

Company Registration No. 200010108W

PTT International Trading Pte Ltd and Its Subsidiary

Annual Financial Statements
31 December 2020



PTT International Trading Pte Ltd and Its Subsidiary**General information**

Directors

Disathat Panyarachun
 Donnaya Senanarong
 Supasachi Hongsinlark
 Jaturong Worawitsurawatthana
 Chienvit Udomwatwong (Resigned on 4 January 2021)
 Patricia Mongkhonvanit
 Chanamas Sasnanand (Appointed on 11 January 2021)

Company Secretary

Seow Han Chiang Winston

Registered Office

391A Orchard Road
 #12-01/04, #12-05 & #12-10, Tower A Ngee Ann City
 Singapore 238873

Auditor

Ernst & Young LLP

Bankers

Sumitomo Mitsui-Banking Corporation
 The Hongkong and Shanghai Banking Corporation Ltd
 Standard Chartered Bank
 Siam Commercial Bank
 Mizuho Corporate Bank, Ltd
 JP Morgan Chase Bank, N.A.
 United Overseas Bank Singapore
 Citibank N.A., Singapore
 Deutsche Bank A.G., Singapore
 Oversea-Chinese Banking Corporation Limited
 DBS Bank Ltd
 Bank of America, N.A.
 China Merchant Bank
 MUFG Bank
 Banco Santander, S. A.
 BNP Paribas SA

Index

	Page
Directors' statement	1
Independent auditor's report	4
Consolidated and company statements of comprehensive income	7
Balance sheets	8
Statement of changes in equity	10
Consolidated and company cash flows statements	12
Notes to the financial statements	14

PTT International Trading Pte Ltd and Its Subsidiary

Directors' statement

The directors are pleased to present their statement to the member together with the audited consolidated financial statements of PTT International Trading Pte Ltd (the Company) and its subsidiary (collectively, the Group) and the balance sheet and statement of changes in equity of the Company for the financial year ended 31 December 2020.

Opinion of the directors

In the opinion of the directors,

- (a) the consolidated financial statements of the Group and the balance sheet and statement of changes in equity of the Company are drawn up so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2020 and the financial performance, changes in equity and cash flows of the Group and changes in equity 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.

Directors

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

Disathat Panyarachun
Donnaya Senanarong
Supasachi Hongsinlark
Jaturong Worawitsurawatthana
Chanamas Sasnanand
Patricia Mongkhonvanit

Arrangements to enable Directors to acquire shares or debentures

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

PTT International Trading Pte Ltd and Its Subsidiary**Directors' statement**

Directors' interests in shares or 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 (the "Act"), an interest in shares or debentures of the Company and related corporations as stated below:

	Directly held	
	At the beginning of financial year or date of appointment	At the end of financial year
Holding company		
<i>PTT Public Company Limited</i>		
Donnaya Senanarong	98,400	98,400
Chienvit Udomwatwong	15,160	15,160
Patricia Mongkhonvanit	3,000	3,000
Jaturong Worawitsurawatthana	2,600	2,600
Supasachi Hongsinlark	12,900	12,900
Related corporations		
<i>PTT Exploration & Production Public Co., Ltd.</i>		
Chienvit Udomwatwong	6,000	6,000
Jaturong Worawitsurawatthana	300	–
Supasachi Hongsinlark	5,000	5,000
<i>Thai Oil Public Co., Ltd.</i>		
Donnaya Senanarong	2,000	2,000
Supasachi Hongsinlark	2,000	2,000
<i>IRPC Public Co., Ltd.</i>		
Chienvit Udomwatwong	500,365	500,365
Patricia Mongkhonvanit	7,500	7,500
Jaturong Worawitsurawatthana	2,000	–
<i>PTT Global Chemical Public Co., Ltd.</i>		
Donnaya Senanarong	125	125
Chienvit Udomwatwong	4,000	4,000
Supasachi Hongsinlark	307	307

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, or date of appointment if later, or at the end of the financial year.

PTT International Trading Pte Ltd and Its Subsidiary

Directors' statement

Auditor

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

On behalf of the Board of Directors:



Disathat Panyarachun
Chairman



Supasachi Hongsinlark
Director

Singapore
11 February 2021

PTT International Trading Pte Ltd and Its Subsidiary

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

Independent auditor's report to the member of PTT International Trading Pte Ltd and Its Subsidiary

Report on the audit of the financial statements

Opinion

We have audited the financial statements of PTT International Trading Pte Ltd (the "Company") and its subsidiary (collectively, the "Group"), which comprise the balance sheets of the Group and the Company as at 31 December 2020, and the statements of comprehensive income, statements of changes in equity and cash flows statements of the Group and Company for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements of the Group, and the financial statements of the Company are properly drawn up in accordance with the provisions of the Companies Act, Chapter 50 (the Act) and Financial Reporting Standards in Singapore (FRSs) so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at 31 December 2020 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group and 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 Group 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 to 3 and the General information.

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.

PTT International Trading Pte Ltd and Its Subsidiary

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

Independent auditor's report to the member of PTT International Trading Pte Ltd and Its Subsidiary

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 Group'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 Group or to cease operations, or has no realistic alternative but to do so.

The directors' responsibilities include overseeing the Group'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 Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group'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 Group to cease to continue as a going concern.

PTT International Trading Pte Ltd and Its Subsidiary

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

Independent auditor's report to the member of PTT International Trading Pte Ltd and Its Subsidiary

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

- 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 and by those subsidiary corporations incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.



Ernst & Young LLP
Public Accountants and
Chartered Accountants
Singapore
11 February 2021

PTT International Trading Pte Ltd and Its Subsidiary**Consolidated and company statements of comprehensive income
For the financial year ended 31 December 2020**

	Notes	Group		Company	
		2020 US\$	2019 US\$	2020 US\$	2019 US\$
Revenue	3	8,553,491,400	13,255,453,424	8,553,491,400	13,255,453,424
Cost of sales		(8,498,104,818)	(13,219,247,117)	(8,498,104,818)	(13,219,247,117)
Gross profit		55,386,582	36,206,307	55,386,582	36,206,307
Other income	4	8,517,657	1,339,651	8,520,057	1,338,946
Interest income	5	3,285,948	25,016,210	3,272,141	24,894,960
Administrative expenses	6	(7,677,898)	(6,578,008)	(7,638,258)	(6,523,933)
Personnel expenses	7	(10,625,618)	(9,666,338)	(10,596,885)	(9,644,375)
Other operating expenses		(28,274)	513,671	(28,345)	513,970
Finance costs	8	(5,679,901)	(28,747,681)	(5,679,901)	(28,747,681)
Profit before taxation	9	43,178,496	18,083,812	43,235,391	18,038,194
Taxation	10	(2,652,134)	(2,400,101)	(2,651,999)	(2,394,351)
Profit after taxation		40,526,362	15,683,711	40,583,392	15,643,843
Other comprehensive income:					
- Net fair value (loss)/gain on equity instruments at fair value through other comprehensive income		(2,701)	152	(2,701)	152
Total comprehensive income for the year		40,523,661	15,683,863	40,580,691	15,643,995

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

PTT International Trading Pte Ltd and Its Subsidiary

Balance sheets As at 31 December 2020

	Notes	Group 2020 US\$	2019 US\$	Company 2020 US\$	2019 US\$
Share capital and reserve					
Share capital	11	3,986,897	3,986,897	3,986,897	3,986,897
Fair value reserve		2,690	5,391	2,690	5,391
Retained earnings		144,003,580	105,185,218	138,707,737	99,832,345
		<u>147,993,167</u>	<u>109,177,506</u>	<u>142,697,324</u>	<u>103,824,633</u>
Non-current assets					
Property, plant and equipment	12	235,360	344,817	235,360	344,538
Right-of-use assets	13	1,262,514	4,896,825	1,262,514	4,896,825
Investment in a subsidiary	14	–	–	54,469	54,469
Investment securities	15	1,017,925	1,020,626	1,017,925	1,020,626
Advance payment - trade	17	–	25,000,000	–	25,000,000
		<u>2,515,799</u>	<u>31,262,268</u>	<u>2,570,268</u>	<u>31,316,458</u>
Current assets					
Inventory	18	98,034,411	311,408,891	98,034,411	311,408,891
Trade receivables	16	676,374,311	957,327,093	676,374,311	956,318,320
Other debtors, deposits and others	19	100,311,170	123,098,183	100,307,144	123,085,907
Amounts due from related companies - trade	20	47,893,880	119,489,082	47,893,880	119,489,082
Amounts due from related companies - non-trade	21	65,072,007	67,284,592	59,711,700	66,433,358
Amounts due from holding company - trade	20	60,191,995	26,579,083	60,191,995	26,579,083
Amounts due from holding company - non-trade	21	–	132,037	–	132,037
Amounts due from a subsidiary - non-trade	22	–	–	5,017	2,400
Derivative financial instruments	30	26,918,374	54,756,838	26,918,374	54,756,838
Cash and bank balances	23	7,204,146	46,260,741	7,204,146	42,711,693
		<u>1,082,000,294</u>	<u>1,706,336,540</u>	<u>1,076,640,978</u>	<u>1,700,917,609</u>

