

**ANNUAL REPORT 2016**  
Audited Financial Statements  
And Other Financial Information

**DONGSHAN GROUP LIMITED AND ITS SUBSIDIARY**  
(Registration No: 197500621N)  
(Incorporated in the Republic of Singapore)

**31 DECEMBER 2016**

# **DONGSHAN GROUP LIMITED AND ITS SUBSIDIARY**

*(Incorporated in Singapore)*

## **ANNUAL REPORT**

*For the financial year ended 31 December 2016*

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## DONGSHAN GROUP LIMITED AND ITS SUBSIDIARY

### DIRECTORS' STATEMENT

*For the financial year ended 31 December 2016*

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The directors are pleased to present their statement to the member together with the audited financial statements of the Group for the financial year ended 31 December 2016 and the statement of financial position of the Company as at 31 December 2016.

In the opinion of the directors,

- (a) the statement of financial position of the Company and the consolidated financial statements of the Group as set out on page 6 to 32 are drawn up so as to give a true and fair view of the financial position of the Company and of the Group as at 31 December 2016 and the financial performance, changes in equity and cash flows of the Group for the financial year covered by the consolidated financial statements; and
- (b) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

#### Directors

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

Dr Vigneswaran T Subramaniam  
Tiong Sing Fatt

#### Arrangements to enable directors to acquire shares and debentures

Neither at the end of nor at any time during the financial year was the Company a party to any arrangement whose object was to enable the 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.

#### Directors' interests in shares or debentures

According to the register of directors' shareholdings kept by the Company under section 164 of the Singapore Companies Act, Chapter 50 (the "Act"), the directors of the Company who held office at the end of the financial year had no interests in the shares or debentures of the Company and its related corporations except as stated below:

	<b>At the beginning of financial year</b>	<b>At the end of financial year</b>
<b>Ordinary shares of the Company</b>		
Dr Vigneswaran T Subramaniam	455,064,792	684,662,322

**DONGSHAN GROUP LIMITED AND ITS SUBSIDIARY**

**DIRECTORS' STATEMENT**

*For the financial year ended 31 December 2016*

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**Share options**

There were no share options granted during the financial year to subscribe for unissued shares of the Company.

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

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

**Independent auditor**

The independent auditor, Wan Associates, has expressed its willingness to accept re-appointment.

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Dr Vigneswaran T Subramaniam  
Director

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Tiong Sing Fatt  
Director

Date:

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF  
DONGSHAN GROUP LIMITED AND ITS SUBSIDIARY  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016****Report on the Financial Statements***Qualified Opinion*

We have audited the accompanying financial statements of DONGSHAN GROUP LIMITED (the "Company") and its subsidiary (the "Group") set out on page 6 to 32, which comprise the consolidated statement of financial position of the Group and the statement of financial position of the Company as at 31 December 2016, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows of the Group for the year then ended, and a summary of significant accounting policies and other explanatory information.

In our opinion, because of the of the matters described in the *Basis for Qualified Opinion*, the consolidated financial statements of the Group and the statement of financial position of the Group do not give a true and fair view of the state of affairs of the Group as at 31 December 2016, and of the results, changes in equity and cash flows of the Group for the financial year ended on that date.

*Basis of Qualified Opinion*

We draw attention to Note 3 of the Notes to the financial statements which the Group and the Company recorded a net loss of S\$395,792 (2015: S\$82,565) and S\$389,462 (2015: S\$82,565). The financial statements have been prepared on a going concern basis on the understanding that the shareholders will provide adequate financial and other support to the Group and the Company, sufficient to enable the Group and the Company to meet its current obligations and any others arising in the normal course of business.

We conducted our audit in accordance with Singapore Standards on Auditing (SSAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the Accounting and Corporate Regulatory Authority (ACRA) Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities (ACRA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF  
DONGSHAN GROUP LIMITED AND ITS SUBSIDIARY  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016****Report on the Financial Statements** (continued)*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 Responsibilities*

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level assurance, but is not a guarantee that an audit conducted in accordance with SSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with SSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

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**WAN ASSOCIATES**

Public Accountants and  
Chartered Accountants, Singapore  
Registration No: T08PF0912K

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Yu Li Industrial Building  
Singapore 388371  
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**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF  
DONGSHAN GROUP LIMITED AND ITS SUBSIDIARY  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016**

**Report on the Financial Statements** (continued)

*Auditor's Responsibilities (continued)*

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

**Report on Other Legal and Regulatory Requirements**

In our opinion, except for the matters described in the Basis for Qualified Opinion, the accounting and other records required by the Act to be kept by the Group have been properly kept in accordance with the provisions of the Act.

