

DE.MEM PRIVATE LIMITED

(Registration No: 201307015R)

Statement by Directors and Financial Statements

Year Ended 31 December 2015

RSM Chio Lim LLP

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Statement by Directors and Financial Statements

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Statement by Directors

The directors of the company are pleased to present the accompanying financial statements of the company and of the group for the reporting year ended 31 December 2015.

1. Opinion of the 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.

2. Directors in office at date of statement

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

Adrian Yeo Piah Song
Andreas Richard Kroell
Bernd Heinrich Dautel

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	164,568

4. 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.

5. 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.

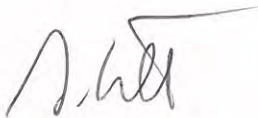
6. Independent auditor

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

23 May 2016

RSM Chio Lim LLP8 Wilkie Road, #03-08
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**Independent Auditor's Report to the Members of
DE.MEM PRIVATE LIMITED (Registration No: 201307015R)**Audit@RSMSingapore.sg
www.RSMSingapore.sg**Report on the financial statements**

We have audited the accompanying financial statements of De.Mem Private Limited (the "company") and its subsidiary (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 2015, 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 significant accounting policies and other explanatory information.

Management's responsibility 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 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 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 financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the 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 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 2015 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.



RSM Chio Lim LLP
Public Accountants and
Chartered Accountants
Singapore

23 May 2016

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 2015**

	<u>Notes</u>	<u>2015</u> S\$	<u>Group</u> <u>2014</u> S\$
Revenue	4	749,386	400,614
Cost of sales		(918,044)	(110,231)
Gross (loss) profit		(168,658)	290,383
Other gains	5	17,940	11,360
Administrative expenses	6	(734,139)	(389,936)
Other losses	5	(13,558)	(148,699)
Loss before tax from continuing operations		(898,415)	(236,892)
Income tax expense	8	—	—
Loss from continuing operations, net of tax		(898,415)	(236,892)
<u>Other comprehensive income:</u>			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translating foreign operations, net of tax		1,932	9,198
Other comprehensive income for the year, net of tax:		1,932	9,198
Total comprehensive loss		(896,483)	(227,694)

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

Statements of Financial Position
As at 31 December 2015

	Notes	2015 S\$	Group 2014 S\$	2015 S\$	Company 2014 S\$
<u>ASSETS</u>					
<u>Non-current assets</u>					
Plant and equipment	9	79,647	–	36,137	–
Intangible assets	10	–	–	–	–
Investment in subsidiary	11	–	–	313,376	313,376
Other assets, non-current	12	11,568	8,713	–	–
Total non-current assets		<u>91,215</u>	<u>8,713</u>	<u>349,513</u>	<u>313,376</u>
<u>Current assets</u>					
Inventories	13	20,547	75,878	20,547	–
Trade and other receivables, current	14	547,925	177,923	647,916	239,273
Other assets, current	15	89,855	209,888	9,630	–
Cash and cash equivalents	16	505,869	3,009	494,965	2,676
Total current assets		<u>1,164,196</u>	<u>466,698</u>	<u>1,173,058</u>	<u>241,949</u>
Total assets		<u>1,255,411</u>	<u>475,411</u>	<u>1,522,571</u>	<u>555,325</u>
<u>EQUITY AND LIABILITIES</u>					
<u>Equity attributable to owners of the parent</u>					
Share capital	17	2,351,781	751,117	2,351,781	751,117
Accumulated losses		(1,495,236)	(596,821)	(913,811)	(456,179)
Other reserves	18	11,130	9,198	–	–
Total equity		<u>867,675</u>	<u>163,494</u>	<u>1,437,970</u>	<u>294,938</u>
<u>Current liabilities</u>					
Trade and other payables, current	19	382,674	311,917	79,539	260,387
Other non-financial liabilities, current	20	5,062	–	5,062	–
Total current liabilities		<u>387,736</u>	<u>311,917</u>	<u>84,601</u>	<u>260,387</u>
Total liabilities		<u>387,736</u>	<u>311,917</u>	<u>84,601</u>	<u>260,387</u>
Total equity and liabilities		<u>1,255,411</u>	<u>475,411</u>	<u>1,522,571</u>	<u>555,325</u>