PTT International Trading Pte Ltd and Its Subsidiary**Balance sheets
As at 31 December 2020**

	Notes	Group 2020 US\$	2019 US\$	Company 2020 US\$	2019 US\$
Current liabilities					
Trade advances	24	28,301,237	26,017,887	28,301,237	26,017,887
Trade creditors	25	131,449,409	227,555,881	131,449,409	227,555,881
Trade accruals	25	465,934,018	620,859,693	465,934,018	620,859,693
Bills payable	26	34,835,608	299,142,638	34,835,608	299,142,638
Other creditors and accruals		2,874,097	2,964,066	2,865,254	2,955,032
Amounts due to related companies - trade	20	56,166,911	183,918,842	56,166,911	183,918,842
Amounts due to related companies - non-trade	21	3,524	6,748	3,363	3,914
Amounts due to a holding company - trade	20	87,053,021	113,212,487	87,053,021	113,212,487
Amounts due to a holding company - non-trade	21	369,208	417,240	369,208	417,240
Derivative financial instruments	30	52,624,324	49,316,840	52,624,324	49,316,840
Advances from broker	25	72,340,725	72,427,316	72,340,725	72,427,316
Lease liabilities	28	1,066,769	4,094,159	1,066,769	4,094,159
Tax payable		3,249,674	2,353,202	3,249,674	2,353,202
		936,268,525	1,602,286,999	936,259,521	1,602,275,131
Net current assets		145,731,769	104,049,541	140,381,457	98,642,478
Non-current liabilities					
Deferred tax liability	27	23,193	23,193	23,193	23,193
Amount due to a related company - non-trade	20	–	1,407	–	1,407
Trade advances	24	–	25,000,000	–	25,000,000
Lease liabilities	28	231,208	1,109,703	231,208	1,109,703
		254,401	26,134,303	254,401	26,134,303
Net assets		147,993,167	109,177,506	142,697,324	103,824,633

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

PTT International Trading Pte Ltd and Its Subsidiary**Statements of changes in equity
For the financial year ended 31 December 2020**

Group	Notes	Share capital US\$	Fair value reserve US\$	Retained earnings US\$	Total Equity US\$
At 1 January 2019		3,986,897	5,239	89,757,707	93,749,843
Net change in fair value of equity instrument at FVOCI		–	152	–	152
Profit for the year		–	–	15,683,711	15,683,711
Total comprehensive income for the year		–	152	15,683,711	15,683,863
Dividends	11	–	–	(256,200)	(256,200)
Balance at 31 December 2019		3,986,897	5,391	105,185,218	109,177,506
At 1 January 2020		3,986,897	5,391	105,185,218	109,177,506
Net change in fair value of equity instrument at FVOCI		–	(2,701)	–	(2,701)
Profit for the year		–	–	40,526,362	40,526,362
Total comprehensive income for the year		–	(2,701)	40,526,362	40,523,661
Dividends	11	–	–	(1,708,000)	(1,708,000)
Balance at 31 December 2020		3,986,897	2,690	144,003,580	147,993,167

PTT International Trading Pte Ltd and Its Subsidiary**Statements of changes in equity
For the financial year ended 31 December 2020**

Company	Notes	Share capital US\$	Fair value reserve US\$	Retained earnings US\$	Total Equity US\$
At 1 January 2019		3,986,897	5,239	84,444,702	88,436,838
Net change in fair value of equity instrument at FVOCI		–	152	–	152
Profit for the year		–	–	15,643,843	15,643,843
Total comprehensive income for the year		–	152	15,643,843	15,643,995
Dividends	11	–	–	(256,200)	(256,200)
Balance at 31 December 2019		3,986,897	5,391	99,832,345	103,824,633
At 1 January 2020		3,986,897	5,391	99,832,345	103,824,633
Net change in fair value of equity instrument at FVOCI		–	(2,701)	–	(2,701)
Profit for the year		–	–	40,583,392	40,583,392
Total comprehensive income for the year		–	(2,701)	40,583,392	40,580,691
Dividends	11	–	–	(1,708,000)	(1,708,000)
Balance at 31 December 2020		3,986,897	2,690	138,707,737	142,697,324

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

PTT International Trading Pte Ltd and Its Subsidiary**Consolidated and company cash flows statements
For the financial year ended 31 December 2020**

	Group		Company	
	2020	2019	2020	2019
	US\$	US\$	US\$	US\$
Cash flows from operating activities				
Profit before taxation	43,178,496	18,083,812	43,235,391	18,038,194
Adjustments for:				
Depreciation of property, plant and equipment	112,569	165,724	112,430	164,910
Depreciation of right-of-use assets	3,967,503	3,971,609	3,967,503	3,971,609
Provision for doubtful debts	3,722,519	932,690	3,722,519	932,690
Interest expense	5,679,901	28,747,681	5,679,901	28,747,681
Interest income	(3,285,948)	(25,016,210)	(3,272,141)	(24,894,960)
Revaluation of inventories to fair value	(11,002,646)	1,052,227	(11,002,646)	1,052,227
Revaluation of derivatives to fair value	31,145,948	62,253,838	31,145,948	62,253,838
Operating profit before working capital changes	73,518,342	90,191,371	73,588,905	90,266,189
Decrease/(increase) in inventories	224,377,126	(209,321,134)	224,377,126	(209,321,134)
Decrease/(increase) in trade and other debtors, prepayments and deposits	325,017,276	(6,219,423)	324,000,253	(6,469,555)
(Decrease)/increase in trade creditors and accruals	(273,846,005)	84,872,119	(273,845,814)	84,867,168
Decrease in bills payable	(264,307,030)	(20,895,912)	(264,307,030)	(20,895,912)
Net change in balances with related and holding companies	(113,637,148)	42,494,587	(109,128,019)	39,230,507
Cash flows used in operations	(28,877,439)	(18,878,392)	(25,314,579)	(22,322,737)
Interest received	3,285,948	25,016,210	3,272,141	24,894,960
Interest paid	(5,546,015)	(28,235,178)	(5,546,015)	(28,235,178)
Tax paid	(1,755,662)	(1,547,204)	(1,755,527)	(1,486,311)
Net cash flows used in operating activities	(32,893,168)	(23,644,564)	(29,343,980)	(27,149,266)

PTT International Trading Pte Ltd and Its Subsidiary**Consolidated and company cash flows statements
For the financial year ended 31 December 2020**

	Group		Company	
	2020	2019	2020	2019
	US\$	US\$	US\$	US\$
Cash flows from investing activities				
Disposal of fixed assets	288	–	148	–
Purchase of fixed assets	(3,400)	(16,295)	(3,400)	(16,295)
Purchase of investment securities	–	(1,000,000)	–	(1,000,000)
Net cash flows used in investing activities	(3,112)	(1,016,295)	(3,252)	(1,016,295)
Cash flows from financing activities				
Dividends paid to stockholders	(1,708,000)	(256,200)	(1,708,000)	(256,200)
Proceeds (payment to)/from broker	(86,591)	43,158,206	(86,591)	43,158,206
Lease liabilities payment	(4,365,724)	(3,912,176)	(4,365,724)	(3,912,176)
Repayment of short term loan	–	(19,970,862)	–	(19,970,862)
Net cash flows (used in)/generated from financing activities	(6,160,315)	19,018,968	(6,160,315)	19,018,968
Net decrease in cash and bank balances for the year	(39,056,595)	(5,641,891)	(35,507,547)	(9,146,593)
Cash and bank balances at beginning of year	46,260,741	51,902,632	42,711,693	51,858,286
Cash and bank balances at end of year	7,204,146	46,260,741	7,204,146	42,711,693

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

PTT International Trading Pte Ltd and Its Subsidiary

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

1. Corporate information

PTT International Trading Pte Ltd (the "Company") is a private limited company domiciled and incorporated in Singapore. The address of the Company's registered office and its principal place of business is 391A Orchard Road, #12-01/04, #12-05 & #12-10, Tower A Ngee Ann City, Singapore 238873.