Wan Associates  
Public Accountants and  
Chartered Accountants of Singapore

Singapore,

31 August 2017

**DONGSHAN GROUP LIMITED AND ITS SUBSIDIARY**

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

*For the financial year ended 31 December 2016*

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	Note	2016 S\$	2015 S\$
Revenue		-	-
Cost of sales		-	-
Gross profit		-	-
Other operating income	4	<b>59,832</b>	3,945
Administrative expenses		<b>(433,548)</b>	(82,959)
Finance costs		<b>(22,076)</b>	(3,551)
Loss before income tax	5	<b>(395,792)</b>	(82,565)
Income tax expense	6	-	-
Loss for the year, representing total comprehensive loss for the year		<b>(395,792)</b>	<b>(82,565)</b>

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*The accompanying notes form an integral part of these financial statements.*



**DONGSHAN GROUP LIMITED AND ITS SUBSIDIARY**

**STATEMENT OF FINANCIAL POSITION**

*As at 31 December 2016*

	Note	Group		Company	
		2016 S\$	2015 S\$	2016 S\$	2015 S\$
<b>ASSETS</b>					
<b>Current assets</b>					
Trade and other receivables	7	<b>264,105</b>	6,750	<b>270,483</b>	6,750
Cash and cash equivalents	8	<b>188,700</b>	16,086	<b>188,600</b>	15,986
		<b>452,805</b>	22,836	<b>459,083</b>	22,736
<b>Non-current assets</b>					
Investment in subsidiary	9	-	-	<b>52</b>	51
Loans receivable	10	<b>370,322</b>	348,988	<b>370,322</b>	348,988
		<b>370,322</b>	348,988	<b>370,374</b>	349,039
<b>Total assets</b>		<b>823,127</b>	371,824	<b>829,457</b>	371,775
<b>LIABILITIES</b>					
<b>Current liabilities</b>					
Trade and other payables	11	<b>95,515</b>	289,261	<b>95,515</b>	289,261
		<b>95,515</b>	289,261	<b>95,515</b>	289,261
<b>Non-current liabilities</b>					
Convertible bonds	12	<b>574,116</b>	189,140	<b>574,116</b>	189,140
		<b>574,116</b>	189,140	<b>574,116</b>	189,140
<b>Total liabilities</b>		<b>669,631</b>	478,401	<b>669,631</b>	478,401
<b>NET ASSETS/ LIABILITIES</b>		<b>153,496</b>	(106,577)	<b>159,826</b>	(106,626)
<b>EQUITY</b>					
Share capital	13	<b>16,656,326</b>	16,026,729	<b>16,656,326</b>	16,026,729
Other reserve		<b>40,728</b>	14,411	<b>40,728</b>	14,411
Accumulated losses		<b>(16,543,558)</b>	(16,147,766)	<b>(16,537,228)</b>	(16,147,766)
		<b>153,496</b>	(106,626)	<b>159,826</b>	(106,626)
Non-controlling interest		-	49	-	-
<b>Total equity</b>		<b>153,496</b>	(106,577)	<b>159,826</b>	(106,626)