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

Statements of Changes in Equity
Year Ended 31 December 2015

	<u>Total Equity</u> S\$	<u>Share Capital</u> S\$	<u>Accumulated Losses</u> S\$	<u>Other Reserves</u> S\$
<u>Group:</u>				
Current year:				
Opening balance at 1 January 2015	163,494	751,117	(596,821)	9,198
Movements in equity:				
Total comprehensive loss for the year	(896,483)	–	(898,415)	1,932
Issue of share capital (Note 17)	1,600,664	1,600,664	–	–
Closing balance at 31 December 2015	<u>867,675</u>	<u>2,351,781</u>	<u>(1,495,236)</u>	<u>11,130</u>
Previous 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 17)	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>
	<u>Total Equity</u> S\$	<u>Share Capital</u> S\$	<u>Accumulated Losses</u> S\$	
<u>Company:</u>				
Current year:				
Opening balance at 1 January 2015		294,938	751,117	(456,179)
Movements in equity:				
Total comprehensive loss for the year		(457,632)	–	(457,632)
Issue of share capital (Note 17)		1,600,664	1,600,664	–
Closing balance at 31 December 2015		<u>1,437,970</u>	<u>2,351,781</u>	<u>(913,811)</u>
Previous 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 17)		250,847	250,847	–
Closing balance at 31 December 2014		<u>294,938</u>	<u>751,117</u>	<u>(456,179)</u>

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

Consolidated Statement of Cash Flows
Year Ended 31 December 2015

	<u>2015</u> S\$	<u>Group</u> <u>2014</u> S\$
<u>Cash flows from operating activities</u>		
Loss before tax	(898,415)	(236,892)
Adjustments for:		
Interest income	—	(29)
Goodwill written off	—	87,731
Depreciation of plant and equipment	18,713	—
Net effect of exchange rate changes in consolidating foreign operations	1,894	9,198
Operating cash flows before changes in working capital	(877,808)	(139,992)
Inventories	55,331	(60,219)
Trade and other receivables, current	(375,233)	(61,782)
Other assets	117,178	(205,693)
Trade and other payables, current	301,633	65,606
Other non-financial liabilities, current	5,062	—
Net cash flows used in operating activities	(773,837)	(402,080)
<u>Cash flows from investing activities</u>		
Net movements in amounts due from parent / related parties	5,231	58,100
Acquisition of subsidiary (net of cash acquired) (Note 21)	—	(40,289)
Purchase of plant and equipment	(98,322)	—
Interest received	—	29
Net cash (used in) from investing activities	(93,091)	17,840
<u>Cash flows from financing activities</u>		
Issue of shares	1,460,000	250,847
Net movements in amounts due to related parties / director	(90,212)	17,565
Net cash flows from financing activities	1,369,788	268,412
Net increase (decrease) in cash and cash equivalents	502,860	(115,828)
Cash and cash equivalents, consolidated statement of cash flows, beginning balance	3,009	118,837
Cash and cash equivalents, statement of cash flows, ending balance (Note 16)	505,869	3,009

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

Notes to the Financial Statements
31 December 2015

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: 10 Winstedt Road Blk A #03-02, Singapore 227977. The company is situated in Singapore.

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 a 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 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.

1. General (cont'd)

Basis of presentation

The consolidated financial statements include the financial statements made up to the end of the reporting year of the company and 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.

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.

2. Significant accounting policies and other explanatory information

2A. Significant accounting policies

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. Interest income is recognised using the effective interest method.

Government grants

A government grant is recognised at fair value when there is reasonable assurance that the conditions attaching to it will be complied with and that the grant will be received. Grants in recognition of specific expenses are recognised as income over the periods necessary to match them with the related costs that they are intended to compensate, on a systematic basis.

2. Significant accounting policies and other explanatory information (cont'd)

2A. Significant accounting policies (cont'd)

Employee benefits

Contributions to a defined contribution retirement benefit plan are recorded as an expense as they fall due. The entity's legal or constructive obligation is limited to the amount that it is obligated to contribute to an independently administered fund (such as the Central Provident Fund in Singapore, a government managed defined contribution retirement benefit plan). 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.

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 reporting entity.

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.

2. Significant accounting policies and other explanatory information (cont'd)

2A. Significant accounting policies (cont'd)

Income tax (cont'd)

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.

Plant and equipment

Depreciation is provided on a straight-line method to allocate the gross carrying amounts of the assets less their residual values over their estimated useful lives of each part of an item of these assets. The annual rates of depreciation are as follows:

Plant and equipment	- 33%
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An asset is depreciated when it is available for use until it is derecognised even if during that period the item is idle. Fully depreciated assets still in use are retained in the financial statements.