The Company's immediate holding company is PTT Public Company Limited, a company incorporated in Thailand. The Company's related parties are all subsidiaries of PTT Public Company Limited.

The principal activities of the Company are the marketing and trading of petrochemicals, crude, coal and petroleum products. The principal activities of the subsidiary is disclosed in Note 14 to the financial statements.

2. Summary of significant accounting policies

2.1 *Basis of preparation*

The consolidated financial statements of the Group and the financial statements of the Company have been prepared in accordance with Singapore Financial Reporting Standards ("FRS").

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 *Changes in accounting policies*

The accounting policies adopted are consistent with those of the previous financial year except in the current financial year, the Group has adopted all the new and revised standards which are effective for annual periods beginning on or after 1 January 2020. The adoption of these standards and interpretations did not have material effect on the financial performance or position of the Group.

PTT International Trading Pte Ltd and Its Subsidiary

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

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

2.3 *Standards issued but not yet effective*

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

Description	Effective for annual periods beginning on or after
Amendments to FRS 103 <i>Reference to the Conceptual Framework</i>	1 January 2022
Amendments to FRS 16 <i>Property, Plant and Equipment - Proceeds before Intended Use</i>	1 January 2022
Amendments to FRS 37 <i>Onerous Contracts - Cost of Fulfilling a Contract</i>	1 January 2022
Amendments to FRS 1 <i>Classification of Liabilities as Current or Non-Current</i>	1 January 2023

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

2.4 *Significant accounting judgements and estimates*

The preparation of the Group's consolidated 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.

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, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

(a) Impairment of non-financial assets

The Group has assessed that there is no indication of impairment for the property, plant and equipment and investment in a subsidiary as at 31 December 2020.

The Group evaluates, amongst other factors, the revenue generating capacity of the subsidiary. There was no impairment loss recognised for the financial year ended 31 December 2020.

(b) Fair value of financial instruments

Where the fair values of financial instruments recorded on the statement of financial position cannot be derived from active markets, they are determined using valuation techniques. The inputs into these valuation techniques are derived from observable market data. The most frequently applied valuation techniques are swap models, using present value calculations. The models incorporate various inputs including forward value and related index.

PTT International Trading Pte Ltd and Its Subsidiary**Notes to the financial statements
For the financial year ended 31 December 2020**

2. Summary of significant accounting policies (cont'd)**2.5 Property, plant and equipment**

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment in value.

The initial cost of property, plant and equipment comprises its purchase price, including import duties and non-refundable purchase taxes and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after the property, plant and equipment have been put into operation, such as repairs and maintenance and overhaul costs, is normally charged to profit or loss in the financial year in which the costs are incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property, plant and equipment beyond its originally assessed standard of performance, the expenditure is capitalised as an additional cost of property, plant and equipment.

Depreciation is computed on a straight-line basis over the estimated useful life of the assets as follows:

Office equipment	-	5 years
Furniture and fixtures	-	5 to 10 years

The useful life and depreciation method are reviewed annually to ensure that the method and period of depreciation are consistent with the expected pattern of economic benefits from items of property, plant and equipment.

Fully depreciated assets are retained in the accounts until they are no longer in use and no further charge for depreciation is made in respect of these assets.

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

The residual value, useful life and depreciation method are reviewed at each financial year end, and adjusted prospectively, if appropriate.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on derecognition of the asset is included in profit or loss in the year the asset is derecognised.

PTT International Trading Pte Ltd and Its Subsidiary**Notes to the financial statements
For the financial year ended 31 December 2020**

2. Summary of significant accounting policies (cont'd)**2.6 Leases**

The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

(a) Right-of-use assets

The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets, as follows:

Office equipment	-	5 years
Building	-	1 to 3 years
Warehouse	-	1 years

If ownership of the leased asset transfers to the Group at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

The right-of-use assets are also subject to impairment. Refer to the accounting policies in note 2.9.

PTT International Trading Pte Ltd and Its Subsidiary**Notes to the financial statements
For the financial year ended 31 December 2020**

2. Summary of significant accounting policies (cont'd)**2.6 Leases (cont'd)***Group as a lessee (cont'd)***(b) Lease liabilities**

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating the lease, if the lease term reflects the Group exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

(c) Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered to be low value. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

2.7 *Investment in a subsidiary*

A subsidiary is an entity over which the Company has the power to govern the financial and operating policies so as to obtain benefits from its activities. In the Company's separate financial statements, investment in a subsidiary are accounted for at cost less impairment losses.

PTT International Trading Pte Ltd and Its Subsidiary

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

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

2.8 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiary as at the end of the reporting period. The financial statements of the subsidiary used in the preparation of the consolidated financial statements are prepared for the same reporting period as the Company. Consistent accounting policies are applied to like transactions and events in similar circumstances.

All intra-group balances, income and expenses and unrealised gains or losses resulting from intra-group transactions are eliminated in full.

The subsidiary is consolidated from the date of acquisition, being the date on which the Group obtains control and continue to be consolidated until the date that such control ceases.

Losses within a subsidiary are attributed to the non-controlling interest even if that results in a deficit balance.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- derecognises the assets (including goodwill) and liabilities of the subsidiary at their carrying amounts at the date when control is lost;
- de-recognises the carrying amount of any non-controlling interest;
- de-recognises the cumulative translation differences recorded in equity;
- recognises the fair value of the consideration received;
- recognises the fair value of any investment retained;
- recognises any surplus or deficit in profit or loss; and
- reclassifies the Group's share of components previously recognised in other comprehensive income to profit or loss or retained earnings, as appropriate.

PTT International Trading Pte Ltd and Its Subsidiary**Notes to the financial statements
For the financial year ended 31 December 2020**

2. Summary of significant accounting policies (cont'd)**2.9 Impairment of non-financial assets**

The Group assesses at the end of each reporting period whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group 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 to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written-down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses of continuing operations are recognised in profit or loss in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each reporting period as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. 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 increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in profit or loss unless the asset is carried at revalued amount, in which case the reversal is treated as a revaluation increase. After such a reversal the depreciation charged is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

2.10 Financial instruments**(a) Financial assets****Initial recognition and measurement**

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

At initial recognition, the Group 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 Group 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 trade receivables do not contain a significant financing component at initial recognition.

PTT International Trading Pte Ltd and Its Subsidiary**Notes to the financial statements
For the financial year ended 31 December 2020**

2. Summary of significant accounting policies (cont'd)**2.10 Financial instruments (cont'd)****(a) Financial assets (cont'd)**Subsequent measurement

Subsequent measurement depends on the Group's business model for managing the asset and the contractual cash flow characteristics of the asset. The three measurement categories for classification of debt instruments are:

(i) 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.

(ii) Fair value through other comprehensive income (FVOCI)

Financial assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Financial assets measured at FVOCI are subsequently measured at fair value. Any gains or losses from changes in fair value of the financial assets are recognised in other comprehensive income, except for impairment losses, foreign exchange gains and losses and interest calculated using the effective interest method are recognised in profit or loss. The cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment when the financial asset is de-recognised.

(iii) Fair value through profit or loss

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

PTT International Trading Pte Ltd and Its Subsidiary**Notes to the financial statements
For the financial year ended 31 December 2020**

2. Summary of significant accounting policies (cont'd)**2.10 Financial instruments (cont'd)****(a) Financial assets (cont'd)**Subsequent measurement (cont'd)*Investments in equity instruments*

Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI when they meet the definition of equity under FRS 32 Financial Instruments: Presentation and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognised as other income in the statement of profit or loss when the right of payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at fair value through OCI are not subject to impairment assessment.

The Group elected to classify irrevocably its non-listed equity investments under this category.

Derivatives

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at the end of each reporting period. Changes in fair value of derivatives are recognised in profit or loss.

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 for debt instruments is recognised in profit or loss.