*The accompanying notes form an integral part of these financial statements.*

**DONGSHAN GROUP LIMITED AND ITS SUBSIDIARY**

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

*For the financial year ended 31 December 2016*

	Note	Share Capital S\$	Other Reserve S\$	Accumulated Losses S\$	Non- Controlling Interest S\$	Total Equity S\$
<b>Group</b>						
<b>2016</b>						
<b>As at 1 January</b>		16,026,729	14,411	(16,147,766)	49	(106,577)
Issuance of ordinary shares	13	629,597	-	-	-	629,597
Issuance of convertible bonds	12	-	26,317	-	-	26,317
Acquisition of a non-controlling interest with a change in control		-	-	-	(49)	(49)
Loss for the year, representing total comprehensive loss for the year		-	-	(395,792)	-	(395,792)
<b>As at 31 December</b>		<b>16,656,326</b>	<b>40,728</b>	<b>(16,543,558)</b>	-	<b>153,496</b>
<b>2015</b>						
<b>As at 1 January</b>		14,429,410	-	(16,065,201)	-	(1,635,791)
Issuance of ordinary shares	13	1,597,319	-	-	-	1,597,319
Issuance of convertible bonds	12	-	14,411	-	-	14,411
Acquisition of subsidiary		-	-	-	49	49
Loss for the year, representing total comprehensive loss for the year		-	-	(82,565)	-	(82,565)
<b>As at 31 December</b>		<b>16,026,729</b>	<b>14,411</b>	<b>(16,147,766)</b>	49	<b>(106,577)</b>

*The accompanying notes form an integral part of these financial statements.*

**DONGSHAN GROUP LIMITED AND ITS SUBSIDIARY****CONSOLIDATED STATEMENT OF CASH FLOWS***For the financial year ended 31 December 2016*

	Note	Group	
		2016 S\$	2015 S\$
<b>Cash flows from operating activities</b>			
Loss before income tax		(395,792)	(82,565)
Adjustments for:			
Negative goodwill arising on acquisition	14	(48)	-
Interest income	4	(47,399)	(3,945)
Interest expenses	5	22,076	3,551
Impairment loss on loan receivables	5	262,118	-
Operating cash flows before changes in working capital		(159,045)	(82,959)
Changes in working capital			
Trade and other receivables		(257,355)	(704,096)
Trade and other payables		(193,746)	(1,347,235)
Cash flows used in operations		(610,146)	(2,134,290)
Income tax paid		-	-
<b>Net cash flows used in operating activities</b>		<b>(610,146)</b>	<b>(2,134,290)</b>
<b>Cash flows from investing activities</b>			
Acquisition of a subsidiary, net of cash acquired	14	(1)	49
Interest received	4	47,399	3,945
Loans receivable		(283,452)	348,988
<b>Net cash flows generated from investing activities</b>		<b>(236,054)</b>	<b>352,982</b>
<b>Cash flows from financing activities</b>			
Proceeds from issuance of ordinary shares	13	629,597	1,597,319
Proceeds from issuance of convertible notes	12	389,217	200,000
<b>Net cash flows generated from financing activities</b>		<b>1,018,814</b>	<b>1,797,319</b>
<b>Net increase in cash and cash equivalents</b>		<b>172,614</b>	<b>16,011</b>
Cash and cash equivalent at beginning of the year		16,086	75
<b>Cash and cash equivalent at end of the year</b>	8	<b>188,700</b>	<b>16,086</b>

*The accompanying notes form an integral part of these financial statements.*

## **DONGSHAN GROUP LIMITED AND ITS SUBSIDIARY**

### **NOTES TO THE FINANCIAL STATEMENTS**

*For the financial year ended 31 December 2016*

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These notes form an integral part of and should be read in conjunction with the accompanying financial statements.

#### **1. General information**

The Company is incorporated and domiciled in the Republic of Singapore. The address of its registered office is 10 Anson Road #29-05A International Plaza Singapore 079903.

The Company was delisted from the Singapore Exchange Limited ("SGX") Capitalist (formerly known as SGX-SESDAQ) in October 2008.

The principal activities of the Company are those of an investment holding and the principal activity of the subsidiary is stated in Note 9 to the financial statements.

There has been no significant changes in the nature of this activity during the financial year.

#### **2. Significant accounting policies**

##### **2.1 Basis of preparation**

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

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

The financial statements are presented in Singapore Dollars (SGD or S\$).

## DONGSHAN GROUP LIMITED AND ITS SUBSIDIARY

### NOTES TO THE FINANCIAL STATEMENTS

*For the financial year ended 31 December 2016*

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## 2. Significant accounting policies (continued)

### 2.1 Basis of preparation (continued)

#### Changes in accounting policies

The accounting policies adopted are consistent with those of the previous financial year except in the current financial year, the Group has adopted all the new and revised standards which are effective for annual financial year beginning on or after 1 January 2016. The adoption of these standards did not have any effect on the financial performance or position of the Group.

