incorporation and place of business	Proportion (%) of ownership interest 2021 %	2020 %
Held by the Company				
Shanghai Yingxuan Enterprise Management Consulting Limited	Share-holding of onshore subsidiaries	China	100%	100%
Shanghai Cue Information Technology Co., Ltd	Deliver integrated data-driven digital marketing and growth solutions	China	100%	100%
Cue International Holdings Limited	Deliver integrated data-driven digital marketing and growth solutions	China	100%	100%
Cue Korea Co., Ltd	Sales of product	Korea	100%	100%
Cue Digital International Pte. Ltd	Share-holding of onshore subsidiaries	Singapore	100%	100%

8. Loans to related companies

The loans to related companies is unsecured, bear fixed interest of 0.15% - 0.24% (2020: 0.24%) per annum and repayable on demand.

9. Other receivables

	2021 US$	2020 US$
Other receivables		
Amount due from holding company	22,438	32,341
Amount due from related companies	513,791	6,375
Other receivables	24,094	4,842
Total other receivables	560,323	43,558
Add: Cash and bank balances (Note 10)	48,203,112	50,512,948
Loan to related companies (Note 8)	9,166,836	7,289,907
Total financial assets carried at amortised cost	57,930,271	57,846,413

10. Cash and bank balances

	2021 US$	2020 US$
Cash at banks	19,189,208	1,859,506
Cash and cash equivalents	19,189,208	1,859,506
Pledged deposit more than 3 months	29,013,904	48,653,442
Total cash and bank balances	48,203,112	50,512,948

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

Pledged deposit is for a tenure of 6 months which has been pledged to the bank as a guarantor for its subsidiary, Shanghai Cue Information Technology Co., Ltd and Cue International Holdings Limited to secure bank overdraft facilities.

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

	2021 US$	2020 US$
Chinese Yuan	191,090	187,269
Korea Won	4,853	5,301

11. Other payables

	2021 US$	2020 US$
Accrued expenses	157,898	63,821
Amount due to a subsidiary (Note 7)	100,000	100,000
Total financial liabilities carried at amortised cost	257,898	163,821

Other payables are non-interest bearing and are generally on 30 days term.

Amount due to a subsidiary consists of capital payable for newly incorporation.

12. Loans from holding company

The loans from holding company is unsecured, bear fixed interest of 0.22% - 3.36% (2020: 0.22% - 3.36%) per annum and repayable on demand.

13. Share capital

	2021		2020	
	Number of shares	US$	**Number of shares**	US$
Issued and fully paid ordinary share capital with no par value:				
At 1 January and 31 December	5,442,240	5,442,240	5,442,240	5,442,240
Issued and fully paid convertible cumulative preference share with no par value:				
At 1 January and 31 December	103,402,537	103,402,537	103,402,537	103,402,537
Total	108,844,777	108,844,777	108,844,777	108,844,777

Ordinary share capital

The holder of ordinary shares is 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.

Preference shares

All preference shares are fully paid. The preference shares carry one vote per share and a right to dividends as and when declared by the Board of Directors. The preference shares are redeemable at the sole discretion of the Board of Directors.

On return of capital by the company, the preference shareholders shall be paid first for any preference dividends which have been declared and remains unpaid followed by the redemption amounts for their preference shares and the balance would be distributed among the holders of any class of the shares including the preference shareholders other than shares not entitled to participate in such assets is in accordance with the respective rights attaching thereto.

The management has assessed and is of the view that the preference shares should be classified as equity instruments as there is no contractual obligation to deliver cash or another financial asset to another entity or to exchange financial assets or financial liability under conditions that are potentially unfavourable to the Company, and the preference shares will or may be settled in the Company's own equity instruments.

14. Financial risk management objectives and policies

The Company's activities expose them to market risk (including foreign currency risk, interest rate risk), liquidity risk, credit risk arising in the normal course of business. The Company's overall risk management strategies seek to minimise adverse effects from the volatility of financial markets on the Company's financial performance.

Management is responsible for setting the objectives and underlying principles of financial risk management for the Company. Management continually monitors the Company's financial risk management process to ensure that an appropriate balance between risk and control is achieved.