PTT International Trading Pte Ltd and Its Subsidiary**Notes to the financial statements
For the financial year ended 31 December 2020**

2. Summary of significant accounting policies (cont'd)**2.10 Financial instruments (cont'd)****(b) Financial liabilities**Initial recognition and measurement

Financial liabilities are recognised when, and only when, the Group becomes a party to the contractual provisions of the financial instrument. The Group 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 de-recognised when the obligation under the liability is discharged or cancelled or expires. On derecognition, the difference between the carrying amounts and the consideration paid is recognised in profit or loss.

2.11 Impairment of financial assets

The Group 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 Group 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 Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group recognises loss allowance based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

PTT International Trading Pte Ltd and Its Subsidiary**Notes to the financial statements
For the financial year ended 31 December 2020**

2. Summary of significant accounting policies (cont'd)**2.12 Inventories**

The inventories are principally acquired with the purpose of selling in the near future and generating a profit from fluctuations in price or broker-traders' margin. These inventories are measured at fair value less cost to sell. When such inventories are measured at fair value less cost to sell, the changes in fair value are recognised in profit or loss in the financial year of the change.

2.13 Cash and bank balances

Cash and bank balances comprise cash on hand, demand deposits and short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. These also include bank overdrafts that form an integral part of the Group's cash management.

2.14 Taxes**(a) Current income tax**

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

PTT International Trading Pte Ltd and Its Subsidiary**Notes to the financial statements
For the financial year ended 31 December 2020**

2. Summary of significant accounting policies (cont'd)**2.14 Taxes (cont'd)****(b) Deferred tax (cont'd)**

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 asset 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 each 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 financial 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.

(c) Sales tax

Revenues, expenses and assets are recognised net of the amount of sales tax except:

- Where the sales tax incurred in a purchase of assets or services is not recoverable from the taxation authority, in which case the sales tax is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- Receivables and payables that are stated with the amount of sales tax included.

PTT International Trading Pte Ltd and Its Subsidiary**Notes to the financial statements
For the financial year ended 31 December 2020**

2. Summary of significant accounting policies (cont'd)**2.15 Revenue***Sale of goods*

Revenue from sale of goods is recognised upon the satisfaction of a performance obligation, usually upon delivery of goods. Revenue is not recognised to the extent where there are significant uncertainties regarding recovery of the consideration due, associated costs or the possible return of goods.

Shipping and insurance related activities

When goods are sold on a CFR or CIF basis, the Group is responsible for providing these services (shipping and insurance) to the customer, sometimes after the date at which Group has lost control of the goods. Revenue related to the provision of shipping and insurance related activities is recognised over time as the service is rendered.

2.16 Interest income and expense

Interest income and expense are recognised as the interest accrues (taking into account the effective yield on the asset) unless collectability is in doubt. Surcharge interest income and expense are accreted with reference to the contractual rates arising from long-term supply contracts.

2.17 Employee benefits*Defined contribution plan*

The Group participates in the national pension schemes as defined by the laws of the countries in which it has operations. In particular, the Group makes contributions to the Central Provident Fund ("CPF") scheme in Singapore, a defined contribution pension scheme. Contributions to defined contribution pension schemes are recognised as an expense in the financial period in which the related service is performed.

2.18 Foreign currencies

The accounting records of the Group are maintained in USD, as the USD is the functional currency.

Transactions in foreign currencies during the financial year are recorded in USD using exchange rates approximating those ruling at the transaction dates. Foreign currency monetary assets and liabilities at the end of the reporting period are translated into USD at exchange rates approximating those ruling at that date. All resultant exchange differences are recognised in profit or loss.

PTT International Trading Pte Ltd and Its Subsidiary**Notes to the financial statements
For the financial year ended 31 December 2020**

2. Summary of significant accounting policies (cont'd)**2.19 *Derivative financial instruments***

The Group uses derivative financial instruments to manage its risks associated with commodity price fluctuations. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently re-measured at fair value. Derivative financial instruments are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

(a) *Commodity forward contracts*

Commodity forward contract for physical sales and purchases of commodities are measured at fair value. Unrealised gains or losses are reported in profit or loss. Fair value is determined by reference to quoted market/futures prices at the close of business on the end of the reporting period.

(b) *Commodity swap contracts*

Commodity swap contracts are purchased and sold to hedge potential market price fluctuations associated with certain forward contracts. For those commodity swap contracts purchased and sold and still held at financial year end, they are valued based on the difference between fixed and variable commodity price calculated by reference to an agreed upon notional principal amount.

(c) *Futures contracts*

Futures contracts are measured at fair value. Unrealised gains or losses are reported in profit or loss. Fair value is determined by reference to quoted futures prices of recognised futures market at the close of business on the end of the reporting period.

Initial margin deposits and variation margins on futures contracts are included in current assets or current liabilities as appropriate.

(d) *Options*

Options are purchased and sold to hedge potential market price fluctuations associated with certain forward contracts. For those options purchased and sold and still held at financial year end, they are valued at the market value prevailing at the end of the reporting period and any gains or losses arising are recognised in profit or loss.

PTT International Trading Pte Ltd and Its Subsidiary

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

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

2.20 *Related parties*

A related party is defined as follows:

- (a) A person or a close member of that person's family is related to the Group if that person:
 - (i) Has control or joint control over the Group;
 - (ii) Has significant influence over the Group; or
 - (iii) Is a member of the key management personnel of the Group or of a parent of the Group.

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

PTT International Trading Pte Ltd and Its Subsidiary

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

3. Revenue

	Group		Company	
	2020	2019	2020	2019
	US\$	US\$	US\$	US\$
Sale of goods	8,458,768,007	13,301,883,445	8,458,768,007	13,301,883,445
Realised gain/ on derivative financial instruments	127,182,141	13,795,257	127,182,141	13,795,257
Unrealised loss on derivative financial instruments	(5,123,193)	(62,488,007)	(5,123,193)	(62,488,007)
Fair value (loss)/gain on commodity forwards	(27,335,555)	2,262,729	(27,335,555)	2,262,729
	8,553,491,400	13,255,453,424	8,553,491,400	13,255,453,424

US\$88,043,701 (2019: US\$87,346,233) of sales of goods includes revenue related to provision of shipping and insurance related activities which are recognised over time.

4. Other income

Other income from third parties majority pertains to settlement fee from trade cancellation and breach of contract.

	Group		Company	
	2020	2019	2020	2019
	US\$	US\$	US\$	US\$
Related parties	251,931	484,733	254,331	484,028
Third parties	8,265,726	854,918	8,265,726	854,918
	8,517,657	1,339,651	8,520,057	1,338,946

PTT International Trading Pte Ltd and Its Subsidiary

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

5. Interest income

	Group		Company	
	2020 US\$	2019 US\$	2020 US\$	2019 US\$
Banks and financial institutions	45,681	65,977	45,681	47,486
Ultimate holding company/ related company	271,270	1,409,953	263,556	1,345,480
Other third parties	2,968,997	23,540,280	2,962,904	23,501,994
	3,285,948	25,016,210	3,272,141	24,894,960

Interest income from banks, financial institutions, ultimate holding company and related company is recognised using the effective interest method. Interest income from other third parties is recognised at the contractual rate.

6. Administrative expenses

	Group		Company	
	2020 US\$	2019 US\$	2020 US\$	2019 US\$
Legal and professional fees	625,400	472,793	613,413	456,388
Depreciation of property, plant and equipment	112,569	165,724	112,430	164,910
Depreciation of right-of-use assets-other	755,044	780,223	755,044	780,223
Entertainment	114,736	372,828	114,736	372,828
Subscription fees	1,355,839	1,252,334	1,355,839	1,252,334
Office rental	12,941	20,836	–	–
Travelling expense	31,395	440,059	31,395	440,059
Telecommunication	91,477	137,428	89,759	134,369
Withholding tax expense	246,077	1,137,703	246,077	1,135,322
Others	4,332,420	1,798,080	4,319,565	1,787,500
	7,677,898	6,578,008	7,638,258	6,523,933

PTT International Trading Pte Ltd and Its Subsidiary

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

7. Personnel expenses

	Group		Company	
	2020 US\$	2019 US\$	2020 US\$	2019 US\$
Salaries and bonuses	8,930,057	7,779,067	8,906,974	7,757,610
CPF contributions	417,566	352,268	417,566	352,268
Depreciation of right-of-use assets-staff	848,692	827,619	848,692	827,619
Other staff expenses	429,303	707,384	423,653	706,878
	10,625,618	9,666,338	10,596,885	9,644,375

This includes key management's remuneration shown in Note 29.

