



RSM Chio Lim
Audit • Tax • Advisory

DE.MEM PRIVATE LIMITED

(Registration No: 201307015R)

Directors' Report and Financial Statements

Year Ended 31 December 2014

RSM Chio Lim LLP

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Directors' Report and Financial Statements

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Directors' Report

The directors of the company are pleased to present their report together with the audited financial statements of the company and of the group for the reporting year ended 31 December 2014.

1. Directors in office at date of report

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

Adrian Yeo Piah Song
Andreas Richard Kroell
Anthony Gordon Fane
Matthew Tan Kim Chuan

2. Arrangements to enable directors to acquire benefits by means of the acquisition of shares and debentures

Neither at the end of the reporting year nor at any time during the reporting year did there subsist arrangements to which the company is a party, being arrangements whose objects are, or one of whose objects is, to enable directors of the company to acquire benefits by means of the acquisition of shares in or debentures of the company or any other body corporate except as mentioned below.

3. Directors' interests in shares and debentures

The directors of the company holding office at the end of the reporting year were not interested in shares in or debentures of the company or other related body corporate as recorded in the register of directors' shareholdings kept by the company under section 164 of the Companies Act, Chapter 50 ("the Act") except as follows.

<u>Name of directors and company in which interests are held</u>	<u>At beginning of the reporting year</u>	<u>At end of the reporting year</u>
	<u>Number of shares of no par value</u>	
<u>The company – De.Mem Private Limited</u>		
Adrian Yeo Piah Song	–	69,568
Anthony Gordon Fane	–	48,241
Matthew Tan Kim Chuan	–	16,635

4. Contractual benefits of directors

Since the beginning of the reporting year, no director of the company has received or become entitled to receive a benefit which is required to be disclosed under section 201(8) of the Act by reason of a contract made by the company or a related corporation with the director or with a firm of which he is a member, or with a company in which he has a substantial financial interest except as disclosed in the financial statements. Certain directors of the company received remuneration from related corporations in their capacity as directors and or executives of those related corporations.

There were certain transactions (shown in the financial statements under related party transactions) with a corporations in which certain directors have an interest.

5. Share options

During the reporting year, no option to take up unissued shares of the company or other body corporate in the group was granted.


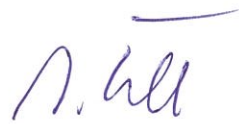
During the reporting year, there were no shares issued by virtue of the exercise of an option to take up unissued shares.

At the end of the reporting year, there were no unissued shares under option.

6. Independent auditor

RSM Chio Lim LLP has expressed willingness to accept re-appointment.

On Behalf of The Directors


.....
Adrian Yeo Piah Song
Director
.....
Andreas Richard Kroell
Director

13 August 2015

Statement by Directors

In the opinion of the directors,

- (a) the accompanying financial statements and the consolidated financial statements are drawn up so as to give a true and fair view of the financial position and performance of the company and, of the financial position and performance of the group for the reporting year covered by the financial statements or consolidated financial statements; and
- (b) at the date of the statement there are reasonable grounds to believe that the company will be able to pay its debts as and when they fall due.

The board of directors approved and authorised these financial statements for issue.

On Behalf of The Directors



.....
Adrian Yeo Piah Song
Director



.....
Andreas Richard Kroell
Director

13 August 2015

**Independent Auditor's Report to the Members of
DE.MEM PRIVATE LIMITED (Registration No: 201307015R)**

Report on the financial statements

We have audited the accompanying financial statements of De.Mem Private Limited (the "company") and its subsidiaries (the group), which comprise the consolidated statement of financial position of the group and the statement of financial position of the company as at 31 December 2014, and the consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows of the group, and statement of changes in equity of the company for the reporting year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

Management is responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with the provisions of the Singapore Companies Act, Chapter 50 (the "Act") and Singapore Financial Reporting Standards, 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.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Singapore Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements that give a true and fair view 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**Independent Auditor's Report to the Members of
DE.MEM PRIVATE LIMITED (Registration No: 201307015R)**

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Opinion

In our opinion, the consolidated financial statements of the group and the statement of financial position and statement of changes in equity of the company are properly drawn up in accordance with the provisions of the Act and Singapore Financial Reporting Standards so as to give a true and fair view of the financial position of the group and of the company as at 31 December 2014 and of the performance, changes in equity and cash flows of the group and the changes in equity of the company for the reporting year ended on that date.

Report on other legal and regulatory requirements

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

Other matter

The financial statements for the year ended 31 December 2013 were audited by other independent auditor whose report dated 14 October 2014 expressed an unqualified opinion on those financial statements.



RSM Chio Lim LLP
Public Accountants and
Chartered Accountants
Singapore

13 August 2015

Partner in charge of audit: Derek How Beng Tiong
Effective from year ended 31 December 2014

**Consolidated Statement of Profit or Loss and Other Comprehensive Income
Year Ended 31 December 2014**

	<u>Notes</u>	<u>2014</u> S\$	<u>Group</u> <u>2013</u> S\$
Revenue	4	400,614	—
Cost of sales		(110,231)	—
Gross profit		290,383	—
<u>Other items of income</u>			
Other gains	5	11,360	—
<u>Other items of expense</u>			
Administrative expenses	6	(389,936)	(359,929)
Other losses	5	(148,699)	—
Loss before tax from continuing operations		(236,892)	(359,929)
Income tax expense	8	—	—
Loss from continuing operations, net of tax		(236,892)	(359,929)
<u>Other comprehensive income:</u>			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translating foreign operations, net of tax		9,198	—
Other comprehensive income for the year, net of tax:		9,198	—
Total comprehensive loss		(227,694)	(359,929)

The accompanying Notes form an integral part of these financial statements.

Statements of Financial Position
As at 31 December 2014

	<u>Notes</u>	<u>Group</u> <u>2014</u> S\$	<u>Company</u> <u>2014</u> S\$	<u>2013</u> S\$
ASSETS				
Non-current assets				
Intangible assets	9	—	—	—
Investment in subsidiary	10	—	313,376	—
Other assets, non-current	11	8,713	—	—
Total non-current assets		<u>8,713</u>	<u>313,376</u>	<u>—</u>
Current assets				
Inventories	12	75,878	—	—
Trade and other receivables, current	13	177,923	239,273	29,169
Other assets, current	14	209,888	—	—
Cash and cash equivalents	15	3,009	2,676	118,837
Total current assets		<u>466,698</u>	<u>241,949</u>	<u>148,006</u>
Total assets		<u>475,411</u>	<u>555,325</u>	<u>148,006</u>
EQUITY AND LIABILITIES				
Equity attributable to owners of the parent				
Share capital	16	751,117	751,117	500,270
Accumulated losses		(596,821)	(456,179)	(359,929)
Other reserves	17	9,198	—	—
Total equity		<u>163,494</u>	<u>294,938</u>	<u>140,341</u>
Current liabilities				
Trade and other payables, current	18	311,917	260,387	7,665
Total current liabilities		<u>311,917</u>	<u>260,387</u>	<u>7,665</u>
Total liabilities		<u>311,917</u>	<u>260,387</u>	<u>7,665</u>
Total equity and liabilities		<u>475,411</u>	<u>555,325</u>	<u>148,006</u>

The accompanying Notes form an integral part of these financial statements.

Statements of Changes in Equity
Year Ended 31 December 2014

Group:	<u>Total Equity</u> S\$	<u>Share Capital</u> S\$	<u>Accumulated Losses</u> S\$	<u>Other Reserves</u> S\$
Current year:				
Opening balance at 1 January 2014	140,341	500,270	(359,929)	–
Movements in equity:				
Total comprehensive loss for the year	(227,694)	–	(236,892)	9,198
Issue of share capital (Note 16)	250,847	250,847	–	–
Closing balance at 31 December 2014	<u>163,494</u>	<u>751,117</u>	<u>(596,821)</u>	<u>9,198</u>

Company:	<u>Total Equity</u> S\$	<u>Share Capital</u> S\$	<u>Accumulated Losses</u> S\$
Current year:			
Opening balance at 1 January 2014	140,341	500,270	(359,929)
Movements in equity:			
Total comprehensive loss for the year	(96,250)	–	(96,250)
Issue of share capital (Note 16)	250,847	250,847	–
Closing balance at 31 December 2014	<u>294,938</u>	<u>751,117</u>	<u>(456,179)</u>

Previous year:			
Opening balance at date of incorporation	1	1	–
Movements in equity:			
Total comprehensive loss for the year	(359,929)	–	(359,929)
Issue of share capital (Note 16)	500,269	500,269	–
Closing balance at 31 December 2013	<u>140,341</u>	<u>500,270</u>	<u>(359,929)</u>

The accompanying Notes form an integral part of these financial statements.