#### Standards issued but not yet effective

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

Description	Effective for annual years beginning on or after
FRS 115 Revenue from Contracts with Customers	1 January 2018
Amendments to FRS 7 Disclosure Initiative	1 January 2017
Amendments to FRS 12 Recognition of Deferred Tax Assets for Unrealised Losses	1 January 2017
Amendments to FRS 115 Clarifications to FRS 115 Revenue from Contracts with Customers	1 January 2018
FRS 109 Financial Instruments	1 January 2018
FRS 116 Leases	1 January 2019

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

### 2.2 Income taxes

#### (a) Current income tax

Current income tax assets and liabilities for the current year is measured at the amount expected to be recovered from or paid to the taxation authority. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the end of the reporting year, in the country that the Group operates and generates taxable income.

## DONGSHAN GROUP LIMITED AND ITS SUBSIDIARY

### NOTES TO THE FINANCIAL STATEMENTS

*For the financial year ended 31 December 2016*

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## 2. Significant accounting policies (continued)

### 2.2 Income taxes (continued)

#### (a) Current income tax (continued)

Current income taxes are recognised in profit or loss except to the extent that the tax relates to items recognised outside profit or loss, either in other comprehensive income or directly in equity. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

#### (b) Deferred tax

Deferred tax is provided using the liability method on temporary differences at the end of the reporting year between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

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

- Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

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

Deferred tax assets are recognised for all deductible temporary differences, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised except:

- Where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

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

## DONGSHAN GROUP LIMITED AND ITS SUBSIDIARY

### NOTES TO THE FINANCIAL STATEMENTS

*For the financial year ended 31 December 2016*

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## 2. Significant accounting policies (continued)

### 2.2 Income taxes (continued)

#### (b) *Deferred tax (continued)*

The carrying amount of deferred tax assets is reviewed at the end of each reporting year and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting year and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the end of each reporting year.

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

### 2.3 Group accounting

#### (a) *Subsidiaries*

##### (i) *Consolidation*

Subsidiaries are all entities (including structure entities) over which the Group has control. The Group controls the entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date on that control ceases.

In preparing the consolidated financial statements, transactions, balances and unrealised gains on transactions between group entities are eliminated. Unrealised losses are also eliminated unless the transactions provides evidence of an impairment indicator of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

## DONGSHAN GROUP LIMITED AND ITS SUBSIDIARY

### NOTES TO THE FINANCIAL STATEMENTS

*For the financial year ended 31 December 2016*

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#### 2. Significant accounting policies (continued)

##### 2.3 Group accounting (continued)

###### (a) Subsidiaries (continued)

###### (i) Consolidation (continued)

Non-controlling interests comprise the portion of a subsidiary's net results of operations and its net assets, which is attributable to the interests that are not owned directly or indirectly by the equity holders of the Group. They are shown separately in the consolidated statement of comprehensive income, statement of changes in equity, and balance sheet. Total comprehensive income is attributed to the non-controlling interests based on their respective interests in a subsidiary, even if this results in the non-controlling interests having a deficit balance.

###### (ii) Acquisitions

The acquisition method of accounting is used to account for business combinations entered into by the Group.

The consideration transferred for the acquisition of a subsidiary or business comprises the fair value of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred also includes any contingent consideration arrangement and any pre-existing equity interest in the subsidiary measured at their fair values at the acquisition date.

Acquisition-related costs are expensed as incurred.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date.

On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree at the date of acquisition either at fair value or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets.

The excess of (a) the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the (b) fair value of the identifiable net assets acquired is recorded as goodwill. Please refer to the paragraph "Intangible assets – Goodwill" for the subsequent accounting policy on goodwill.



## DONGSHAN GROUP LIMITED AND ITS SUBSIDIARY

### NOTES TO THE FINANCIAL STATEMENTS

*For the financial year ended 31 December 2016*

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#### **2. Significant accounting policies** (continued)

##### **2.4 Group accounting** (continued)

###### *(a) Subsidiaries (continued)*

###### *(ii) Acquisitions (continued)*

Goodwill on acquisitions of subsidiaries and businesses, represents the excess of (i) the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over (ii) the fair value of the identifiable net assets acquired. Goodwill on subsidiaries is recognised separately as intangible assets and carried at cost less accumulated impairment losses.