Plant and equipment are carried at cost on initial recognition and after initial recognition at cost less any accumulated depreciation and any accumulated impairment losses. The gain or loss arising from the derecognition of an item of plant and equipment is measured as the difference between the net disposal proceeds, if any, and the carrying amount of the item and is recognised in profit or loss. The residual value and the useful life of an asset is reviewed at least at each end of the reporting year and, if expectations differ significantly from previous estimates, the changes are accounted for as a change in an accounting estimate, and the depreciation charge for the current and future periods are adjusted. Cost also includes acquisition cost, borrowing cost capitalised and any cost directly attributable to bringing the asset or component to the location and condition necessary for it to be capable of operating in the manner intended by management. Subsequent costs are recognised as an asset only when it is probable that future economic benefits associated with the item will flow to the entity and the cost of the item can be measured reliably. All other repairs and maintenance are charged to profit or loss when they are incurred.

2. Significant accounting policies and other explanatory information (cont'd)

2A. Significant accounting policies (cont'd)

Leases

Leases are classified as finance leases if substantially all the risks and rewards of ownership are transferred to the lessee. All other leases are classified as operating leases. At the commencement of the lease term, a finance lease is recognised as an asset and as a liability in the statement of financial position at amounts equal to the fair value of the leased asset or, if lower, the present value of the minimum lease payments, each measured at the inception of the lease. The discount rate used in calculating the present value of the minimum lease payments is the interest rate implicit in the lease, if this is practicable to determine, the lessee's incremental borrowing rate is used. Any initial direct costs of the lessee are added to the amount recognised as an asset. The excess of the lease payments over the recorded lease liability are treated as finance charges which are allocated to each reporting year during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Contingent rents are charged as expenses in the reporting years in which they are incurred. The assets are depreciated as owned depreciable assets. Leases where the lessor effectively retains substantially all the risks and benefits of ownership of the leased assets are classified as operating leases. For operating leases, lease payments are recognised as an expense in profit or loss on a straight-line basis over the term of the relevant lease unless another systematic basis is representative of the time pattern of the user's benefit, even if the payments are not on that basis. Lease incentives received are recognised in profit or loss as an integral part of the total lease expense.

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.

Business combinations

Business combination is accounted for by applying the acquisition method. There were no acquisitions during the reporting year.

2. Significant accounting policies and other explanatory information (cont'd)

2A. 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.

2. Significant accounting policies and other explanatory information (cont'd)

2A. Significant accounting policies (cont'd)

Impairment of non-financial assets

Irrespective of whether there is any indication of impairment, an annual impairment test is performed at about 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.

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.

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.

2. Significant accounting policies and other explanatory information (cont'd)

2A. Significant accounting policies (cont'd)

Financial assets (cont'd)

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. Significant accounting policies and other explanatory information (cont'd)

2A. 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.

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.

2. Significant accounting policies and other explanatory information (cont'd)

2A. Significant accounting policies (cont'd)

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 stated 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.

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.

2. Significant accounting policies and other explanatory information (cont'd)

2B. Other explanatory information

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.

Financial instruments such as redeemable preference shares and other puttable financial instruments which are mandatorily redeemable on a specific date, or at the option of the owners or if dividend payments are not discretionary, are classified as financial liabilities. The dividends on these preference shares classified as financial liabilities are recognised in profit or loss as finance cost.

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.

2C. 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.

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.

2. Significant accounting policies and other explanatory information (cont'd)

2C. Critical judgements, assumptions and estimation uncertainties (cont'd)

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 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 judgemental and not susceptible to precise determination. The income tax amounts are disclosed in the Note on income tax.

Plant and equipment:

An assessment is made for the reporting year whether there is any indication that the asset may be impaired. If any such indication exists, an estimate is made of the recoverable amount of the asset. The recoverable amounts of cash-generating units if applicable is measured based on the fair value less costs of disposal or value in use calculations. It is impracticable to disclose the extent of the possible effects. It is reasonably possible, based on existing knowledge, that outcomes within the next reporting year that are different from assumptions could require a material adjustment to the carrying amount of the balances affected. The carrying amount of the specific asset or class of assets at the end of the reporting year affected by the assumption is \$79,647 (2014: Nil).

Measurement of impairment of subsidiary:

Where an investee is in net equity deficit and or has suffered losses a test is made whether the investment in the investee has suffered any impairment. This measurement requires significant judgement. An estimate is made of the future profitability of the investee, and the financial health of and near-term business outlook for the investee, including factors such as industry and sector performance, and operational and financing cash flow. It is impracticable to disclose the extent of the possible effects. It is reasonably possible, based on existing knowledge, that outcomes within the next reporting year that are different from assumptions could require a material adjustment to the carrying amount of the asset affected. The carrying amount of the specific asset at the end of the reporting year affected by the assumption is \$313,376 (2014: \$313,376).