Consolidated Statement of Cash Flows
Year Ended 31 December 2014

	<u>2014</u> S\$	<u>Group</u> <u>2013</u> S\$
<u>Cash flows from operating activities</u>		
Loss before tax	(236,892)	(359,929)
Adjustments for:		
Interest income	(29)	—
Goodwill written off	87,731	—
Net effect of exchange rate changes in consolidating foreign operations	9,198	—
Operating cash flows before changes in working capital	(139,992)	(359,929)
Inventories	(60,219)	—
Trade and other receivables, current	(61,782)	(3,999)
Other assets	(205,693)	—
Trade and other payables, current	65,606	5,663
Net cash flows used in operating activities	(402,080)	(358,265)
<u>Cash flows from investing activities</u>		
Net movements in amounts due from parent / related parties	58,100	(25,170)
Acquisition of subsidiary (net of cash acquired) (Note 19)	(40,289)	—
Interest received	29	—
Net cash from (used in) investing activities	17,840	(25,170)
<u>Cash flows from financing activities</u>		
Issue of shares	250,847	500,270
Net movements in amounts due to related parties / director	17,565	2,002
Net cash flows from financing activities	268,412	502,272
Net (decrease) increase in cash and cash equivalents	(115,828)	118,837
Cash and cash equivalents, consolidated statement of cash flows, beginning balance	118,837	—
Cash and cash equivalents, consolidated statement of cash flows, ending balance (Note 15)	3,009	118,837

The accompanying Notes form an integral part of these financial statements.

Notes to the Financial Statements
31 December 2014

1. General

The company is incorporated in Singapore with limited liability. The financial statements are presented in Singapore dollar and they cover the company (referred to as "parent") and the subsidiary.

The board of directors approved and authorised these financial statements for issue on the date of the statement by directors.

The principal activities of the company are those manufacturing and repairing of water or waste water treatment equipment and related business.

The principal activities of the subsidiary are described in the Notes to the financial statements below.

The registered office is: 202B Sengkang East Road #03-76, Singapore 542202. The company is situated in Singapore.

2. Summary of significant accounting policies

Accounting convention

The financial statements have been prepared in accordance with the Singapore Financial Reporting Standards ("FRS") and the related Interpretations to FRS ("INT FRS") as issued by the Singapore Accounting Standards Council and the Companies Act, Chapter 50. The financial statements are prepared on a going concern basis under the historical cost convention except where an FRS requires an alternative treatment (such as fair values) as disclosed where appropriate in these financial statements. The accounting policies in FRSs may not be applied when the effect of applying them is immaterial. The disclosures required by FRSs need not be made if the information is immaterial. Other comprehensive income comprises items of income and expense (including reclassification adjustments) that are not recognised in the income statement, as required or permitted by FRS.

Basis of presentation

The consolidated financial statements include the financial statements made up to the end of the reporting year of the company and all of its subsidiary. The consolidated financial statements are the financial statements of the group in which the assets, liabilities, equity, income, expenses and cash flows of the parent and its subsidiary are presented as those of a single economic entity and are prepared using uniform accounting policies for like transactions and other events in similar circumstances. All significant intragroup balances and transactions, including income, expenses and cash flows are eliminated on consolidation. Subsidiary are consolidated from the date the reporting entity obtains control of the investee and cease when the reporting entity loses control of the investee. Control exists when the group has the power to govern the financial and operating policies so as to gain benefits from its activities.

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

Basis of presentation (cont'd)

Changes in the group's ownership interest in a subsidiary that do not result in the loss of control are accounted for within equity as transactions with owners in their capacity as owners. The carrying amounts of the group's and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. When the group loses control of a subsidiary it derecognises the assets and liabilities and related equity components of the former subsidiary. Any gain or loss is recognised in profit or loss. Any investment retained in the former subsidiary is measured at fair value at the date when control is lost and is subsequently accounted as available-for-sale financial assets in accordance with FRS 39.

The company's separate financial statements have been prepared on the same basis, and as permitted by the Companies Act, Chapter 50, the company's separate statement of profit or loss and other comprehensive income is not presented.

Basis of preparation of the financial statements

The preparation of financial statements in conformity with generally accepted accounting principles requires the management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting year. Actual results could differ from those estimates. The estimates and assumptions are reviewed on an ongoing basis. Apart from those involving estimations, management has made judgements in the process of applying the entity's accounting policies. The areas requiring management's most difficult, subjective or complex judgements, or areas where assumptions and estimates are significant to the financial statements, are disclosed at the end of this footnote, where applicable.

Revenue recognition

The revenue amount is the fair value of the consideration received or receivable from the gross inflow of economic benefits during the reporting year arising from the course of the activities of the entity and it is shown net of any related sales taxes and rebates. Revenue from the sale of goods is recognised when significant risks and rewards of ownership are transferred to the buyer, there is neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold, and the amount of revenue and the costs incurred or to be incurred in respect of the transaction can be measured reliably. Revenue from rendering of services that are not significant transactions is recognised as the services are provided or when the significant acts have been completed. Revenue from rendering of services is recognised by reference to the stage of completion of the transaction at the end of the reporting year measured by the proportion of the cost incurred to date bears to the estimated total cost of the transaction and the amount of revenue, stage of completion, and the costs incurred for the transaction and the costs to complete the transaction can be measured reliably. Interest is recognised using the effective interest method.

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

Employee benefits

Certain subsidiary operates defined contribution retirement benefit plans in which employees are entitled to join upon fulfilling certain conditions. The assets of the fund may or may not be held separately from those of the entity in an independently administered fund. The entity contributes an amount equal to a fixed percentage of the salary of each participating employee. Contributions are charged to profit or loss in the period to which they relate. This plan is in addition to the contributions to government managed retirement benefit plans such as the Central Provident Fund in Singapore which specifies the employer's obligations which are dealt with as defined contribution retirement benefit plans. For employee leave entitlement the expected cost of short-term employee benefits in the form of compensated absences is recognised in the case of accumulating compensated absences, when the employees render service that increases their entitlement to future compensated absences; and in the case of non-accumulating compensated absences, when the absences occur. A liability for bonuses is recognised where the entity is contractually obliged or where there is constructive obligation based on past practice.

Income tax

The income taxes are accounted using the asset and liability method that requires the recognition of taxes payable or refundable for the current year and deferred tax liabilities and assets for the future tax consequence of events that have been recognised in the financial statements or tax returns. The measurements of current and deferred tax liabilities and assets are based on provisions of the enacted or substantially enacted tax laws; the effects of future changes in tax laws or rates are not anticipated. Tax expense (tax income) is the aggregate amount included in the determination of profit or loss for the reporting year in respect of current tax and deferred tax. Current and deferred income taxes are recognised as income or as an expense in profit or loss unless the tax relates to items that are recognised in the same or a different period outside profit or loss. For such items recognised outside profit or loss the current tax and deferred tax are recognised (a) in other comprehensive income if the tax is related to an item recognised in other comprehensive income and (b) directly in equity if the tax is related to an item recognised directly in equity. Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same income tax authority. The carrying amount of deferred tax assets is reviewed at each end of the reporting year and is reduced, if necessary, by the amount of any tax benefits that, based on available evidence, are not expected to be realised. A deferred tax amount is recognised for all temporary differences, unless the deferred tax amount arises from the initial recognition of an asset or liability in a transaction which (i) is not a business combination; and (ii) at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss). A deferred tax liability or asset is recognised for all taxable temporary differences associated with investments in subsidiary except where the reporting entity is able to control the timing of the reversal of the taxable temporary difference and it is probable that the taxable temporary difference will not reverse in the foreseeable future or for deductible temporary differences, they will not reverse in the foreseeable future and they cannot be utilised against taxable profits.