Gains and losses on the disposal of subsidiaries, joint ventures and associated companies include the carrying amount of goodwill relating to the entity sold.

###### *(iii) Disposals*

When a change in the Group's ownership interest in a subsidiary results in a loss of control over the subsidiary, the assets and liabilities of the subsidiary including any goodwill are derecognised. Amounts previously recognised in other comprehensive income in respect of that entity are also reclassified to profit or loss or transferred directly to retained earnings if required by a specific Standard.

Any retained equity interest in the entity is remeasured at fair value. The difference between the carrying amount of the retained interest at the date when control is lost and its fair value is recognised in profit or loss.

Please refer to the paragraph "Investments in subsidiaries, associated companies, and joint ventures" for the accounting policy on investments in subsidiaries in the separate financial statements of the Company.

###### *(b) Transactions with non-controlling interests*

Changes in the Group's ownership interest in a subsidiary that do not result in a loss of control over the subsidiary are accounted for as transactions with equity owners of the Group. Any difference between the change in the carrying amounts of the non-controlling interest and the fair value of the consideration paid or received is recognised within equity attributable to the equity holders of the Group.

##### **2.4 Investments in subsidiaries**

Investments in subsidiaries are carried at cost, less accumulated impairment losses in the Company's balance sheet. On disposal of such investments, the difference between disposal proceeds and the carrying amounts of the investments are recognised in profit or loss.

**NOTES TO THE FINANCIAL STATEMENTS**

*For the financial year ended 31 December 2016*

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**2. Significant accounting policies (continued)**

**2.5 Impairment of non-financial assets**

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when an annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount.

An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs of disposal and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

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

A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increase cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised previously. Such reversal is recognised in profit or loss unless the asset is measured at revalued amount, in which case the reversal is treated as a revaluation increase.

**2.6 Financial instruments**

a) Financial assets

**Initial recognition and measurement**

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

When financial assets are recognised initially, they are measured at fair value, plus, in the case of financial assets not at fair value through profit or loss, directly attributable transaction costs.

**Subsequent measurement**

The subsequent measurement of financial assets depends on their classification as follows:

## DONGSHAN GROUP LIMITED AND ITS SUBSIDIARY

### NOTES TO THE FINANCIAL STATEMENTS

*For the financial year ended 31 December 2016*

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#### 2. Significant accounting policies (continued)

##### 2.6 Financial instruments (continued)

###### a) Financial assets (continued)

###### Loans and receivables

Non-derivative financial assets with fixed or determinable payments that are not quoted in an active market are classified as loans and receivables.

Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method, less impairment. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, and through the amortisation process.

Investments in equity instruments whose fair value cannot be reliably measured are measured at cost less impairment loss.

###### De-recognition

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

###### b) Financial liabilities

###### Initial recognition and measurement

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

All financial liabilities are recognised initially at fair value plus in the case of financial liabilities not at fair value through profit or loss, directly attributable transaction costs.

###### Subsequent measurement

After initial recognition, financial liabilities that are not carried at fair value through profit or loss are subsequently measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the liabilities are derecognised, and through the amortisation process.

## DONGSHAN GROUP LIMITED AND ITS SUBSIDIARY

### NOTES TO THE FINANCIAL STATEMENTS

*For the financial year ended 31 December 2016*

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#### **2. Significant accounting policies** (continued)

#### **2.6 Financial instruments** (continued)

##### b) Financial liabilities (continued)

##### **De-recognition**

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

#### **2.7 Impairment of financial assets**

The Group assess at each reporting date whether there is any objective evidence that a financial asset is impaired.

##### **Financial assets carried at cost**

If there is objective evidence (such as significant adverse changes in the business environment where the Group operates, probability of insolvency or significant financial difficulties of the Group) that an impairment loss on financial assets carried at cost had been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed in subsequent years.

#### **2.8 Share capital**

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

#### **2.9 Cash and cash equivalents**

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

## DONGSHAN GROUP LIMITED AND ITS SUBSIDIARY

### NOTES TO THE FINANCIAL STATEMENTS

*For the financial year ended 31 December 2016*

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## 2. Significant accounting policies (continued)

### 2.10 Currency translation

#### a) Functional and presentation currency

Items included in the financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates ("functional currency"). The financial statements are presented in Singapore Dollar, which is the functional currency of the Company.