8. Finance costs

	Group		Company	
	2020 US\$	2019 US\$	2020 US\$	2019 US\$
Interest expense:				
- Banks and financial institutions	2,580,319	11,973,696	2,580,319	11,973,696
- Related companies	26,702	136,957	26,702	136,957
- Other third parties	2,946,233	16,389,424	2,946,233	16,389,424
- Lease liabilities	126,647	247,604	126,647	247,604
	5,679,901	28,747,681	5,679,901	28,747,681

Interest expense other than surcharge expense is recognised using the effective interest method. Interest expense from other third parties is recognised at the contractual rate.

9. Profit before taxation

Profit before taxation is stated after charging/(crediting):

	Group		Company	
	2020 US\$	2019 US\$	2020 US\$	2019 US\$
Depreciation (Note 12)	112,569	165,724	112,429	164,910
Depreciation of right of use assets - vessels and warehouses	2,363,767	2,363,767	2,363,767	2,363,767
Realised foreign exchange gain	(55,222)	(273,746)	(55,216)	(273,979)
Rental expense	90,695	247,226	77,754	226,390

The rental expense for the Group includes US\$90,695 (2019: US\$226,390) recorded in other staff expenses shown in Note 7.

PTT International Trading Pte Ltd and Its Subsidiary

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

10. Taxation

The Company was awarded Global Trader Programme (“GTP”) status by International Enterprise Singapore (“IES”) with effect from 1 January 2019 for a period of 5 years. The financial statements are prepared on the basis that all terms and conditions contained in the Letter of Offer dated 18 December 2018 to be met within the qualifying period. The Company’s trading of approved commodities and products are taxed at concessionary rate of 5%.

Major components of income tax expense

The major components of income tax expense for years ended 31 December 2020 and 2019 are:

	Group		Company	
	2020 US\$	2019 US\$	2020 US\$	2019 US\$
Current income taxation	2,567,766	1,408,360	2,567,631	1,408,360
Under provision in respect of previous years	84,368	991,741	84,368	985,991
Income tax expense recognised in profit or loss	2,652,134	2,400,101	2,651,999	2,394,351

Relationship between tax expense and accounting profit

A reconciliation between taxation and the product of accounting profit multiplied by the applicable tax rate for the periods from 1 January to 31 December was as follows:

	Group		Company	
	2020 US\$	2019 US\$	2020 US\$	2019 US\$
Profit before taxation	43,178,496	18,083,812	43,235,391	18,038,194
Tax at the applicable tax rate 17% (2019: 17%)	7,340,344	3,074,248	7,350,016	3,066,493
Adjustments:				
Non-deductible expenses	340,000	981	340,000	843
Income not subject to tax	(1,032)	–	(1,032)	–
Tax exemption	(12,733)	(9,348)	(12,733)	(2)
Effect of concessionary tax rate	(5,093,123)	(1,648,352)	(5,093,123)	(1,648,352)
Under provision of tax payable for prior years	84,368	991,741	84,368	985,991
Others	(5,690)	(9,169)	(15,497)	(10,622)
	2,652,134	2,400,101	2,651,999	2,394,351

PTT International Trading Pte Ltd and Its Subsidiary**Notes to the financial statements
For the financial year ended 31 December 2020**

11. Share capital and dividends

Group and Company	
2020	2019
US\$	US\$

Issued and fully paid:

At beginning and end of year:

6,100,000 (2019: 6,100,000) ordinary shares	3,986,897	3,986,897
---	-----------	-----------

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

Group and Company	
2020	2019
US\$	US\$

Dividends declared and paid during the year:

Dividends on ordinary shares:

Final dividend of US\$0.28 for the year ended 31 December 2020 (US\$0.042 per share for year ended 31 December 2019)	1,708,000	256,200
--	-----------	---------

PTT International Trading Pte Ltd and Its Subsidiary

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

12. Property, plant and equipment

Group	Office equipment US\$	Furniture and fixtures US\$	Total US\$
Cost			
At 1 January 2019	669,650	1,305,572	1,975,222
Additions	14,571	1,724	16,295
At 31 December 2019 and at 1 January 2020	684,221	1,307,296	1,991,517
Additions	3,400	–	3,400
Disposal	(16,923)	(520)	(17,443)
Balance at 31 December 2020	670,698	1,306,776	1,977,474
Accumulated depreciation			
At 1 January 2019	540,577	940,399	1,480,976
Charge for 2019	75,343	90,381	165,724
At 31 December 2019 and at 1 January 2020	615,920	1,030,780	1,646,700
Charge for 2020	29,835	82,734	112,569
Disposal	(16,635)	(520)	(17,155)
Balance at 31 December 2020	629,120	1,112,994	1,742,114
Net book value			
At 31 December 2019	68,301	276,516	344,817
At 31 December 2020	41,578	193,782	235,360

PTT International Trading Pte Ltd and Its Subsidiary

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

12. Property, plant and equipment (cont'd)

Company	Office equipment US\$	Furniture and fixtures US\$	Total US\$
Cost			
At 1 January 2019	640,925	1,220,616	1,861,541
Additions	14,571	1,724	16,295
At 31 December 2019 and at 1 January 2020	655,496	1,222,340	1,877,836
Additions	3,400	–	3,400
Disposal	(16,161)	(520)	(16,681)
Balance at 31 December 2020	642,735	1,221,820	1,864,555
Accumulated depreciation			
At 1 January 2019	512,285	856,103	1,368,388
Charge for the year	75,190	89,720	164,910
At 31 December 2019 and at 1 January 2020	587,475	945,823	1,533,298
Charge for the year	29,695	82,735	112,430
Disposal	(16,013)	(520)	(16,533)
Balance at 31 December 2020	601,157	1,028,038	1,629,195
Net book value			
At 31 December 2019	68,021	276,517	344,538
At 31 December 2020	41,578	193,782	235,360

PTT International Trading Pte Ltd and Its Subsidiary

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

13. Right-of-use assets

Group and Company	Warehouse US\$	Building US\$	Equipment US\$	Total US\$
Cost				
At 1 January 2019	4,727,534	3,033,620	34,021	7,795,175
Additions	–	1,096,160	–	1,096,160
Disposal	–	(68,702)	–	(68,702)
At 31 December 2019 and 1 January 2020	4,727,534	4,061,078	34,021	8,822,633
Additions	–	441,035	–	441,035
Disposal	(4,727,534)	(843,029)	–	(5,570,563)
Balance at 31 December 2020	–	3,659,084	34,021	3,693,105
Accumulated depreciation				
At 1 January 2019	–	–	–	–
Charge for the year	2,363,767	1,595,471	12,371	3,971,609
Disposal	–	(45,801)	–	(45,801)
At 31 December 2019 and 1 January 2020	2,363,767	1,549,670	12,371	3,925,808
Charge for the year	2,363,767	1,591,365	12,371	3,967,503
Disposal	(4,727,534)	(735,186)	–	(5,462,720)
Balance at 31 December 2020	–	2,405,849	24,742	2,430,591
Net book value				
At 31 December 2019	2,363,767	2,511,408	21,650	4,896,825
Net book value				
At 31 December 2020	–	1,253,235	9,279	1,262,514

PTT International Trading Pte Ltd and Its Subsidiary

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

14. Investment in a subsidiary

	Company	
	2020	2019
	US\$	US\$
Unquoted equity shares, at cost	54,469	54,469

Name of Company	Principal activities	Country of incorporation and place of business	Effective equity interest held by the Group		Cost of investments	
			2020	2019	2020	2019
			%	%	US\$	US\$
PTT International Trading DMCC ¹	Operator for product accumulation and storage for reshipment and sale in South East Asia	Dubai, United Arab Emirates	100	100	54,469	54,469

¹ Audited by member firm of Ernst & Young Global in the respective country.

15. Investment securities

Group and Company

	2020	2019
	US\$	US\$
Investments in equity instruments:		
Cost	1,000,000	–
Additions	–	1,000,000
	<u>1,000,000</u>	<u>1,000,000</u>
Investments in mutual fund at fair value through other comprehensive income:		
Cost	15,235	15,235
Net change in fair value	2,690	5,391
	<u>17,925</u>	<u>20,626</u>
Total investment securities	<u>1,017,925</u>	<u>1,020,626</u>

PTT International Trading Pte Ltd and Its Subsidiary

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

16. Trade receivables

Current trade receivables are non-interest bearing and are generally on terms of 30 to 60 days. They are recognised at their original invoice amounts which represent their fair values on initial recognition.