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

Foreign currency transactions

The functional currency is the Singapore dollar as it reflects the primary economic environment in which the entity operates. Transactions in foreign currencies are recorded in the functional currency at the rates ruling at the dates of the transactions. At each end of the reporting year, recorded monetary balances and balances measured at fair value that are denominated in non-functional currencies are reported at the rates ruling at the end of the reporting year and fair value measurement dates respectively. All realised and unrealised exchange adjustment gains and losses are dealt with in profit or loss except when recognised in other comprehensive income and if applicable deferred in equity such as for qualifying cash flow hedges. The presentation is in the functional currency.

Translation of financial statements of other entities

Each entity in the group determines the appropriate functional currency as it reflects the primary economic environment in which the relevant reporting entity operates. In translating the financial statements of such an entity for incorporation in the consolidated financial statements in the presentation currency the assets and liabilities denominated in other currencies are translated at end of the reporting year rates of exchange and the income and expense items for each statement presenting profit or loss and other comprehensive income are translated at average rates of exchange for the reporting year. The resulting translation adjustments (if any) are recognised in other comprehensive income and accumulated in a separate component of equity until the disposal of that relevant entity.

Subsidiary

A subsidiary is an entity including unincorporated and special purpose entity that is controlled by the reporting entity and the reporting entity is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. The existence and effect of substantive potential voting rights that the reporting entity has the practical ability to exercise (that is, substantive rights) are considered when assessing whether the reporting entity controls another entity.

In the reporting entity's separate financial statements, an investment in a subsidiary is accounted for at cost less any allowance for impairment in value. Impairment loss recognised in profit or loss for a subsidiary 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. The carrying value and the net book value of the investment in a subsidiary are not necessarily indicative of the amount that would be realised in a current market exchange.

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

Business combinations

A business combination is a transaction or other event which requires that the assets acquired and liabilities assumed constitute a business. It is accounted for by applying the acquisition method of accounting. The cost of a business combination includes the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the acquirer, in exchange for control of the acquiree. The acquisition-related costs are expensed in the periods in which the costs are incurred and the services are received except for any costs to issue debt or equity securities are recognised in accordance with FRS 32 and FRS 39. As of the acquisition date, the acquirer recognises, separately from goodwill, the identifiable assets acquired, the liabilities assumed and any non-controlling interest in the acquiree measured at acquisition-date fair values as defined in and that meet the conditions for recognition under FRS 103. If there is gain on bargain purchase, for the gain on bargain purchase a reassessment is made of the identification and measurement of the acquiree's identifiable assets, liabilities and contingent liabilities and the measurement of the cost of the business combination and any excess remaining after this reassessment is recognised immediately in profit or loss.

There was no gain on bargain purchase during the reporting year.

Goodwill and fair value adjustments resulting from the application of purchase accounting at the date of acquisition are treated as assets and liabilities of the foreign entity and are recorded at the exchange rates prevailing at the acquisition date and are subsequently translated at the period end exchange rate.

Impairment of non-financial assets

Irrespective of whether there is any indication of impairment, an annual impairment test is performed at the same time every year on an intangible asset with an indefinite useful life or an intangible asset not yet available for use. The carrying amount of other non-financial assets is reviewed at each end of the reporting year for indications of impairment and where an asset is impaired, it is written down through profit or loss to its estimated recoverable amount. The impairment loss is the excess of the carrying amount over the recoverable amount and is recognised in profit or loss. The recoverable amount of an asset or a cash-generating unit is the higher of its fair value less costs of disposal and its value in use. When the fair value less costs of disposal method is used, any available recent market transactions are taken into consideration. When the value in use method is adopted, in assessing the 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. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). At each end of the reporting year non-financial assets other than goodwill with impairment loss recognised in prior periods are assessed for possible reversal of the impairment. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been measured, net of depreciation or amortisation, if no impairment loss had been recognised.

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

Goodwill

Goodwill is an asset representing the future economic benefits arising from other assets acquired in a business combination that are not individually identified and separately recognised. Goodwill is recognised as of the acquisition date measured as the excess of (a) over (b); (a) being the aggregate of: (i) the consideration transferred which generally requires acquisition-date fair value; (ii) the amount of any non-controlling interest in the acquiree measured in accordance with FRS 103 (measured either at fair value or as the non-controlling interest's proportionate share of the acquiree's net identifiable assets); and (iii) in a business combination achieved in stages, the acquisition-date fair value of the acquirer's previously held equity interest in the acquiree; and (b) being the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed measured in accordance with this FRS 103.

After initial recognition, goodwill acquired in a business combination is measured at cost less any accumulated impairment losses. Goodwill is not amortised. Irrespective of whether there is any indication of impairment, goodwill and also any intangible asset with an indefinite useful life or any intangible asset not yet available for use are tested for impairment at least annually. Goodwill impairment is not reversed in any circumstances.

For the purpose of impairment testing and since the acquisition date of the business combination, goodwill is allocated to each cash-generating unit, or groups of cash-generating units that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the acquiree were assigned to those units or groups of units. Each unit or group of units to which the goodwill is so allocated represents the lowest Level within the entity at which the goodwill is monitored for internal management purposes and is not larger than a segment.

Inventories

Inventories are measured at the lower of cost (weighted average method) and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. A write down on cost is made where the cost is not recoverable or if the selling prices have declined. Cost includes all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Financial assets

Initial recognition, measurement and derecognition:

A financial asset is recognised on the statement of financial position when, and only when, the entity becomes a party to the contractual provisions of the instrument. The initial recognition of financial assets is at fair value normally represented by the transaction price. The transaction price for financial asset not classified at fair value through profit or loss includes the transaction costs that are directly attributable to the acquisition or issue of the financial asset. Transaction costs incurred on the acquisition or issue of financial assets classified at fair value through profit or loss are expensed immediately. The transactions are recorded at the trade date.

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

Financial assets (cont'd)

Irrespective of the legal form of the transactions performed, financial assets are derecognised when they pass the "substance over form" based on the derecognition test prescribed by FRS 39 relating to the transfer of risks and rewards of ownership and the transfer of control. Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is currently a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

Subsequent measurement:

Subsequent measurement based on the classification of the financial assets in one of the following categories under FRS 39 is as follows:

1. Financial assets at fair value through profit or loss: As at end of the reporting year date there were no financial assets classified in this category.
2. Loans and receivables: Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Assets that are for sale immediately or in the near term are not classified in this category. These assets are carried at amortised costs using the effective interest method (except that short-duration receivables with no stated interest rate are normally measured at original invoice amount unless the effect of imputing interest would be significant) minus any reduction (directly or through the use of an allowance account) for impairment or uncollectibility. Impairment charges are provided only when there is objective evidence that an impairment loss has been incurred as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. The methodology ensures that an impairment loss is not recognised on the initial recognition of an asset. Losses expected as a result of future events, no matter how likely, are not recognised. For impairment, the carrying amount of the asset is reduced through use of an allowance account. The amount of the loss is recognised in profit or loss. An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised. Typically the trade and other receivables are classified in this category.
3. Held-to-maturity financial assets: As at end of the reporting year date there were no financial assets classified in this category.
4. Available-for-sale financial assets: As at end of the reporting year date there were no financial assets classified in this category.

Cash and cash equivalents

Cash and cash equivalents include bank and cash balances, on demand deposits and any highly liquid debt instruments purchased with an original maturity of three months or less. For the statement of cash flows the item includes cash and cash equivalents less cash subject to restriction and bank overdrafts payable on demand that form an integral part of cash management.

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

Financial liabilities

Initial recognition, measurement and derecognition:

A financial liability is recognised on the statement of financial position when, and only when, the entity becomes a party to the contractual provisions of the instrument and it is derecognised when the obligation specified in the contract is discharged or cancelled or expires. The initial recognition of financial liability is at fair value normally represented by the transaction price. The transaction price for financial liability not classified at fair value through profit or loss includes the transaction costs that are directly attributable to the acquisition or issue of the financial liability. Transaction costs incurred on the acquisition or issue of financial liability classified at fair value through profit or loss are expensed immediately. The transactions are recorded at the trade date. Financial liabilities including bank and other borrowings are classified as current liabilities unless there is an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting year.