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

(a) ***Market risk***

(i) *Foreign exchange risk*

Foreign currency risk is the risk that the value of monetary assets and liabilities will fluctuate due to changes in foreign exchange rates. The Company is exposed to foreign currency risk on transactions and balances that are denominated in currencies other than its functional currency. The Company transacted business in various foreign currencies and therefore is exposed to foreign exchange risk mainly from Singapore dollar (SGD) and Chinese Yuan (RMB).

The Company also holds cash and cash equivalents denominated in foreign currencies for working capital purposes.

Sensitivity analysis for foreign currency risk

A 10% strengthening of United States Dollar against the foreign currencies denominated balances as at the reporting date would increase/(decrease) profit or loss by the amounts shown below. This analysis assumes that all other variables remain constant.

	Profit or loss (after tax)	
	2021	**2020**
	US$	US$
Singapore Dollar	(323)	(317)
Chinese Yuan	1,265,866	1,236,920

A 10% weakening of United States Dollar against the above currencies would have had equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remain constant.

(ii) *Interest rate risk*

Interest rate risk is the risk that fair value or future cash flows of the Company's financial instruments will fluctuate because of changes in market interest rates.

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

(b) ***Liquidity risk***

Liquidity risk is the risk that the Company will encounter difficulty in meeting financial obligations due to shortage of funds. The Company's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities. The Company's objective is to maintain a balance between continuity of funding and flexibility by monitoring and maintaining a level of cash and bank balances deemed adequate by management to finance the Company's operations and mitigate the effects of fluctuations in cash flows.

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

	One year or less US$	**One to five years** US$	**Total** US$
2021			
Financial assets:			
Loans to related companies	9,166,836	–	9,166,836
Other receivables	560,323	–	560,323
Cash and bank balances	48,203,112	–	48,203,112
Total undiscounted financial assets	57,930,271	–	57,930,271
Financial liabilities:			
Other payables	257,898	–	257,898
Loans from holding company	115,053,936	–	115,053,936
Total undiscounted financial liabilities	115,311,834	–	115,311,834
Total net undiscounted financial liabilities	(57,381,563)	–	(57,381,563)
2020			
Financial assets:			
Loans to related companies	7,289,907	–	7,289,907
Other receivables	43,558	–	43,558
Cash and bank balances	1,859,506	48,653,442	50,512,948
Total undiscounted financial assets	9,192,971	48,653,442	57,846,413

Financial liabilities:			
Other payables	163,821	–	163,821
Loans from holding company	113,138,644	–	113,138,644
Total undiscounted financial liabilities	113,302,465	–	113,202,465
Total net undiscounted financial (liabilities)/assets	(104,109,494)	48,653,442	(55,456,052)

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

(c) ***Credit risk***

Credit risk refers to the risk that the counterparty will default on its contractual obligations resulting in a loss to the Company. The Company's exposure to credit risk arises primarily from loans to related companies. For other financial assets, the Company minuses credit risk by dealing exclusively with high credit rating counterparties.

The Company has adopted a policy of only dealing with creditworthy counterparties. the company performs ongoing credit evaluation of its counterparties' financial condition and generally do not require a collateral.

The Company considers 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 believe that no impairment is necessary for the financial assets due to good credit standing.

15. Financial instruments

The fair value of a financial instrument is the amount at which the instrument could be exchanged or settled between knowledgeable and willing parties in an arm's length transaction, other than in a forced or liquidation sale.

Financial instruments whose carrying amount approximate fair value

Other receivables, cash and bank balances and other payables

Management has determined that the carrying amounts of other receivables, cash and bank balances and other payables based on their notional amounts, reasonably approximate their fair values because these are generally short term in nature or are repriced frequently.

Loans to related companies and loans from holding company

The carrying amounts of loans to related companies and loans from holding company approximate their fair values as they are subject to interest rates close to market rate of interests for similar arrangements with financial institutions.

16. Capital risk management

The Company manage their capital to ensure that they will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. In order to maintain or achieve an optimal capital structure, the Company may adjust the amount of dividend payment, return capital to shareholders, issue new shares, obtain new borrowings or sell assets to reduce borrowings.

The management constantly reviews the capital structure to ensure the Company are able to service any debt obligations (include principal repayment and interests) based on their operating cash flows. No changes were made in the objectives, policies or processes during the financial years ended 31 December 2021 and 31 December 2020.

17. Authorisation of financial statements for issue

The financial statements for the year ended 31 December 2021 were authorised for issue in accordance with a resolution of the directors dated 22 July 2022.