#### b) Transactions and balances

Transactions in a currency other than the functional currency ("foreign currency") are translated into the functional currency using the exchange rates at the dates of the transactions. Currency exchange differences resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at the closing rates at the balance sheet date are recognised in profit or loss. However, in the consolidated financial statements, currency translation differences arising from borrowings in foreign currencies and other currency instruments designated and qualifying as net investment hedges and net investment in foreign operations, are recognised in other comprehensive income and accumulated in the currency translation reserve.

When a foreign operation is disposed of or any loan forming part of the net investment of the foreign operation is repaid, a proportionate share of the accumulated currency translation differences is reclassified to profit or loss, as part of the gain or loss on disposal.

Foreign exchange gains and losses that relate to borrowings are presented in the income statement within "finance cost". All other foreign exchange gains and losses impacting profit or loss are presented in the income statement within "other gains and losses".

Non-monetary items measured at fair values in foreign currencies are translated using the exchange rates at the date when the fair values are determined.

### 2.11 Significant accounting judgements and estimates

The preparation of the Group financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities at the end of each reporting year. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in the future years.

## DONGSHAN GROUP LIMITED AND ITS SUBSIDIARY

### NOTES TO THE FINANCIAL STATEMENTS

*For the financial year ended 31 December 2016*

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#### 2. Significant accounting policies (continued)

##### 2.11 Significant accounting judgements and estimates (continued)

###### **Judgements made in applying accounting policies**

###### **Determination of functional currency**

In determining the functional currency of the Company, judgment is used by the Company to determine the currency of the primary economic environment in which the Company operates. Consideration factors include the currency that mainly influences sales prices of goods and services and the currency of the country whose competitive forces and regulations mainly determines the sales prices of its goods and services

###### **Key sources of estimation uncertainty**

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting year are discussed below.

The Group based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

###### *Impairment of investment in subsidiary*

The Group follow the guidance of FRS 36 in determining the recoverability of its investment in subsidiary. This requires assessments as to whether the carrying value of its investment can be supported by the net present values of the future cash flows derived from such investment using cash flow projections which have been discounted at an appropriate rate. This determination requires significant judgement. The Group determine forecasts of future cash flows based on its estimates of future revenues and operating expenses using historical and industry trends, general market conditions. Forecasts and other available information. The carrying amount of the Group's investment in subsidiary at the end of the reporting period is disclosed in Note 9.

###### *Impairment of loans receivable*

The impairment of loans receivable from third parties are based on the ageing analysis and management's continuous evaluation of the recoverability of the outstanding receivables. In assessing the ultimate realisation of these receivables, management considers, among other factors, the creditworthiness and the past collection history of each customer. If the financial conditions of these customers were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required. The carrying amounts of the Group's loans receivable from third parties as at 31 December 2016 were \$370,322 (2015: \$348,988).

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## DONGSHAN GROUP LIMITED AND ITS SUBSIDIARY

### NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

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#### 3. Going concern

The Group and the Company incurred a net loss of S\$395,792 (2015: S\$82,565) and S\$389,462 (2015: S\$82,565). These factors indicate the existence of a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern. The ability of the Group to continue as a going concern depends on the shareholders or directors undertaking to provide continuing financial support to enable the Group to continue as a going concern.

#### 4. Other operating income

	<u>Group</u>	
	2016	2015
	S\$	S\$
Interest income	47,399	3,945
Negative goodwill arising on acquisition	48	-
Other income	12,385	-
	<u>59,832</u>	<u>3,945</u>

#### 5. Loss before income tax

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

	<u>Group</u>	
	2016	2015
	S\$	S\$
Directors remuneration	60,000	28,000
Impairment loss on loan receivables	262,118	-
Printing and stationery	9,565	15,580
Professional fee	58,000	17,518
Website design expense	13,500	4,000
Convertible note interest	22,076	3,551
	<u>22,076</u>	<u>3,551</u>

## DONGSHAN GROUP LIMITED AND ITS SUBSIDIARY

### NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

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#### 6. Income tax expense

A reconciliation between tax expense and the product of accounting loss multiplied by the applicable corporate tax rate for the financial years ended 31 December 2016 and 2015 were as follows:

	<u>Group</u>	
	2016	2015
	S\$	S\$
Loss before tax	<u>(395,792)</u>	<u>(82,565)</u>
Tax calculated at tax rate of 17% (2015: 17%)	<b>(67,285)</b>	(14,036)
Deferred tax assets not recognised	<b>67,285</b>	14,036
	<u>-</u>	<u>-</u>

Deferred income tax assets are recognised for tax losses and capital allowances carried forward to the extent that realisation of the related tax benefits through future taxable profits is probable. The Company has unrecognised tax losses of \$478,357 (2015: \$82,565) at the reporting date which can be carried forward and used to offset against future taxable income subject to meeting certain statutory requirements. The tax losses have no expiry date.

#### 7. Trade and other receivables

	<u>Group</u>		<u>Company</u>	
	2016	2015	2016	2015
	S\$	S\$	S\$	S\$
Deposit	<b>264,105</b>	6,750	<b>264,105</b>	6,750
Amount due from subsidiary	-	-	<b>6,378</b>	-
	<u>264,105</u>	<u>6,750</u>	<u>270,483</u>	<u>6,750</u>

The monies is deposited in a lawyer's trust account as proof of funds to a potential target investee, Linc Energy Ltd, a company incorporated and listed on the Australian Securities Exchange.

#### 8. Cash and cash equivalents

	<u>Group</u>		<u>Company</u>	
	2016	2015	2016	2015
	S\$	S\$	S\$	S\$
Cash at bank and in hand	<b>188,700</b>	16,086	<b>188,600</b>	15,986

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## DONGSHAN GROUP LIMITED AND ITS SUBSIDIARY

### NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

#### 9. Investment in a subsidiary

	<u>Company</u>	
	2016 S\$	2015 S\$
<b>Unquoted shares, at cost</b>		
As at 1 January	51	51
Additions	1	-
As at 31 December	<u>52</u>	<u>51</u>

The details of the subsidiary is as below:

<u>Name of subsidiary</u>	<u>Country of incorporation</u>	<u>Principal activities</u>	<u>Effective equity interest held by the Group</u>	
			2016 %	2015 %
<b><u>Held by the Company</u></b>				
Guatavita Pte. Ltd.*	Singapore	Investment holding	100	51

\*The subsidiary was incorporated on 3 November 2015 with an issued and paid-up share capital of S\$100. The unaudited financial statements as at 31 December 2016 prepared by management were used for consolidation as the subsidiary is exempted from statutory audit.

The consolidation of the subsidiary based on unaudited financial statements does not have a material impact to the presentation of the consolidated financial statement.

#### 10. Loans receivable

	<u>Group and Company</u>	
	2016 S\$	2015 S\$
Loans receivable from third parties		
- Lim Kok Seng	120,000	103,945
- Johannes Francios Vanpletsen	69,422	67,608
- Harun Abidin	24,000	24,000
- Apexis Offshore Limited	156,900	153,435
	<u>370,322</u>	<u>348,988</u>

The secured loans receivable from the third parties bear effective interest at 12% per annum and is repayable by February 2017, September 2017, October 2017, November 2017, October 2018 and November 2018 respectively including the accrued interest.

The loans receivable from Lim Kok Seng are secured against 20,000,000 shares in ISR Capital Limited owned by Lim Kok Seng.

## DONGSHAN GROUP LIMITED AND ITS SUBSIDIARY

### NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

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#### 10. Loans receivable (continued)

The loans receivable from Johannes Francios Vanpletsen, Harun Abidin and Apexis Offshore Limited are secured by unquoted shares of entities owned by the respective parties. The loans receivable were subsequently assented to Eastbound Investments Limited.

#### 11. Trade and other payables

	<b><u>Group and Company</u></b>	
	<b>2016</b>	<b>2015</b>
	<b>S\$</b>	<b>S\$</b>
Other payables	<b>65,215</b>	57,363
Amount due to a director	<b>10,000</b>	229,598
Accrued expenses	<b>20,300</b>	2,300
	<b><u>95,515</u></b>	<u>289,261</u>

Other payables are amount due to former directors and amount due to a director are non-trade, unsecured, interest-free and repayable on demand.