Subsequent measurement:

Subsequent measurement based on the classification of the financial liabilities in one of the following two categories under FRS 39 is as follows:

1. Liabilities at fair value through profit or loss: Liabilities are classified in this category when they are incurred principally for the purpose of selling or repurchasing in the near term (trading liabilities) or are derivatives (except for a derivative that is a designated and effective hedging instrument) or have been classified in this category because the conditions are met to use the "fair value option" and it is used. Financial guarantee contracts if significant are initially recognised at fair value and are subsequently measured at the greater of (a) the amount measured in accordance with FRS 37 and (b) the amount initially recognised less, where appropriate, cumulative amortisation recognised in accordance with FRS 18. All changes in fair value relating to liabilities at fair value through profit or loss are charged to profit or loss as incurred.
2. Other financial liabilities: All liabilities, which have not been classified as in the previous category fall into this residual category. These liabilities are carried at amortised cost using the effective interest method. Trade and other payables and borrowings are usually classified in this category. Items classified within current trade and other payables are not usually re-measured, as the obligation is usually known with a high degree of certainty and settlement is short-term.

Liabilities and equity financial instruments:

A financial instrument is classified as a liability or as equity in accordance with the substance of the contractual arrangement on initial recognition. Where the financial instrument does not give rise to a contractual obligation on the part of the issuer to make payment in cash or kind under conditions that are potentially unfavourable to the issuer, it is classified as an equity instrument. The equity and the liability elements of compound instruments are classified separately as equity and as a liability. Equity instruments are recorded at the amounts of the proceeds net of direct issue costs.

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

Classification of equity and liabilities

A financial instrument is classified as a liability or as equity in accordance with the substance of the contractual arrangement on initial recognition. Equity instruments are contracts that give a residual interest in the net assets of the reporting entity. Where the financial instrument does not give rise to a contractual obligation on the part of the issuer to make payment in cash or kind under conditions that are potentially unfavourable, it is classified as an equity instrument. Ordinary shares are classified as equity. Equity instruments are recognised at the amount of proceeds received net of incremental costs directly attributable to the transaction. Dividends on equity are recognised as liabilities when they are declared. Interim dividends are recognised when declared by the directors.

Fair value measurement

Fair value is taken to be the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (that is, an exit price). It is a market-based measurement, not an entity-specific measurement. When measuring fair value, management uses the assumptions that market participants would use when pricing the asset or liability under current market conditions, including assumptions about risk. The entity's intention to hold an asset or to settle or otherwise fulfil a liability is not taken into account as relevant when measuring fair value. In making the fair value measurement, management determines the following: (a) the particular asset or liability being measured (these are identified and disclosed in the relevant notes below); (b) for a non-financial asset, the highest and best use of the asset and whether the asset is used in combination with other assets or on a stand-alone basis; (c) the market in which an orderly transaction would take place for the asset or liability; and (d) the appropriate valuation techniques to use when measuring fair value. The valuation techniques used maximise the use of relevant observable inputs and minimise unobservable inputs. These inputs are consistent with the inputs a market participant may use when pricing the asset or liability.

The fair value measurements and related disclosures categorise the inputs to valuation techniques used to measure fair value by using a fair value hierarchy of three levels. These are recurring fair value measurements unless state otherwise in the relevant notes to the financial statements. Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date. Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. Level 3 inputs are unobservable inputs for the asset or liability. The level is measured on the basis of the lowest level input that is significant to the fair value measurement in its entirety. Transfers between levels of the fair value hierarchy are deemed to have occurred at the beginning of the reporting year. If a financial instrument measured at fair value has a bid price and an ask price, the price within the bid-ask spread or mid-market pricing that is most representative of fair value in the circumstances is used to measure fair value regardless of where the input is categorised within the fair value hierarchy. If there is no market, or the markets available are not active, the fair value is established by using an acceptable valuation technique.

The carrying values of current financial instruments approximate their fair values due to the short-term maturity of these instruments and the disclosures of fair value are not made when the carrying amount of current financial instruments is a reasonable approximation of the fair value. The fair values of non-current financial instruments may not be disclosed separately unless there are significant differences at the end of the reporting year and in the event the fair values are disclosed in the relevant notes to the financial statements.

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

Provisions

A liability or provision is recognised when there is a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. A provision is made using best estimates of the amount required in settlement and where the effect of the time value of money is material, the amount recognised is the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense. Changes in estimates are reflected in profit or loss in the reporting year they occur.

Critical judgements, assumptions and estimation uncertainties

The critical judgements made in the process of applying the accounting policies that have the most significant effect on the amounts recognised in the financial statements and the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting year, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities currently or within the next reporting year are discussed below. These estimates and assumptions are periodically monitored to ensure they incorporate all relevant information available at the date when financial statements are prepared. However, this does not prevent actual figures differing from estimates.

Assessment of impairment of goodwill:

The amount of goodwill is tested annually for impairment. This annual impairment test is significant and the process is complex and highly judgmental and is based on assumptions that are affected by expected future market or economic conditions. As a result, judgement is required in evaluating the assumptions and methodologies used by management, in particular those relating to the forecasted revenue growth and profit margins. The disclosures about goodwill are included in Note 9, which explains that small changes in the key assumptions used could give rise to an impairment of the goodwill balance in the future. Actual outcomes could vary from these estimates.

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

Critical judgements, assumptions and estimation uncertainties (cont'd)

Allowance for doubtful trade accounts:

An allowance is made for doubtful trade accounts for estimated losses resulting from the subsequent inability of the customers to make required payments. If the financial conditions of the customers were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required in future periods. To the extent that it is feasible impairment and uncollectibility is determined individually for each item. In cases where that process is not feasible, a collective evaluation of impairment is performed. At the end of the reporting year, the trade receivables carrying amount approximates the fair value and the carrying amounts might change materially within the next reporting year but these changes may not arise from assumptions or other sources of estimation uncertainty at the end of the reporting year. The carrying amount is disclosed in the note on trade and other receivables.

Income tax amounts:

The entity recognises tax liabilities and assets tax based on an estimation of the likely taxes due, which requires significant judgement as to the ultimate tax determination of certain items. Where the actual amount arising from these issues differs from these estimates, such differences will have an impact on income tax and deferred tax amounts in the period when such determination is made. In addition management judgement is required in determining the amount of current and deferred tax recognised and the extent to which amounts should or can be recognised. A deferred tax asset is recognised for unused tax losses if it is probable probable that the entity will earn sufficient taxable profit in future periods to benefit from a reduction in tax payments. This involves the management making assumptions within its overall tax planning activities and periodically reassessing them in order to reflect changed circumstances as well as tax regulations. Moreover, the measurement of a deferred tax asset or liability reflects the manner in which the entity expects to recover the asset's carrying value or settle the liability. As a result, due to their inherent nature assessments of likelihood are judgmental and not susceptible to precise determination. The income tax amounts are disclosed in the Note on income tax.

3. Related party relationships and transactions

FRS 24 defines a related party as a person or entity that is related to the reporting entity and it includes (a) A person or a close member of that person's family if that person: (i) has control or joint control over the reporting entity; (ii) has significant influence over the reporting entity; or (iii) is a member of the key management personnel of the reporting entity or of a parent of the reporting entity. (b) An entity is related to the reporting entity if any of the following conditions apply: (i) The entity and the reporting entity are members of the same group. (ii) One entity is an associate or joint venture of the other entity. (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 reporting entity or an entity related to the reporting entity. (vi) The entity is controlled or jointly controlled by a person identified in (a). (vii) A person identified in (a) (i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity). (viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the reporting entity or to the parent of the reporting entity.

3. Related Party Relationships and Transactions (Cont'd)**3A. Related companies:**

There are transactions and arrangements between the reporting entity and members of the group and the effects of these on the basis determined between the parties are reflected in these financial statements. The intercompany balances are unsecured without fixed repayment terms and interest unless stated otherwise. For any balances no interest or charge is imposed unless stated otherwise.