3. Related party relationships and transactions

FRS 24 on related party disclosures requires the reporting entity to disclose: (a) transactions with its related parties; and (b) relationships between parents and subsidiaries irrespective of whether there have been transactions between those related parties. A party is related to a party if the party controls, or is controlled by, or can significantly influence or is significantly influenced by the other party.

3. Related party relationships and transactions (cont'd)

3A. Related party transactions:

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.

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

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

Significant related party transactions:

	<u>2015</u> \$	<u>Group</u>	<u>2014</u> \$
<u>Other related parties – entities with no significant influence over the entity:</u>			
Revenue from GD Wasser Vietnam Company Limited	–		5,645
Revenue from GD Wasser Long An Company Limited	59,861		–
Revenue from GD Wasser Nghe An Company Limited	<u>131,676</u>		<u>304,045</u>

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

3B. Key management compensation:

	<u>2015</u> \$	<u>Group</u>	<u>2014</u> \$
Salaries and other short-term employee benefits	<u>127,666</u>		<u>171,670</u>

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

	<u>2015</u> \$	<u>Group</u>	<u>2014</u> \$
Remuneration of directors of the company	127,666		149,170
Fees to directors of the company	<u>–</u>		<u>22,500</u>

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.

3. Related party relationships and transactions (cont'd)

3C. 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>Group</u> <u>Parent</u>	
	<u>2015</u> \$	<u>2014</u> \$
<u>Other receivables:</u>		
Balance at beginning of the year	–	25,170
Transferred to outsider	–	(25,170)
Balance at end of the year	<u>–</u>	<u>–</u>

	<u>Group</u> <u>Other related parties</u>	
	<u>2015</u> \$	<u>2014</u> \$
<u>Other receivables/(other payables):</u>		
Balance at beginning of the year – net credit	(76,205)	–
Amounts paid out and settlement of liabilities on behalf of another party	48,708	–
Amounts paid in and settlement of liabilities on behalf of the company	(123)	–
Loan to related parties	–	173,110
Loan from related parties	–	(188,347)
Issuance of shares	140,000	–
Allowance for impairment	–	(60,968)
Foreign exchange adjustments	(5,592)	–
Balance at end of the year - net debit / (credit)	<u>106,788</u>	<u>(76,205)</u>

Presented in the statement of financial position as follows:

Other receivables (Note 14)	106,911	112,142
Other payables (Note 19)	(123)	(188,347)
Balance at end of the year - net debit/(credit)	<u>106,788</u>	<u>(76,205)</u>

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

3. Related party relationships and transactions (cont'd)

3C. Other receivables from and other payables to related parties (cont'd):

	Group Directors	
	2015 \$	2014 \$
Other receivables/(other payables):		
Balance at beginning of the year	(44,577)	(2,002)
Amounts paid out	42,652	—
Amounts paid in and settlement of liabilities on behalf of the company	—	(42,575)
Balance at end of the year – net debit/(credit)	<u>(1,925)</u>	<u>(44,577)</u>

4. Revenue

	Group	
	2015 \$	2014 \$
Rendering of services	122,600	64,544
Sale of goods	626,786	336,070
Total revenue	<u>749,386</u>	<u>400,614</u>

5. Other gains and (other losses)

	Group	
	2015 \$	2014 \$
Government grant	17,940	—
Allowance for impairment on related company other receivables – (loss)	—	(60,968)
Foreign exchange adjustments (losses)/gains	(930)	11,331
Interest income from assets at amortised cost	—	29
Goodwill written off	—	(87,731)
Others	(12,628)	—
Net	<u>4,382</u>	<u>(137,339)</u>
Presented in the profit or loss as:		
Other gains	17,940	11,360
Other losses	(13,558)	(148,699)
Net	<u>4,382</u>	<u>(137,339)</u>

6. Administrative expenses

The major components and other selected components include the following:

	<u>2015</u> \$	<u>Group</u> <u>2014</u> \$
Employee benefits expense	<u>432,191</u>	<u>308,578</u>

7. Employee benefits expense

	<u>2015</u> \$	<u>Group</u> <u>2014</u> \$
Short term employee benefits expense	417,211	292,908
Contributions to defined contribution plan	14,980	15,670
Total employee benefits expense	<u>432,191</u>	<u>308,578</u>

8. Income tax

8A. Components of tax expense 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% (2014: 17.0%) to profit or loss before income tax as a result of the following differences:

	<u>2015</u> \$	<u>Group</u> <u>2014</u> \$
Loss before tax	<u>(898,415)</u>	<u>(236,892)</u>
Income tax benefit at the above rate	(152,731)	(40,272)
Expenses not deductible for tax purposes	586	10,365
Unrecognised deferred tax assets	161,569	15,361
Effect of different tax rates in different countries	(13,148)	(368)
Not deductible goodwill written off	—	14,914
Other minor items	3,724	—
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 recognised in profit or loss includes:

	<u>2015</u> \$	<u>Group</u> <u>2014</u> \$
Tax loss carryforwards	(161,569)	(15,361)
Unrecognised deferred tax assets	161,569	15,361
Total deferred income tax expense recognised in profit or loss	<u>—</u>	<u>—</u>

8. Income tax (cont'd)

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

	<u>Group</u>	
	<u>2015</u>	<u>2014</u>
	\$	\$
From deferred tax assets (liabilities) recognised in profit or loss:		
Tax loss carryforwards	238,118	76,549
Unrecognised deferred tax assets	(238,118)	(76,549)
Net balance	<u>—</u>	<u>—</u>

	<u>Company</u>	
	<u>2015</u>	<u>2014</u>
	\$	\$
From deferred tax assets (liabilities) recognised in profit or loss:		
Tax loss carryforwards	141,687	67,186
Unrecognised deferred tax assets	(141,687)	(67,186)
Net balance	<u>—</u>	<u>—</u>

Included in unrecognised tax losses are losses that will expire as follows:

<u>Unrecognised deferred tax assets:</u>	<u>Tax losses</u>		<u>Unrecognised deferred tax assets</u>	
<u>Expiring in year</u>	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
	S\$	S\$	S\$	S\$
2019	12,287	12,287	2,457	2,457
2020	435,340	—	87,068	—
	<u>447,627</u>	<u>12,287</u>	<u>89,525</u>	<u>2,457</u>

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 is insignificant.

9. Plant and equipment

	Plant and equipment	
	Group	Company
<u>Cost:</u>		
At beginning of year 1 January 2015	–	–
Additions	98,322	36,137
At end of year 31 December 2015	<u>98,322</u>	<u>36,137</u>
<u>Accumulated depreciation:</u>		
At beginning of year 1 January 2015	–	–
Foreign exchange adjustments	(38)	–
Depreciation for the year	18,713	–
At end of year 31 December 2015	<u>18,675</u>	<u>–</u>
<u>Carrying value:</u>		
1 January 2015	–	–
31 December 2015	<u>79,647</u>	<u>36,137</u>
Allocation of depreciation expense:	Group	
	2015	2014
	S\$	S\$
Administrative expenses	<u>18,713</u>	<u>–</u>

10. Intangible assets

	Group	
	2015	2014
	\$	\$
Goodwill (Note 10A)	<u>–</u>	<u>–</u>

10A. Goodwill

	Group	
	2015	2014
	\$	\$
<u>Cost:</u>		
Balance at beginning of the year	–	–
Arising from acquisition of a subsidiary (Note 21)	–	87,731
Written off	<u>–</u>	<u>(87,731)</u>
Balance at end of the year	<u>–</u>	<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.

11. Investment in subsidiary

	<u>Company</u>	
	<u>2015</u>	<u>2014</u>
	\$	\$
Movements during the year. At cost:		
Balance at beginning of the year	313,376	–
Acquisitions	–	313,376
Cost at the end of the year	<u>313,376</u>	<u>313,376</u>
Carrying value in the books of the company comprising:		
Unquoted equity shares at cost	<u>313,376</u>	<u>313,376</u>
Analysis of above amount denominated in non-functional currency:		
Vietnamese Dong	<u>313,376</u>	<u>313,376</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>2015</u>	<u>2014</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>313,376</u>

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

12. Other assets, non-current

	<u>Group</u>	
	<u>2015</u>	<u>2014</u>
	\$	\$
Deposits and advance payments for non-current assets	<u>11,568</u>	<u>8,713</u>

13. Inventories

	<u>Group</u>		<u>Company</u>	
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
	S\$	S\$	S\$	S\$
Goods for resale	20,547	–	20,547	–
Work in process	–	75,878	–	–
	<u>20,547</u>	<u>75,878</u>	<u>20,547</u>	<u>–</u>

13. Inventories (cont'd)

	<u>2015</u> S\$	<u>Group</u> <u>2014</u> S\$
Changes in inventories of finished goods and work in progress (increase)	55,331	(75,878)
The amount of inventories included in cost of sales	<u>75,878</u>	<u>73,525</u>

There are no inventories pledged as security for liabilities.