At the end of the reporting period, trade receivables arising from export sales amounting to US\$357,947,564 are arranged to be settled via letters of credit issued by reputable banks in countries where the customers are based. Trade receivables from customers that are insured by trade credit insurance underwritten by a reputable insurer amounted to US\$37,647,643 at the end of the reporting period.

	Group		Company	
	2020 US\$	2019 US\$	2020 US\$	2019 US\$
Receivables from third-party customers	680,715,899	959,171,528	680,715,899	958,162,755
Allowance for expected credit losses	(4,341,588)	(1,844,435)	(4,341,588)	(1,844,435)
	<u>676,374,311</u>	<u>957,327,093</u>	<u>676,374,311</u>	<u>956,318,320</u>

Expected credit losses

The movement in allowance for expected credit losses on trade receivables computed based on lifetime ECL is as follows:

	Group and Company	
	2020 US\$	2019 US\$
Movement in allowance accounts:		
At 1 January	1,844,435	911,745
Charge for the year	3,722,519	932,690
Write off	(1,225,366)	–
At 31 December	<u>4,341,588</u>	<u>1,844,435</u>

US\$4,341,588 (2019: US\$1,844,435) of the expected credit loss allowance relates to impaired trade receivables.

The Group and Company estimates the expected credit loss by reference to past collection experience and management assessment of the risk of default that considers current conditions and future economic conditions. The effects of the conditions in the historical period that are not relevant to the future contractual cash flows were removed in deriving the loss rates.

An allowance has been made for estimated irrecoverable amounts from the sale of goods to third parties of US\$4,341,588 (2019: US\$1,844,435) on credit impaired trade receivables i.e. those that are more than 90 days past due. Management has determined that trade receivables that are less than 90 days past due were non-credit impaired and the corresponding expected credit losses were insignificant. Therefore, no loss allowance was made on these assets.

PTT International Trading Pte Ltd and Its Subsidiary**Notes to the financial statements
For the financial year ended 31 December 2020****17. Advance payment-trade**

These relates to the prepayments paid in relation to the long-term commodity forward purchase contract entered into by the Group. These balances include a surcharge at Libor plus a credit spread.

	Group		Company	
	2020 US\$	2019 US\$	2020 US\$	2019 US\$
Advance payment-trade	–	25,000,000	–	25,000,000

18. Inventory

	Group and Company	
	2020 US\$	2019 US\$
Commodity inventories carried at fair value less cost to sell	98,034,411	311,408,891

Commodity inventories were measured using quoted market prices categorised as Level 2.

19. Other debtors, deposits and others

	Group		Company	
	2020 US\$	2019 US\$	2020 US\$	2019 US\$
Advance payments - trade	25,001,700	47,311,750	25,001,700	47,311,750
Due from broker	72,582,374	74,603,012	72,582,374	74,603,012
Deposits	332,937	349,774	328,911	344,180
GST receivables	1,522,556	387,080	1,522,556	386,013
Prepaid assets	807,239	446,567	807,239	440,952
Others	64,364	–	64,364	–
	100,311,170	123,098,183	100,307,144	123,085,907

Advance payments include balances upon which a surcharge at LIBOR plus a credit spread is levied.

PTT International Trading Pte Ltd and Its Subsidiary

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

20. Amounts due from/(to) holding company and related companies - trade

The amounts due from/(to) holding company and related companies - trade are trade in nature, unsecured, interest-free and payable when due.

	Group		Company	
	2020	2019	2020	2019
	US\$	US\$	US\$	US\$
Receivables from related companies	47,896,998	119,492,200	47,896,998	119,492,200
Receivables from holding company	60,194,899	26,581,987	60,194,899	26,581,987
Allowance for expected credit losses	(6,022)	(6,022)	(6,022)	(6,022)
	108,085,875	146,068,165	108,085,875	146,068,165

Expected credit losses

The movement in allowance for expected credit losses of trade receivables computed based on lifetime ECL are as follows:

	2020	2019
	US\$	US\$
Movement in allowance accounts:		
At 1 January	6,022	6,022
Charge for the year	–	–
At 31 December	6,022	6,022

US\$6,022 (2019: US\$6,022) of the expected credit loss allowance relates to impaired trade receivables.

The Group and Company estimates the expected credit loss by reference to past collection experience and management assessment of the risk of default that considers current conditions and future economic conditions. The effects of the conditions in the historical period that are not relevant to the future contractual cash flows were removed in deriving the loss rates.

An allowance has been made for estimated irrecoverable amounts from the sale of goods to related companies of US\$6,022 (2019: US\$6,022) on credit impaired trade receivables i.e. those that are more than 90 days past due. Management has determined that trade receivables that are less than 90 days past due were non-credit impaired and the corresponding expected credit losses were insignificant. Therefore, no loss allowance was made on these assets.

PTT International Trading Pte Ltd and Its Subsidiary

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

21. Amounts due from/(to) holding company and related companies - non-trade

The amounts due to holding company and related companies – non-trade other than cash pooling balances are non-trade in nature, unsecured, interest-free and repayable on demand. Cash pooling balances are non-trade in nature, interest-bearing and repayable on demand.

22. Amounts due from a subsidiary

The amounts due from a subsidiary are non-trade in nature, unsecured, interest-free and repayable on demand.

23. Cash and bank balances

	Group		Company	
	2020	2019	2020	2019
	US\$	US\$	US\$	US\$
Cash and bank balances	7,204,146	46,260,741	7,204,146	42,711,693
	7,204,146	46,260,741	7,204,146	42,711,693

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

24. Trade advances

These relates to the prepayments received in relation to the long-term commodity forward sale contract entered into by the Group. Trade advances include balances upon which a surcharge at LIBOR plus a credit spread is levied.

	Group		Company	
	2020	2019	2020	2019
	US\$	US\$	US\$	US\$
Current	28,301,237	26,017,887	28,301,237	26,017,887
Non-current	–	25,000,000	–	25,000,000

PTT International Trading Pte Ltd and Its Subsidiary**Notes to the financial statements
For the financial year ended 31 December 2020****25. Trade creditors and accruals - trade and advances from broker**

Trade creditors and accruals are trade in nature and non-interest bearing. Trade payables are normally settled on terms of 30 to 60 days.

Advances from broker are interest free and arise from the utilisation of short-term funding facilities provided by the broker for the purpose of entering into margined positions.

	Group		Company	
	2020	2019	2020	2019
	US\$	US\$	US\$	US\$
Trade creditors	131,449,409	227,555,881	131,449,409	227,555,881
Trade accruals	465,934,018	620,859,693	465,934,018	620,859,693
Advances from brokers	72,340,725	72,427,316	72,340,725	72,427,316
	669,724,152	920,842,890	669,724,152	920,842,890

26. Bills payable

The bills payable have an average maturity of 30 to 90 days with effective interest rate of 1.15643% (2019: 2.71620%) per annum.

27. Deferred tax liability

	Group		Company	
	2020	2019	2020	2019
	US\$	US\$	US\$	US\$
The deferred tax liability arises as a result of:				
Excess of net book value over tax written-down value of property, plant and equipment	23,193	23,193	23,193	23,193

PTT International Trading Pte Ltd and Its Subsidiary**Notes to the financial statements
For the financial year ended 31 December 2020****28. Lease liabilities*****Lease liabilities***

Set out below are the carrying amounts of lease liabilities and movements during the year:

	Group and Company 2020 US\$	Group and Company 2019 US\$
Cost		
At 1 January	5,203,862	7,795,175
Additions	441,035	1,096,160
Disposal	(107,843)	(22,901)
Accretion of interest	126,647	247,604
Lease payments	(4,365,724)	(3,912,176)
	<hr/>	<hr/>
At 31 December 2019	1,297,977	5,203,862
	<hr/> <hr/>	<hr/> <hr/>
Current	1,066,769	4,094,159
Non-current	231,208	1,109,703
	<hr/> <hr/>	<hr/> <hr/>

The following are the amounts recognised in profit of loss:

	Group 2020 US\$	Group 2019 US\$
Depreciation expense of right-of-assets	3,967,503	3,971,609
Interest expense of lease liabilities	126,647	247,604
Expense relating to short-term leases	7,857,057	6,071,692
	<hr/>	<hr/>
Total amount recognised in profit or loss	11,951,207	10,290,905
	<hr/> <hr/>	<hr/> <hr/>

PTT International Trading Pte Ltd and Its Subsidiary

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

29. Related party transactions

In addition to the related party information disclosed elsewhere in the financial statements, significant transactions with related parties, on terms agreed between the parties, were as follows:

	Group and Company	
	2020	2019
	US\$	US\$
<i>Income</i>		
Sales to related companies	504,018,796	1,594,431,231
Sales to holding company	980,568,117	497,159,735
<i>Expenses</i>		
Purchases from holding company	818,650,671	1,084,422,247
Purchases from related companies	1,127,603,734	1,225,727,710

Key management employee benefits

Key managements' remuneration and short-term employee benefits paid amounted to US\$304,339. (2019: US\$160,703).