Intragroup transactions and balances that have been eliminated in these consolidated financial statements are not disclosed as related party transactions and balances below.

3B. Related parties other than related companies:

There are transactions and arrangements between the reporting entity and related parties and the effects of these on the basis determined between the parties are reflected in these financial statements. The related party balances are unsecured without fixed repayment terms and interest unless stated otherwise. For any balances no interest or charge is imposed unless stated otherwise.

Significant related party transactions:

In addition to the transactions and balances disclosed elsewhere in the notes to the financial statements, this item includes the following:

	<u>Group</u>	
	<u>Other related parties</u>	
	<u>2014</u>	<u>2013</u>
	\$	\$
Revenue from GD Wasser Vietnam Company Limited	5,645	—
Revenue from GD Wasser Nghe An Company Limited	<u>304,045</u>	<u>—</u>

The related parties, GD Wasser Vietnam Company Limited and GD Wasser Nghe An Company Limited, and the company have common ultimate shareholders.

3C. Key management compensation:

	<u>Group</u>	
	<u>2014</u>	<u>2013</u>
	\$	\$
Salaries and other short-term employee benefits	<u>171,670</u>	<u>134,308</u>

The above amounts are included under employee benefits expense. Included in the above amounts are the following items:

	<u>Group</u>	
	<u>2014</u>	<u>2013</u>
	\$	\$
Remuneration of directors of the company	149,170	116,308
Fees to directors of the company	<u>22,500</u>	<u>18,000</u>

3. Related Party Relationships and Transactions (Cont'd)

3C. Key management compensation: (cont'd)

Key management personnel include the directors and those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly. The above amounts do not include compensation if any of certain key management personnel and directors of the company who received compensation from related corporations in their capacity as directors and or executives of those related corporations.

3D. Other receivables from and other payables to related parties:

The trade transactions and the related receivables and payables balances arising from sales and purchases of goods and services are disclosed elsewhere in the notes to the financial statements.

The movements in other receivables from and other payables to related parties are as follows:

	<u>2014</u>	<u>Group Parent</u> <u>2013</u>
	\$	\$
<u>Other receivables/(other payables):</u>		
Balance at beginning of the year	25,170	–
Amounts paid out and settlement of liabilities on behalf of another party	–	25,170
Transferred to outsider	(25,170)	–
Balance at end of the year	<u>–</u>	<u>25,170</u>

	<u>2014</u>	<u>Group Other related parties</u> <u>2013</u>
	\$	\$
<u>Other receivables/(other payables):</u>		
Balance at beginning of the year	–	–
Loan to related parties	173,110	–
Loan from related parties	(188,347)	–
Allowance for impairment	(60,968)	–
Balance at end of the year - credit	<u>(76,205)</u>	<u>–</u>

Presented in the statement of financial position as follows:

Other receivables (Note 13)	112,142	–
Other payables (Note 18)	(188,347)	–
Balance at end of the year - credit	<u>(76,205)</u>	<u>–</u>

The related parties are New Asia Investments Pte. Ltd. and GD Wasser Nghe An Company Limited. New Asia Investments Pte Ltd is the ultimate shareholder. GD Wasser Nghe An Company Limited and the company have common ultimate shareholders.

3. Related Party Relationships and Transactions (Cont'd)

3D. Other receivables from and other payables to related parties:

	2014	Group Directors	2013
	\$		\$
Other receivables/(other payables):			
Balance at beginning of the year	(2,002)		—
Amounts paid in and settlement of liabilities on behalf of the company	(42,575)		(2,002)
Balance at end of the year	<u>(44,577)</u>		<u>(2,002)</u>

4. Revenue

	2014	Group	2013
	\$		\$
Rendering of services	64,544		—
Sale of goods	336,070		—
Total revenue	<u>400,614</u>		<u>—</u>

5. Other gains and (other losses)

	2014	Group	2013
	\$		\$
Allowance for impairment on related company other receivables – (loss)	(60,968)		—
Foreign exchange adjustments gains	11,331		—
Interest income from assets at amortised cost	29		—
Goodwill written off	(87,731)		—
Net	<u>(137,339)</u>		<u>—</u>
Presented in the profit or loss as:			
Other gains	11,360		—
Other losses	(148,699)		—
Net	<u>(137,339)</u>		<u>—</u>

6. Administrative expenses

The major components and other selected components include the following:

	2014	Group	2013
	\$		\$
Employee benefits expense	308,578		134,308
Overseas office expense	<u>—</u>		<u>174,550</u>

7. Employee benefits expense

	<u>2014</u> \$	<u>Group</u> <u>2013</u> \$
Short term employee benefits expense	292,908	122,000
Contributions to defined contribution plan	15,670	12,308
Total employee benefits expense	<u>308,578</u>	<u>134,308</u>

8. Income tax**8A. Components of tax expense (income) recognised in profit or loss include:**

The reconciliation of income taxes below is determined by applying the Singapore corporate tax rate. The income tax in profit or loss varied from the amount of income tax amount determined by applying the Singapore income tax rate of 17.0% (2013: 17.0%) to profit or loss before income tax as a result of the following differences:

	<u>2014</u> \$	<u>Group</u> <u>2013</u> \$
Loss before tax	<u>(236,892)</u>	<u>(359,929)</u>
Income tax benefit at the above rate	(40,272)	(61,188)
Expenses not deductible for tax purposes	10,365	—
Unrecognised deferred tax assets	15,361	61,188
Effect of different tax rates in different countries	(368)	—
Not deductible goodwill written off	14,914	—
Total income tax expense	<u>—</u>	<u>—</u>

There are no income tax consequences of dividends to owners of the company.

8B. Deferred tax expense (income) recognised in profit or loss includes:

	<u>2014</u> \$	<u>Group</u> <u>2013</u> \$
Tax loss carryforwards	(15,361)	(61,188)
Unrecognised deferred tax assets	15,361	61,188
Total deferred income tax expense recognised in profit or loss	<u>—</u>	<u>—</u>

8C. Deferred tax balance in the statement of financial position:

	<u>2014</u> \$	<u>Group</u> <u>2013</u> \$
<u>From deferred tax assets (liabilities) recognised in profit or loss:</u>		
Tax loss carryforwards	76,549	61,188
Unrecognised deferred tax assets	(76,549)	(61,188)
Net balance	<u>—</u>	<u>—</u>

8. Income tax (cont'd)**8C. Deferred tax balance in the statement of financial position: (cont'd)**

	<u>Company</u>	
	<u>2014</u>	<u>2013</u>
	\$	\$
<u>From deferred tax assets (liabilities) recognised in profit or loss:</u>		
Tax loss carryforwards	67,186	61,188
Unrecognised deferred tax assets	<u>(67,186)</u>	<u>(61,188)</u>
Net balance	<u>-</u>	<u>-</u>

Included in unrecognised deferred tax assets for the tax losses are tax losses of \$12,287 (2013: NIL) that will expire in 2019. The other unrecognised deferred tax assets for the tax losses may be carried forward indefinitely.

No deferred tax asset for the tax losses (including deductible temporary differences, unused tax losses and unused tax credits) has been recognised in respect of the remaining for the above balance, as the future profit streams are not probable against which the deductible temporary difference can be utilised.

For the Singapore company, the realisation of the future income tax benefits from tax loss carryforwards and temporary differences from capital allowances is available for an unlimited future period subject to the conditions imposed by law including the retention of majority shareholders as defined. For the Vietnam company, the tax loss carryforwards expire after 5 years.

Temporary differences arising in connection with interests in subsidiary.

9. Intangible assets

	<u>Group</u>
	<u>2014</u>
	\$
Goodwill (Note 9A)	<u>-</u>

9A. Goodwill

	<u>Group</u>
	<u>2014</u>
	\$
Cost:	
Balance at beginning of the year	-
Arising from acquisition of a subsidiary (Note 19)	87,731
Written off	<u>(87,731)</u>
Balance at end of the year	<u>-</u>

The goodwill was tested for impairment at the end of the reporting year. An impairment loss is the amount by which the carrying amount of an asset or a cash-generating unit ("CGU") exceeds its recoverable amount. The recoverable amount of an asset or a CGU is the higher of its fair value less costs of disposal or its value in use. The recoverable amounts of CGU have been measured based on the fair value less costs of disposal method or the value in use method as appropriate for the separate CGUs.