14. Trade and other receivables, current

	<u>2015</u> \$	<u>Group</u> <u>2014</u> \$	<u>2015</u> \$	<u>Company</u> <u>2014</u> \$
<u>Trade receivables:</u>				
Outside parties	188,443	49,333	94,278	–
Subsidiary (Note 3)	–	–	159,215	40,624
Related parties (Note 3)	88,676	12,100	5,645	5,645
Net trade receivables – Subtotal	<u>277,119</u>	<u>61,433</u>	<u>259,138</u>	<u>46,269</u>
<u>Other receivables:</u>				
Subsidiary (Note 3)	–	–	363,302	192,581
Outside parties	133,399	–	–	–
Related parties (Note 3)	167,879	173,110	61,329	60,968
Less allowance for impairment	(60,968)	(60,968)	(60,968)	(60,968)
Deposits to secure services	15,055	3,925	10,355	–
Other receivables	15,441	423	14,760	423
Net other receivables – Subtotal	<u>270,806</u>	<u>116,490</u>	<u>388,778</u>	<u>193,004</u>
Total trade and other receivables	<u>547,925</u>	<u>177,923</u>	<u>647,916</u>	<u>239,273</u>
 Movements in above allowance:				
Balance at beginning of the year	60,968	–	60,968	–
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>60,968</u>	<u>60,968</u>	<u>60,968</u>	<u>60,968</u>

15. Other assets, current

	<u>2015</u> S\$	<u>Group</u> <u>2014</u> S\$	<u>2015</u> S\$	<u>Company</u> <u>2014</u> S\$
Advance payments on purchases	<u>89,855</u>	<u>209,888</u>	<u>9,630</u>	<u>–</u>

16. Cash and cash equivalents

	<u>Group</u>		<u>Company</u>	
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
	\$	\$	\$	\$
Not restricted in use	<u>505,869</u>	<u>3,009</u>	<u>494,965</u>	<u>2,676</u>

The interest earning balances are not significant.

16A. Cash and cash equivalents in the statement of cash flows:

	<u>Group</u>	
	<u>2015</u>	<u>2014</u>
	\$	\$
As shown above	<u>505,869</u>	<u>3,009</u>
Cash and cash equivalents for the statement of cash flows purposes at end of the year	<u>505,869</u>	<u>3,009</u>

16B. Non-cash transactions:

A total of 29,649 preference shares of no par value were off-set against the amounts due to related party.

17. Share capital

<u>Group and Company</u>	<u>Number of shares issued</u>	<u>Share capital</u>	<u>Preference shares</u>	<u>Total</u>
		\$	\$	\$
Balance at end of the year 1 January 2014	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	423,552	1,117	750,000	751,117
Issue of shares at \$0.01 each	66,365	664	–	664
Issue of shares at \$4.72 each #a	127,066	–	600,000	600,000
Issue of shares at \$2.43 each #a	<u>411,322</u>	<u>–</u>	<u>1,000,000</u>	<u>1,000,000</u>
Balance at end of the year 31 December 2015	<u>1,028,305</u>	<u>1,781</u>	<u>2,350,000</u>	<u>2,351,781</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.

17. Share capital (cont'd)

During the reporting year, 66,365 (2014: 84,710) ordinary shares of no par value were issued for cash at \$0.01 each and 538,388 (2014: 20,660) preference shares were issued for cash at weighted average price of \$2.97 (2014: \$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.
- (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.

17. Share capital (cont'd)

- #a. Preference shares referred to as Series A Shares are with the following terms: (cont'd)
- (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.
 - (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.

18. Other reserves

	<u>Group</u>	
	<u>2015</u>	<u>2014</u>
	\$	\$
Foreign currency translation reserve (Note 18A)	<u>11,130</u>	<u>9,198</u>

18A. Foreign currency translation reserve

	<u>Group</u>	
	<u>2015</u>	<u>2014</u>
	\$	\$
At beginning of the year	9,198	—
Exchange differences on translating foreign operations	<u>1,932</u>	<u>9,198</u>
At end of the year	<u>11,130</u>	<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.