30. Fair values of financial assets and liabilities

All carrying amount of financial assets and liabilities at the end of the reporting period that were not measured at fair value approximate their fair values due to the relatively short-term maturity of these financial instruments.

(a) ***Derivative financial instruments***

The fair value of commodity swaps is estimated based on the difference between fixed and variable commodity price calculated by reference to an agreed upon notional principal amount.

The fair value of commodity forward contracts is determined by reference to quoted market/futures prices at the close of business as at end of the reporting period.

The fair value of options is valued at the market value prevailing at the end of the reporting period.

The fair value of futures is determined by reference to quoted futures prices of recognised futures market at the close of business on the end of the reporting period.

PTT International Trading Pte Ltd and Its Subsidiary

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

30. Fair values of financial instruments (cont'd)

(a) Derivative financial instruments (cont'd)

As at 31 December 2020, the fair value of derivative financial instruments for trading purposes are presented in the following table:

	Notional amount sold US\$	Group and Company Notional amount purchased US\$	Year end positive fair value US\$	Year end negative fair value US\$
2020				
Commodity swaps:				
Related parties	11,968,100	50,943,674	6444,560	2,511,432
Others	28,788,692	33,447,800	619,200	1,243,208
Commodity forwards:				
Related parties	521,678,868	381,980,164	2,625,393	–
Others	4,935,063,424	4,515,286,610	13,312,114	5,251,598
Futures contracts:				
Others	1,020,034,344	806,448,225	–	40,795,469
Commodity options:				
Related parties	83,556,000	123,127,500	3,914,326	2,821,147
Others	2,100,000	2,790,000	2,781	1,470
	6,603,189,428	5,914,023,973	26,918,374	52,624,324
2019				
Commodity swaps:				
Related parties	31,809,330	50,909,234	11,132,401	3,673,814
Others	1,518,412	4,783,223	78,141	697,327
Commodity forwards:				
Related parties	511,914,058	737,678,714	13,819,233	388,076
Others	7,948,502,536	7,186,716,193	27,019,532	2,429,224
Futures contracts:				
Others	2,772,248,029	2,588,760,298	–	39,123,327
Commodity options:				
Related parties	97,764,000	188,400,000	2,707,531	3,005,072
	11,363,756,365	10,757,247,662	54,756,838	49,316,840

PTT International Trading Pte Ltd and Its Subsidiary

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

30. Fair values of financial instruments (cont'd)

(b) ***Fair value hierarchy***

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

Level 1 - Quoted prices (unadjusted) in active market for identical assets or liabilities that the Group can access at the measurement date;

Level 2 - Inputs other than quoted prices included within Level 1 that are observable for the asset for liability, either directly or indirectly; and

Level 3 - Unobservable inputs for the asset or liability.

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

	Group and Company			
	Quoted prices in active markets for identical instruments (Level 1) US\$	Significant other observable inputs (Level 2) US\$	Significant unobservable inputs (Level 3) US\$	Total US\$
2020				
<i>Financial assets</i>				
Commodity swaps and options	–	10,980,867	–	10,980,867
Futures contracts	–	–	–	–
Commodity forwards	–	15,937,507	–	15,937,507
Investment securities	17,925	–	1,000,000	1,017,925
<hr/>				
<i>Financial liabilities</i>				
Commodity swaps and options	–	6,577,257	–	6,577,257
Futures contracts	40,795,469	–	–	40,795,469
Commodity forwards	–	5,251,598	–	5,251,598
<hr/>				

PTT International Trading Pte Ltd and Its Subsidiary

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

30. Fair values of financial instruments (cont'd)

(b) Fair value hierarchy (cont'd)

	Quoted prices in active markets for identical instruments (Level 1) US\$	Group and Company		Total US\$
		Significant other observable inputs (Level 2) US\$	Significant unobservable inputs (Level 3) US\$	
2019				
Financial assets				
Commodity swaps and options	–	13,918,073	–	13,918,073
Futures contracts	–	–	–	–
Commodity forwards	–	41,554,428	–	41,554,428
Investment securities	20,626	–	1,000,000	1,020,626
Financial liabilities				
Commodity swaps and options	–	7,376,213	–	7,376,213
Futures contracts	39,123,327	–	–	39,123,327
Commodity forwards	–	2,817,300	–	2,817,300

During the reporting period, there was no transfer of investment between the different levels.

Level 2 fair value measurements

The following is a description of the valuation techniques and inputs used in the fair value measurement for assets and liabilities that are categorised within Level 2 of the fair value hierarchy:

Commodity swaps

Fair valued using a valuation technique with market observable inputs. The most frequently applied valuation techniques include estimating based on the difference between fixed and variable commodity price calculated by reference to an agreed upon notional principal amount.

Commodity options and forwards

Commodity options and forwards are fair valued using a valuation technique with market observable inputs. The most frequently applied valuation techniques include forward pricing and option models, using present value calculations. The models incorporate various inputs including the credit quality of counterparties.

PTT International Trading Pte Ltd and Its Subsidiary

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

30. Fair values of financial instruments (cont'd)

(b) ***Fair value hierarchy (cont'd)***

Level 3 fair value measurements

Investment securities classified within Level 3 has significant unobservable inputs, as they trade infrequently. The Group measured its investment securities using recent transaction prices. The Group categorised its investments as Level 3 financial instruments.

The following table shows the information about the fair value measurements using significant unobservable inputs (Level 3):

	Fair value as at 31 December 2020 US\$	Valuation techniques	Unobservable inputs	Range (median)
Financial assets at fair value through other comprehensive income:				
Unquoted equities:				
- ICE Futures Abu Dhabi Holdings	1,000,000	Recent transaction	N/A	N/A

Valuation process for Level 3 investments

The valuation of Level 3 investments are reviewed on an annual basis by the management on an annual basis. The management consider the appropriateness of the valuation techniques.

The movement in Level 3 instruments for the financial years ended 31 December 2020 is presented in Note 15.

Changes in valuation technique

There were no changes in valuation techniques during the financial period.

(c) ***Amounts and loans due to/(from) holding company, subsidiary and related companies, trade receivables and other debtors, trade creditors, bills payable and other creditors and advances from broker***

The carrying amounts of these financial assets and liabilities at the end of the reporting period approximates their fair values due to the relatively short-term maturity of these financial instruments or that they are floating rate instruments that are re-priced to market interest rates on or near the end of the reporting period.

PTT International Trading Pte Ltd and Its Subsidiary**Notes to the financial statements
For the financial year ended 31 December 2020**

31. Financial risk management objectives and policies

The Group and the Company is exposed to financial risks arising from its operations and the use of financial instruments. The key financial risks include credit risk, liquidity risk, interest rate risk, foreign currency risk and commodity price risk. Risk management is reviewed and agreed by the Board of Directors of the Group and the Company under policies approved by Trading Risk Management Committee ("TRMC") of its holding company, PTT Public Company Limited ("PTT PLC"). The Group and the Company identifies, evaluates and hedges financial risks in close co-operation with PTT PLC. TRMC provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and investing excess liquidity.

(a) Credit risk

Credit risk is the risk of loss that may arise on outstanding financial instruments should a counterparty default on its obligations. The Group's and the Company's exposure to credit risk arises primarily from trade and other receivables. For other financial assets (including investment securities, cash and cash equivalents and derivatives), the Group and the Company minimise credit risk by dealing exclusively with high credit rating counterparties. Credit valuation adjustments for significant counterparty credit risk relating to derivatives have been made. However, there is no assurance there will be no other losses due to counterparties' failure to meet their obligations in the future.