10. Investment in subsidiary

	<u>Company</u>	
	<u>2014</u>	<u>2013</u>
	\$	\$
Movements during the year. At cost:		
Balance at beginning of the year	—	—
Acquisitions	313,376	—
Cost at the end of the year	<u>313,376</u>	<u>—</u>
Carrying value in the books of the company comprising:		
Unquoted equity shares at cost	<u>313,376</u>	<u>—</u>
Analysis of above amount denominated in non-functional currency:		
Vietnamese Dong	<u>313,376</u>	<u>—</u>

The listing of and information on the subsidiaries are given below.

The subsidiary is wholly owned by the group.

Name of subsidiary, country of incorporation,
Place of operations and principal activities
(and independent auditor)

	<u>Cost in books of the group</u>	
	<u>2014</u>	<u>2013</u>
	\$	\$
De.Mem Vietnam Company Limited #a		
Vietnam		
Technical advisory services (supporting, advice and recommendations services on issues of technical advisory in the field of water and waste water treatment for construction projects) and management advisory services (DTL Auditing Company Ltd)	<u>313,376</u>	<u>—</u>

#a. Audited by member firms of RSM International of which RSM Chio Lim LLP in Singapore is a member.

11. Other assets, non-current

	<u>Group</u>
	<u>2014</u>
	\$
Deposits and advance payments for non-current assets	<u>8,713</u>

12. Inventories

	<u>Group</u>
	<u>2014</u>
	\$
Work in process	<u>75,878</u>
Changes in inventories of finished goods and work in progress (increase)	(75,878)
The amount of inventories included in cost of sales	<u>73,525</u>

12. Inventories (cont'd)

There are no inventories pledged as security for liabilities.

13. Trade and other receivables, current

	<u>Group</u> <u>2014</u> \$	<u>2014</u> \$	<u>Company</u> <u>2013</u> \$
<u>Trade receivables:</u>			
Outside parties	49,333	—	—
Subsidiary (Note 3)	—	40,624	—
Related party (Note 3)	12,100	5,645	—
Net trade receivables – Subtotal	<u>61,433</u>	<u>46,269</u>	<u>—</u>
<u>Other receivables:</u>			
Parent company (Note 3)	—	—	25,170
Subsidiary (Note 3)	—	192,581	—
Related party (Note 3)	173,110	60,968	—
Less allowance for impairment	(60,968)	(60,968)	—
Deposits to secure services	3,925	—	—
Other receivables	423	423	3,999
Net other receivables – Subtotal	<u>116,490</u>	<u>193,004</u>	<u>29,169</u>
Total trade and other receivables	<u><u>177,923</u></u>	<u><u>239,273</u></u>	<u><u>29,169</u></u>
 <u>Movements in above allowance:</u>			
Balance at beginning of the year	—	—	—
Charge for related party other receivables to profit or loss included in other losses	60,968	60,968	—
Balance at end of the year	<u><u>60,968</u></u>	<u><u>60,968</u></u>	<u><u>—</u></u>

14. Other assets, current

	<u>Group</u> <u>2014</u> \$
Advance payments on purchases	<u><u>209,888</u></u>

15. Cash and cash equivalents

	<u>Group</u> <u>2014</u> \$	<u>2014</u> \$	<u>Company</u> <u>2013</u> \$
Not restricted in use	<u><u>3,009</u></u>	<u><u>2,676</u></u>	<u><u>118,837</u></u>

The interest earning balances are not significant.

15. Cash and cash equivalents (cont'd)**15A. Cash and cash equivalents in the consolidated statement of cash flows:**

	<u>Group</u> <u>2014</u> \$
As shown above	3,009
Cash and cash equivalents for the consolidated statement of cash flows purposes at end of the year	<u>3,009</u>

16. Share capital

<u>Group and Company</u>	<u>Number of</u> <u>shares</u> <u>issued</u>	<u>Share</u> <u>capital</u> \$	<u>Preference</u> <u>shares</u> \$	<u>Total</u> \$
Balance at date of incorporation	—	—	—	—
Issue of shares at \$0.001 each	270,000	270	—	270
Issue of shares at \$10.38 each #a	<u>48,182</u>	<u>—</u>	<u>500,000</u>	<u>500,000</u>
Balance at end of the year 31 December 2013	318,182	270	500,000	500,270
Issue of shares at \$0.01 each	84,710	847	—	847
Issue of shares at \$12.10 each #a	<u>20,660</u>	<u>—</u>	<u>250,000</u>	<u>250,000</u>
Balance at end of the year 31 December 2014	<u>423,552</u>	<u>1,117</u>	<u>750,000</u>	<u>751,117</u>

The ordinary shares of no par value are fully paid, carry one vote each and have no right to fixed income. The company is not subject to any externally imposed capital requirements.

During the reporting year, 84,710 ordinary shares of no par value were issued for cash at \$0.01 each and 20,660 preference shares were issued for cash at \$12.10 each.

#a. Preference shares referred to as Series A Shares are with the following terms:

- (i) Dividend provision: The holders of Series A Preference Shares shall be entitled to participate in the profits of the company available for distribution and from time to time determined by the Board of Directors (and approved by Shareholders at a general meeting) to be distributed by way of dividend pari passu with the holders of the Ordinary Shares save that unpaid dividends shall be cumulative until the date of the actual payment.

16. Share capital (cont'd)

- #a. Preference shares referred to as Series A Shares are with the following terms:
(cont'd)
- (ii) Liquidation preference: In the event of liquidation or the occurrence of a Liquidation Event of the company, the holders of the Series A Preference Shares shall be entitled to be repaid the following in priority over holders of ordinary shares and any other shares in the company with respect to any net proceeds from liquidation of the company after payments to all the creditors of the company, whether secured or unsecured:
- (a) 1.0 times their invested capital (based on the subscription price of the Series A Preference Shares multiplied by 1.0 times per Series A Preference Shares) (including accumulated dividends); together with
- (b) an internal rate of return of 6% per annum compounded from the date of subscription of their respective investments in the Series A Preference Shares (including accumulated dividends); together with
- (c) any arrears of any declared but unpaid dividend on a cumulative basis calculated to the date of such repayment.
- (iii) Automatic conversion: Subject to the voting rights terms in (vi) below, all Series A Preference Shares shall on Automatic Conversion Date be automatically converted into Ordinary Shares in accordance with the conversion ratio of 1:1 initially (subject to adjustments as set out in terms (v) below). The ordinary shares to be issued upon such conversion shall be deemed as fully paid up, and rank pari passu in all respects with the other ordinary shares in the company. New share certificates in respect of the ordinary shares so converted shall be issued by the company free of charge. However, in the event that the IPO does not take place for any reason whatsoever, the company undertakes that it shall re-issue all the Series A Preference Shares prior to the Automatic Conversion such that they are put in the same position as they were immediately prior to the Automatic Conversion.
- (iv) Optional conversion: Subject to terms (vi) below, any holder of Series A Preference Shares may at any time by notice in writing left at the company's registered office together with the certificate or certificates for the shares therein referred to, elect to convert the Series A Preference Shares into ordinary shares in accordance with the conversion ratio set out in terms (iii) above. The ordinary shares to be issued upon such conversion shall be deemed as fully paid up, and shall rank pari passu in all respects with the other ordinary shares in the company. New share certificates in respect of the ordinary shares so converted shall be issued by the company free of charge.
- (v) Adjustment to conversion ratio: Appropriate adjustments will be made to the conversion ratio in the event of bonus issues, share dividends, share splits, reclassifications, capital reductions, share subdivisions share combinations and recapitalisations after the date of first issue of any Series A Preference Shares on a weighted average basis.