19. Trade and other payables

	<u>Group</u>		<u>Company</u>	
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
	\$	\$	\$	\$
<u>Trade payables:</u>				
Related parties (Note 3)	6,767	—	—	—
Subsidiary (Note 3)	—	—	8,502	—
Outside parties and accrued liabilities	<u>268,474</u>	<u>21,201</u>	<u>36,076</u>	<u>15,003</u>
Trade payables – Subtotal	<u>275,241</u>	<u>21,201</u>	<u>44,578</u>	<u>15,003</u>
<u>Other payables:</u>				
Related parties (Note 3)	123	188,347	—	188,347
Directors (Note 3)	1,925	44,577	—	44,577
Other payables	<u>105,385</u>	<u>57,792</u>	<u>34,961</u>	<u>12,460</u>
Other payables – Subtotal	<u>107,433</u>	<u>290,716</u>	<u>34,961</u>	<u>245,384</u>
Total trade and other payables	<u>382,674</u>	<u>311,917</u>	<u>79,539</u>	<u>260,387</u>

20. Other non-financial liabilities, current

	<u>Group and company</u>	
	<u>2015</u>	<u>2014</u>
	\$	\$
Advance receipts on sales	<u>5,062</u>	<u>—</u>

21. 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>

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>

22. Operating lease payment commitment – as lessee

At the end of the reporting year the total of future minimum lease payment commitments under non-cancellable operating leases are as follows:

	<u>Group</u>	
	<u>2015</u>	<u>2014</u>
	\$	\$
Not later than one year	56,153	17,943
Later than one year and not later than five years	<u>25,068</u>	<u>23,924</u>
Rental expense for the year	<u>33,932</u>	<u>17,145</u>

	<u>Company</u>	
	<u>2015</u>	<u>2014</u>
	\$	\$
Not later than one year	38,102	–
Later than one year and not later than five years	<u>19,051</u>	<u>–</u>
Rental expense for the year	<u>16,098</u>	<u>–</u>

Operating lease payments are for rentals payable for office premises. The leases from the owner are for 3 years from 2 May 2014 (Vietnam office) and 2 years from 15 July 2015 (Singapore office). The lease rental terms are negotiated for an average term of three and two years respectively.

23. Financial instruments: information on financial risks**23A. Categories of financial assets and liabilities**

The following table categorises the carrying amount of financial assets and liabilities recorded at the end of the reporting year:

	<u>Group</u>		<u>Company</u>	
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
	\$	\$	\$	\$
<u>Financial assets:</u>				
Cash and cash equivalents	505,869	3,009	494,965	2,676
Loans and receivables	<u>547,925</u>	<u>177,923</u>	<u>647,916</u>	<u>239,273</u>
At end of the year	<u>1,053,794</u>	<u>180,932</u>	<u>1,142,881</u>	<u>241,949</u>
<u>Financial liabilities:</u>				
Trade and other payables measured at amortised cost	<u>382,674</u>	<u>311,917</u>	<u>79,539</u>	<u>260,387</u>
At end of the year	<u>382,674</u>	<u>311,917</u>	<u>79,539</u>	<u>260,387</u>

Further quantitative disclosures are included throughout these financial statements.

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

23B. 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 acceptable 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.

23C. 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 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.

23D. 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 and receivables. 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 counter-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 16 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 (2014: 60 days). But some customers take a longer period to settle the amounts.

23. Financial instruments: information on financial risks (cont'd)**23D. Credit risk on financial assets (cont'd)**

- (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>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
	\$	\$	\$	\$
Trade receivables:				
1 to 60 days	233,091	51,467	65,656	–
Over 120 days	5,645	5,645	155,884	46,269
Total	<u>238,736</u>	<u>57,112</u>	<u>221,540</u>	<u>46,269</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.

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

	<u>Group</u>		<u>Company</u>	
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
	\$	\$	\$	\$
Top 1 customer	75,594	45,013	159,215	40,624
Top 2 customers	132,274	51,468	215,895	46,269
Top 3 customers	<u>180,780</u>	<u>57,113</u>	<u>234,620</u>	<u>46,269</u>

23E. Liquidity risk – financial liabilities maturity analysis

There are no financial liabilities contracted to fall due after twelve months 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 (2014: 30 days). 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.

23F. 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.

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

23G. Foreign currency risks

Analysis of amounts denominated in non-functional currency:

<u>Group</u>	<u>US dollar</u> \$	<u>Vietnamese</u> <u>dong</u> \$	<u>Total</u> \$
<u>2015:</u>			
<u>Financial assets:</u>			
Loans and receivables	56,680	–	56,680
Total financial assets	56,680	–	56,680
<u>Financial liabilities:</u>			
Trade and other payables	–	12,460	12,460
Total financial liabilities	–	12,460	12,460
Net financial liabilities at end of the year	56,680	(12,460)	44,220

<u>Group</u>	<u>Vietnamese</u> <u>dong</u> \$	<u>Total</u> \$
<u>2014:</u>		
<u>Financial liabilities:</u>		
Trade and other payables	12,460	12,460
Total financial liabilities	12,460	12,460
Net financial liabilities at end of the year	12,460	12,460