The Group's objective is to seek continual revenue growth while minimising losses incurred due to increased credit risk exposure. The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. The Group does not offer credit terms without the approval of Trading Credit Committee of PTT PLC. Trading Credit Committee of PTT PLC has adopted a policy to enter into trade credit insurance for customers to mitigate heightened credit risks arising from revenue growth strategies.

PTT International Trading Pte Ltd and Its Subsidiary**Notes to the financial statements
For the financial year ended 31 December 2020****31. Financial risk management objectives and policies (cont'd)****(a) Credit risk (cont'd)***Credit risk concentration profile*

The Group determines concentrations of credit risk by monitoring the country profile of its trade receivables on an ongoing basis. The credit risk concentration profile of the Group's trade exposure at the end of the reporting period is as follows:

	Group			
	2020		2019	
By country	US\$'000	% of total	US\$'000	% of total
Singapore	448,704	57	608,554	57
Thailand	85,301	11	90,018	8
Hong Kong	26,459	3	72,849	7
Malaysia	29,546	4	59,680	6
Philippines	24,548	3	50,063	5
Vietnam	26,342	3	29,787	3
Korea	—	—	16,213	1
Switzerland	75,183	10	—	—
Other countries	65,238	9	138,918	13
	781,321	100	1,066,082	100

(b) Liquidity risk

Liquidity risk is the risk that the Group or the Company will encounter difficulty in meeting financial obligations due to shortage of funds.

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying business, the Group's and the Company's objective is to maintain a balance between continuity of funding and flexibility through the use of credit facilities.

As at the end of the reporting period, all of the Group's loans and borrowings will mature in less than one year based on the carrying amount reflected in the financial statements.

PTT International Trading Pte Ltd and Its Subsidiary

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

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

(b) Liquidity risk (cont'd)

The table below summarises the maturity profile of the Group's and the Company's financial liabilities at the end of the reporting period based on the contractual undiscounted payments:

Group	One year or less US\$	One year to five years US\$	Total US\$
2020			
Trade and other payables	628,558,761	–	628,558,761
Amounts due to related and holding company	143,592,664	–	143,592,664
Advances from broker	72,340,725	–	72,340,725
Bills payable	34,835,608	–	34,835,608
Derivative financial instrument	52,624,324	–	52,624,324
Lease liabilities	1,066,769	231,208	1,297,977
Total	933,018,851	231,208	933,250,059
Company			
Trade and other payables	628,549,918	–	628,549,918
Amounts due to related and holding company	143,592,503	–	143,592,503
Advances from broker	72,340,725	–	72,340,725
Bills payable	34,835,608	–	34,835,608
Derivative financial instrument	52,624,324	–	52,624,324
Lease liabilities	1,066,769	231,208	1,297,977
Total	933,009,847	231,208	933,241,055

PTT International Trading Pte Ltd and Its Subsidiary

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

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

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

Group	One year or less US\$	One year to five years US\$	Total US\$
2019			
Trade and other payables	877,397,527	25,000,000	902,397,527
Amounts due to related and holding company	297,555,317	1,407	297,556,724
Advances from broker	72,427,316	–	72,427,316
Bills payable	299,142,638	–	299,142,638
Derivative financial instrument	49,316,840	–	49,316,840
Lease liabilities	4,094,159	1,109,703	5,203,862
Total	<u>1,599,933,797</u>	<u>26,111,110</u>	<u>1,626,044,907</u>
Company			
Trade and other payables	877,388,493	25,000,000	902,388,493
Amounts due to related and holding company	297,552,483	1,407	297,553,890
Advances from broker	72,427,316	–	72,427,316
Bills payable	299,142,638	–	299,142,638
Derivative financial instrument	49,316,840	–	49,316,840
	4,094,159	1,109,703	5,203,862
Total	<u>1,599,921,929</u>	<u>26,111,110</u>	<u>1,626,033,039</u>

PTT International Trading Pte Ltd and Its Subsidiary**Notes to the financial statements
For the financial year ended 31 December 2020**

31. Financial risk management objectives and policies (cont'd)**(c) Interest rate risk**

Interest rate risk is the risk that the fair value of future cash flows of the Group's and the Company's financial instruments will fluctuate because of changes in market interest rates. The Group's and the Company's exposure to interest rate risk arises primarily from their loans and borrowings and cash and bank balances. The Group's cash balances are placed with reputable banks and financial institutions, which generate interest income for the Group. The Group manages its interest rate risks by placing such balances on varying maturities and interest rate terms.

Sensitivity analysis for interest rate risk

At the end of the reporting period, if the interest rate has been 15 basis points lower/higher with all other variables held constant, the Group's profit/(loss) net of taxation would have been US\$3,591 (2019: US\$185,602) higher/lower, arising mainly as a result of lower/higher interest expense on short-term loans and borrowings.

(d) Foreign currency risk

The Group's sales and purchases are denominated primarily in US\$. This creates a natural hedge for its transactions and as a result the foreign currency risk is not significant.

(e) Commodity price risk

The Group and the Company is exposed to movements in the prices of the products it trades which are generally sold as commodities in the world market. Strategic price hedges are taken out from time-to-time.

The Group and the Company enters into commodity swaps, in which the Group and the Company agrees to exchange, at specified intervals, the difference between fixed and variable commodity price calculated by reference to an agreed-upon notional principal amount. These swaps are designed to hedge against the Group's exposure to adverse fluctuations in commodity price.

The Directors determine the appropriate hedging activities to be undertaken by the Group with the aim of prudently managing the market risk associated with transaction undertaken in the normal course of business. All treasury risk management activities are carried out under strict supervision by the Directors.

At the end of the reporting period, if commodities price moved by 1.0% (2019: 1.0%) higher/lower with all other variables held constant, the Group's profit/(loss) net of taxation would have changed by US\$545,800 (2019: US\$343,960) lower/higher. This effect would have been mitigated by the Group's physical sales and purchases commitments as well as the inventory held at the end of the reporting period.

PTT International Trading Pte Ltd and Its Subsidiary

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

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

(f) *Changes in liabilities arising from financing activities*

	1 January 2020 US\$	Cash flows US\$	31 December 2020 US\$
Loan from a related company	–	–	–
Advances from broker	72,427,316	(86,591)	72,340,725
	<u>72,427,316</u>	<u>(86,591)</u>	<u>72,340,725</u>
	1 January 2019 US\$	Cash flows US\$	31 December 2019 US\$
Loan from a related company	19,970,862	(19,970,862)	–
Advances from broker	29,269,110	43,158,206	72,427,316
	<u>49,239,972</u>	<u>23,187,344</u>	<u>72,427,316</u>

The changes in lease liabilities arising from financing activities is presented in note 28.

32. Capital management

The primary objective of the Group'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 shareholders' value.

The Company and Group comply with PTT Public Company Limited (PTTPLC) Group's finance policy as its 100% owned subsidiaries. Consisting of capital structure, capital increase, dividend policy, internal and external funding as well as financial management. The finance policy is applied to all subsidiaries to strengthen the Group's finance management capability to achieve international standards and to promote good governance, including clear, concise and transparent operation with performance level comparable to leading players in the industry.

The Group is not subject to any externally imposed capital requirements. The Group monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. The Group's policy is to maintain the gearing ratio at less than 100%.

PTT International Trading Pte Ltd and Its Subsidiary**Notes to the financial statements
For the financial year ended 31 December 2020****32. Capital management (cont'd)**

	Group	
	2020	2019
	US\$'000	US\$'000
Loans and borrowings	107,176	371,570
Trade and other payables	600,258	851,380
Other liabilities	28,301	26,018
Less: Cash and bank balances	(7,204)	(46,261)
Net debt	728,531	1,202,707
Share capital and reserves	147,993	109,178
Total capital	147,993	109,178
Capital and net debt	876,524	1,311,884
Gearing ratio	83%	92%

33. Events occurring after the reporting period

On 29 January 2021, the Company has fully liquidated its fully-owned subsidiary PTT International Trading DMCC.

34. Authorisation of financial statements for issue

The consolidated financial statements of the Group for the financial year ended 31 December 2020 were authorised for issue in accordance with a resolution of the Directors on 11 February 2021.