16. Share capital (cont'd)

- #a. Preference shares referred to as Series A Shares are with the following terms: (cont'd)
- (vi) Voting rights: Every holder of Series A Preference Shares shall have the same voting rights as a holder of ordinary shares and each Series A Preference Share shall have the same vote as each ordinary share subject to the anti-dilution adjustments in term (v) above and shall be entitled to receive notices of general meetings of the company and shall be entitled to attend and vote at any general meeting of the company. The holders of the Series A Preference Shares shall vote together with the holders of ordinary shares on an as-converted bases (subject to the anti-dilution adjustments in terms (v) above) and not as a separate class except as provided under terms (vii) below or as required by law.
- (vii) Protective provisions: The consent of the investor(s) at a meeting attended by two-thirds of the holders of Series A Preference Shares shall be required for any proposals for any action that:
- (a) varies, alters or changes any rights, preferences and privileges attached to Series A Preference shares;
- (b) increases the number of shares including without limitation, Series A Preference Shares; or
- (c) creates any new shares or new class of shares having preferred rights and privileges over the rights, preferences and privileges of Series A Preference Shares.

Capital management:

The objectives when managing capital are: to safeguard the reporting entity's ability to continue as a going concern, so that it can continue to provide returns for owners and benefits for other stakeholders, and to provide an adequate return to owners by pricing the sales commensurately with the level of risk. The management sets the amount of capital to meet its requirements and the risk taken. There were no changes in the approach to capital management during the reporting year. The management manages the capital structure and makes adjustments to it where necessary or possible in the light of changes in conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the management may adjust the amount of dividends paid to owners, return capital to owners, issue new shares, or sell assets to reduce debt. Adjusted capital comprises all components of equity (that is, share capital and reserves).

There are insignificant external borrowings. The debt-to-adjusted capital ratio does not provide a meaningful indicator of the risk of borrowings.

17. Other reserves

	<u>Group</u> <u>2014</u> \$
Foreign currency translation reserve (Note 17A)	<u>9,198</u>

17. Other reserves (cont'd)

17A. Foreign currency translation reserve

	<u>Group</u> <u>2014</u> \$
At beginning of the year	—
Exchange differences on translating foreign operations	9,198
At end of the year	<u>9,198</u>

All reserves classified on the face of the statement of financial position as retained earnings represents past accumulated earnings and are distributable as cash dividends. The other reserves are not available for cash dividends unless realised.

The currency translation reserve accumulates all foreign exchange differences.

18. Trade and other payables

	<u>Group</u> <u>2014</u> \$	<u>2014</u> \$	<u>Company</u> <u>2013</u> \$
<u>Trade payables:</u>			
Outside parties and accrued liabilities	21,201	15,003	5,663
Trade payables – Subtotal	<u>21,201</u>	<u>15,003</u>	<u>5,663</u>
<u>Other payables:</u>			
Related parties (Note 3)	188,347	188,347	—
Directors (Note 3)	44,577	44,577	2,002
Other payables	57,792	12,460	—
Other payables – Subtotal	<u>290,716</u>	<u>245,384</u>	<u>2,002</u>
Total trade and other payables	<u>311,917</u>	<u>260,387</u>	<u>7,665</u>

19. Acquisition of subsidiary

The group acquired 100% of De.Mem Vietnam Company Limited on 30 June 2014. The transaction was accounted for by the acquisition method of accounting.

The consideration transferred is as follows:

	<u>2014</u> \$
<u>Consideration transferred:</u>	
Cash	59,650
Total consideration transferred	<u>59,650</u>

Goodwill arising on acquisition:

The goodwill arising on acquisition is as follows:

	<u>2014</u> \$
Consideration transferred (see above table)	59,650
Fair value of identifiable net liabilities acquired	28,081
Total consideration transferred	<u>87,731</u>

19. Acquisition of subsidiary (cont'd)

The net assets acquired and the related fair values are as follows:

	<u>Group</u> <u>2014</u> \$
Cash and cash equivalents	19,361
Receivables	145,072
Inventories	15,659
Other assets	12,908
Payables	(221,081)
Net liabilities	<u>(28,081)</u>
 Cash paid	 59,650
Less cash taken over	(19,361)
Net cash outflow on acquisition	<u>40,289</u>

20. Financial instruments: information on financial risks

20A. Classification of financial assets and liabilities

The following table summarises the carrying amount of financial assets and liabilities recorded at the end of the reporting year by FRS 39 categories:

	<u>Group</u> <u>2014</u> \$	<u>Company</u> <u>2014</u> \$	<u>2013</u> \$
<u>Financial assets:</u>			
Cash and cash equivalents	3,009	2,676	118,837
Loans and receivables	177,923	239,273	29,169
At end of the year	<u>180,932</u>	<u>241,949</u>	<u>148,006</u>
 <u>Financial liabilities:</u>			
Trade and other payables measured at amortised cost	311,917	260,387	7,665
At end of the year	<u>311,917</u>	<u>260,387</u>	<u>7,665</u>

Further quantitative disclosures are included throughout these financial statements.

20B. Financial risk management

The main purpose for holding or issuing financial instruments is to raise and manage the finances for the entity's operating, investing and financing activities. There are exposures to the financial risks on the financial instruments such as credit risk, liquidity risk and market risk comprising interest rate, currency risk and price risk exposures. Management has certain practices for the management of financial risks. However these are not documented in formal written documents. The following guidelines are followed: All financial risk management activities are carried out and monitored by senior management staff. All financial risk management activities are carried out following good market practices.

There have been no changes to the exposures to risk; the objectives, policies and processes for managing the risk and the methods used to measure the risk.

20. Financial instruments: information on financial risks (cont'd)**20C. Fair values of financial instruments**

The analyses of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 are disclosed in the relevant notes to the financial statements. These include both the significant financial instruments stated at amortised cost and at fair value in the statement of financial position. The carrying values of current financial instruments approximate their fair values due to the short-term maturity of these instruments and the disclosures of fair value are not made when the carrying amount of current financial instruments is a reasonable approximation of the fair value.

20D. Credit risk on financial assets

Financial assets that are potentially subject to concentrations of credit risk and failures by counterparties to discharge their obligations in full or in a timely manner consist principally of cash balances with banks, cash equivalents, receivables and certain other financial assets. The maximum exposure to credit risk is: the total of the fair value of the financial assets; the maximum amount the entity could have to pay if the guarantee is called on; and the full amount of any payable commitments at the end of the reporting year. Credit risk on cash balances with banks and any other financial instruments is limited because the counterparties are entities with acceptable credit ratings. Credit risk on other financial assets is limited because the other parties are entities with acceptable credit ratings. For credit risk on receivables an ongoing credit evaluation is performed on the financial condition of the debtors and a loss from impairment is recognised in profit or loss. The exposure to credit risk with customers is controlled by setting limits on the exposure to individual customers and these are disseminated to the relevant persons concerned and compliance is monitored by management. There is significant concentration of credit risk on receivables, as the exposure is spread over a small number of counter-parties and debtors.

Note 15 discloses the maturity of the cash and cash equivalents balances.

As part of the process of setting customer credit limits, different credit terms are used. The average credit period generally granted to trade receivable customers is about 60 days (2013: no trade receivables). But some customers take a longer period to settle the amounts.

- (a) Ageing analysis of the age of trade receivable amounts that are past due as at the end of reporting year but not impaired:

	<u>Group</u>		<u>Company</u>
	<u>2014</u>	<u>2014</u>	<u>2013</u>
	\$	\$	\$
Trade receivables:			
1 to 60 days	51,467	—	—
Over 120 days	5,645	46,269	—
Total	<u>57,112</u>	<u>46,269</u>	<u>—</u>

- (b) As at the end of reporting year there were no amounts that were impaired.

Other receivables are normally with no fixed terms and therefore there is no maturity.

20. Financial instruments: information on financial risks (cont'd)**20D. Credit risk on financial assets (cont'd)**

Concentration of trade receivable customers as at the end of reporting year:

	<u>Group</u>	<u>Company</u>	
	<u>2014</u>	<u>2014</u>	<u>2013</u>
	\$	\$	\$
Top 1 customer	45,013	40,624	–
Top 2 customers	51,468	46,269	–
Top 3 customers	<u>57,113</u>	<u>46,269</u>	<u>–</u>

20E. Liquidity risk – financial liabilities maturity analysis

There are no non-current financial liabilities at the end of the reporting year. The liquidity risk refers to the difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. It is expected that all the liabilities will be settled at their contractual maturity. The average credit period taken to settle trade payables is about 30 days (2013: no trade payables). The other payables are with short-term durations. The classification of the financial assets is shown in the statement of financial position as they may be available to meet liquidity needs and no further analysis is deemed necessary.