<u>Company</u>	<u>US dollar</u> \$	<u>Vietnamese</u> <u>dong</u> \$	<u>Total</u> \$
<u>2015:</u>			
<u>Financial assets:</u>			
Loans and receivables	226,720	–	226,720
Total financial assets	226,720	–	226,720
<u>Financial liabilities:</u>			
Trade and other payables	8,502	12,460	20,962
Total financial liabilities	8,502	12,460	20,962
Net financial assets/(liabilities) at end of the year	218,218	(12,460)	205,758

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

23G. Foreign currency risks (cont'd)

<u>Company</u>	<u>US dollar</u> \$	<u>Vietnamese</u> <u>dong</u> \$	<u>Total</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>

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

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

24. Events after the end of the reporting year

In January 2016 the company acquired all the shares in GD Wasser Pte Ltd from New Asia Investments Pte Ltd, an existing shareholder of the company. The transaction was accounted by the acquisition method of accounting.

The consideration transferred is as follows:

	<u>2015</u> \$
<u>Consideration transferred:</u>	
Cash paid	220,000
241,283 preference shares issued at \$3.108 per share #a	<u>750,000</u>
Total consideration transferred	<u>970,000</u>

#a. 241,283 preference shares of no par value were issued at \$3.108 per share to New Asia Investments Pte Ltd for this acquisition.

25. Changes and adoption of financial reporting standards

For the current reporting year new or revised Singapore Financial Reporting Standards and the related Interpretations to FRS ("INT FRS") were issued by the Singapore Accounting Standards Council. Those applicable to the reporting entity are listed below. These applicable 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 1	Amendments to FRS 1: Disclosure Initiative (early application)
FRS 19	Amendments To FRS 19: Defined Benefit Plans: Employee Contributions
Various	Improvements to FRSs (Issued in January 2014). Relating to FRS 113 Fair Value Measurement FRS 16 Property, Plant and Equipment FRS 24 Related Party Disclosures
Various	Improvements to FRSs (Issued in February 2014). Relating to FRS 113 Fair Value Measurement

26. New or amended standards in issue but not yet effective

For the future reporting years new or revised Singapore Financial Reporting Standards and the related Interpretations to FRS ("INT FRS") were issued by the Singapore Accounting Standards Council and these will only be effective for future reporting years. Those applicable to the reporting entity for future reporting years are listed below. The transfer to the applicable 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 16 & 38	Amendments to FRS 16 and FRS 38: Clarification of Acceptable Methods of Depreciation and Amortisation	1 January 2016
FRS 115	Revenue from Contracts with Customers	1 January 2018
FRS 109	Financial Instruments	1 January 2018

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 2015**

	<u>2015</u> \$	<u>2014</u> \$
Revenue	434,798	376,694
Cost of sales	(342,175)	(103,661)
Gross profit	92,623	273,033
Other gains	25,226	–
Administrative expenses	(575,481)	(307,744)
Other losses	–	(61,539)
Loss before tax from continuing operations	(457,632)	(96,250)
Income tax expense	–	–
Loss from continuing operations, net of tax and total comprehensive loss	(457,632)	(96,250)

Not Part of Audited Financial Statements

**Supplementary Statement of Profit or Loss and Other Comprehensive Income
For the Year Ended 31 December 2015**

Revenue	<u>2015</u> \$	<u>2014</u> \$
Rendering of services	61,386	–
Sale of goods	373,412	376,694
	<u>434,798</u>	<u>376,694</u>
 Administrative expenses	 <u>2015</u> \$	 <u>2014</u> \$
Accounting fee	13,182	9,000
Assets of small value	6,340	4,956
Bank charges	355	1,214
CPF	14,980	15,670
Commission paid	–	42,000
Computer expenses	2,390	653
Director's fees	–	22,500
Directors' remuneration	116,000	133,500
Entertainment	844	5,483
General expenses	15,120	4,296
Legal / professional fees	116,017	21,944
Overseas office expenses	–	–
Overseas travelling expenses	30,389	19,096
Printing and stationeries	1,311	1,539
Staff development	–	524
Brand development expenses	78,144	–
Office rental	16,098	–
Marketing	1,330	–
Office renovation	4,021	–
Staff salary	152,961	23,100
Telephone	1,764	462
Transport	4,235	1,807
	<u>575,481</u>	<u>307,744</u>
 Other gains and (other losses)	 <u>2015</u> \$	 <u>2014</u> \$
Government grant	17,940	–
Allowance for impairment on related company other receivables – (loss)	–	(60,968)
Foreign exchange adjustments gains (losses)	6,895	(571)
Others	391	–
Net	<u>25,226</u>	<u>(61,539)</u>