20F. Interest rate risk

The interest rate risk exposure is from changes in fixed interest rates and floating interest rates and it mainly concerns financial liabilities. The interest from financial assets including cash balances is not significant.

20G. Foreign currency risks

Analysis of amounts denominated in non-functional currency:

<u>Group</u>		<u>Vietnamese</u>	<u>Total</u>
		<u>dong</u>	\$
		\$	\$
<u>2014:</u>			
<u>Financial liabilities:</u>			
Trade and other payables		12,460	12,460
Total financial liabilities		<u>12,460</u>	<u>12,460</u>
Net financial liabilities at end of the year		<u>12,460</u>	<u>12,460</u>
 <u>Company</u>	<u>US dollar</u>	<u>Vietnamese</u>	<u>Total</u>
	\$	<u>dong</u>	\$
		\$	\$
<u>2014:</u>			
<u>Financial assets:</u>			
Loans and receivables	3,174	192,581	195,755
Total financial assets	<u>3,174</u>	<u>192,581</u>	<u>195,755</u>
 <u>Financial liabilities:</u>			
Trade and other payables	–	12,460	12,460
Total financial liabilities	<u>–</u>	<u>12,460</u>	<u>12,460</u>
Net financial assets at end of the year	<u>3,174</u>	<u>180,121</u>	<u>183,295</u>

20. Financial instruments: information on financial risks (cont'd)

20G. Foreign currency risks (cont'd)

There is exposure to foreign currency risk as part of its normal business.

Sensitivity analysis: The effect on the financial statements is not significant.

21. Changes and adoption of financial reporting standards

For the current reporting year the following new or revised Singapore Financial Reporting Standards were adopted. The new or revised standards did not require any material modification of the measurement methods or the presentation in the financial statements.

<u>FRS No.</u>	<u>Title</u>
FRS 27	Consolidated and Separate Financial Statements (Amendments to)
FRS 27	Separate Financial Statements (Revised)
FRS 28	Investments in Associates and Joint Ventures (Revised) (*)
FRS 36	Amendments to FRS 36: Recoverable Amount Disclosures for Non-Financial Assets (relating to goodwill)
FRS 39	Amendments to FRS 39: Novation of Derivatives and Continuation of Hedge Accounting (*)
FRS 110	Consolidated Financial Statements
FRS 110	Amendments to FRS 110, FRS 111 and FRS 112
FRS 111	Joint Arrangements (*)
FRS 112	Disclosure of Interests in Other Entities
INT FRS 121	Levies (*)

(*) Not relevant to the entity.

22. Future Changes in Financial Reporting Standards

The following new or revised Singapore Financial Reporting Standards that have been issued will be effective in future. The transfer to the new or revised standards from the effective dates is not expected to result in material adjustments to the financial position, results of operations, or cash flows for the following year.

<u>FRS No.</u>	<u>Title</u>	<u>Effective date for periods beginning on or after</u>
FRS 19	Amendments To FRS 19: Defined Benefit Plans: Employee Contributions	1 Jul 2014
Various	Improvements to FRSs (Issued in January 2014). Relating to FRS 102 Share-based Payment (*) FRS 103 Business Combinations FRS 108 Operating Segments (*) FRS 113 Fair Value Measurement FRS 16 Property, Plant and Equipment (*) FRS 24 Related Party Disclosures FRS 38 Intangible Assets	1 Jul 2014

22. Future Changes in Financial Reporting Standards (cont'd)

<u>FRS No.</u>	<u>Title</u>	<u>Effective date for periods beginning on or after</u>
Various	Improvements to FRSs (Issued in February 2014). Relating to FRS 103 Business Combinations FRS 113 Fair Value Measurement FRS 40 Investment Property (*)	1 Jul 2014
FRS 1	Amendments to FRS 1: Disclosure Initiative	1 Jan 2016
FRS 16 & 38	Amendments to FRS 16 and FRS 38: Clarification of Acceptable Methods of Depreciation and Amortisation	1 Jan 2016
FRS 16 & 41	Amendments to FRS 16 and FRS 41: Agriculture: Bearer Plants (*)	1 Jan 2016
FRS 27	Amendments to FRS 27: Equity Method in Separate Financial Statements (*)	1 Jan 2016
FRS 110 & 28	Amendments to FRS 110 and FRS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (*)	1 Jan 2016
FRS 110, 112 & 28	Amendments to FRS 110, FRS 112 and FRS 28: Investment Entities: Applying the Consolidation Exception	1 Jan 2016
FRS 111	Amendments to FRS 111: Accounting for Acquisitions of Interests in Joint Operations (*)	1 Jan 2016
FRS 114	Regulatory Deferral Accounts (*)	1 Jan 2016
Various	Improvements to FRSs (November 2014) FRS 105 Non-current Assets Held for Sale and Discontinued Operations -Changes in methods of disposal. (*) FRS 107 Financial Instruments: Disclosures - Servicing contracts. (*) FRS 19 Employee Benefits - Discount rate: regional market issue. (*) FRS 34 Interim Financial Reporting - Disclosure of information elsewhere in the interim financial report. (*)	1 Jan 2016
FRS 115	Revenue from Contracts with Customers	1 Jan 2018
FRS 109	Financial Instruments	1 Jan 2018

(*) Not relevant to the entity.

23. Comparative Figures

The financial statements for 2013 cover the reporting year from 17 March 2013 to 31 December 2013. The financial statements for 2014 cover the twelve months ended 31 December 2014. Therefore, the comparative amounts for the Statement of Comprehensive Income, Statement of Changes in Equity, Statement of Cash Flows and related notes are not entirely comparable.

The financial statements for the reporting year ended 31 December 2013 were audited by other independent auditor (other than RSM Chio Lim LLP) whose report dated 14 October 2014 expressed an unqualified opinion on those financial statements.

DE.MEM PRIVATE LIMITED

(Registration No: 201307015R)

**The Accompanying Supplementary Statement of Profit or Loss and Other
Comprehensive Income Has Been Prepared for Management Purposes Only
and Does Not Form Part of the Audited Financial Statements**

**Supplementary Statement of Profit or Loss and Other Comprehensive Income
For the Year Ended 31 December 2014**

	<u>2014</u> \$	<u>2013</u> \$
Revenue	376,694	–
Cost of sales	(103,661)	–
Gross profit	<u>273,033</u>	<u>–</u>
Administrative expenses	(307,744)	(359,929)
Other losses	(61,539)	–
Loss before tax from continuing operations	<u>(96,250)</u>	<u>(359,929)</u>
Income tax expense	–	–
Loss from continuing operations, net of tax and total comprehensive loss	<u><u>(96,250)</u></u>	<u><u>(359,929)</u></u>

Not Part of Audited Financial Statements

**Supplementary Statement of Profit or Loss and Other Comprehensive Income
For the Year Ended 31 December 2014**

Revenue	<u>2014</u> \$	<u>2013</u> \$
Sale of goods	<u>376,694</u>	<u>—</u>
Administrative expenses	<u>2014</u> \$	<u>2013</u> \$
Accounting fee	9,000	—
Assets of small value	4,956	—
Bank charges	1,214	40
CPF	15,670	12,308
Commission paid	42,000	—
Computer expenses	653	1,801
Director's fees	22,500	18,000
Directors' remuneration	133,500	104,000
Entertainment	5,483	—
General expenses	4,296	2,070
Legal / professional fees	21,944	3,556
Overseas office expenses	—	174,550
Overseas travelling expenses	19,096	41,260
Printing and stationeries	1,539	16
Staff development	524	800
Staff salary	23,100	—
Telephone	462	1,330
Transport	1,807	198
	<u>307,744</u>	<u>359,929</u>
Other losses	<u>2014</u> \$	<u>2013</u> \$
Allowance for impairment on related company other receivables – (loss)	60,968	—
Foreign exchange adjustments losses	571	—
Net	<u>61,539</u>	<u>—</u>