#### 12. Convertible bonds

The carrying amount of the liability component of the convertible bonds at the balance sheet date is derived as follows:

	<b><u>Group and Company</u></b>	
	<b>2016</b>	<b>2015</b>
	<b>S\$</b>	<b>S\$</b>
Face value of convertible bonds	<b>200,000</b>	200,000
Convertible bonds issued during the year	<b>389,217</b>	-
Equity component of convertible bonds	<b>(40,728)</b>	(14,411)
	<b><u>548,489</u></b>	<u>185,589</u>
Accrued interest	<b>25,627</b>	3,551
Liability component at end of financial year	<b><u>574,116</u></b>	<u>189,140</u>

The Company issued convertible bonds denominated in Singapore Dollars with a nominal value of \$589,217 to Eastbound Investment Limited. The convertible bonds are convertible at the option of the holders into ordinary shares of the Company at a rate of S\$0.001 per share.

## DONGSHAN GROUP LIMITED AND ITS SUBSIDIARY

### NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

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#### 12. Convertible bonds (continued)

The Company shall redeem the convertible bonds at 100 per cent of its principal amount together with all interest accrued.

The effective interest rate of the convertible bonds is 9% (2015: 9%) per annum.

The convertible bonds amounting to S\$200,000 and S\$389,217 have a redemption date of 31 December 2017 and 10 October 2018 respectively.

The fair value of liability component is calculated using a market interest rate for an equivalent non-convertible bond at the date of issue.

#### 13. Share capital

	<u>2016</u>		<u>Company</u>		<u>2015</u>	
	<u>No of shares</u>	<u>S\$</u>	<u>No of shares</u>	<u>S\$</u>		
<b>Fully paid ordinary shares, with no par value</b>						
Balance at beginning of the financial year	1,734,762,101	16,026,729	137,443,281	14,429,410		
Issuance of ordinary shares	629,597,530	629,597	1,597,318,820	1,597,319		
Balance at end of the financial year	<u>2,364,359,631</u>	<u>16,656,326</u>	<u>1,734,762,101</u>	<u>16,026,729</u>		

During the financial year, an additional 629,597,530 fully paid ordinary share of \$0.001 each were issued for cash.

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Group. All shares rank equally with regard to the Group's residual assets.

## DONGSHAN GROUP LIMITED AND ITS SUBSIDIARY

### NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

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#### 14. Acquisitions of consolidated entities

On 31 March 2016, the group increased its interest in Guatavita Pte. Ltd. from 51% to 100% through acquisition of the outstanding shares.

The fair values of the identifiable assets and liabilities of Guatavita as at the date of acquisition were:

	<b>2016</b>
	<b>S\$</b>
Cash and bank balances	100
Total identifiable net assets at fair value	<u>100</u>
Negative goodwill arising on acquisition	<u>(48)</u>
	<u>52</u>
Consideration transferred for the acquisition:	
Purchase consideration paid	1
Fair value of equity interest in Guatavita held by the Group before the acquisition	51
	<u>52</u>
Net cash flow arising from consolidation:	
Cash consideration received	-
Purchase consideration paid	<u>(1)</u>
	<u>(1)</u>

#### 15. Financial risk management objectives and policies

The Group's activities expose it to a variety of financial risks: market risk (including currency risk and interest risk), credit risk and liquidity risk.

The Group's overall financial risk management policy seeks to minimise potential adverse effects on the financial performance of the Company. The key financial risks are listed below.

Risk management is integral to the whole business of the Group. The Group has a system of controls in place to create an acceptable balance between the cost of risks occurring and the cost of managing the risks. The management continually monitors the Group's risk management process to ensure that an appropriate balance between the risk and control is achieved.

## DONGSHAN GROUP LIMITED AND ITS SUBSIDIARY

### NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

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#### 15. Financial risk management objectives and policies (continued)

(a) Market risk

(i) *Currency risk*

The Group's business is exposed to fluctuations in the Australian Dollar (AUD) and United States Dollar (USD) exchange rates arising from cash flows from anticipated transactions.

There is no formal hedging policy with respect to the foreign exchange exposure. Exposure to exchange risk is monitored on an ongoing basis and the Group endeavours to keep the net exposure at an acceptable level.

The Group's currency exposure to Australian Dollar (AUD) and United States Dollar (USD) based on the information provided to key management is as follows:

	<b>Australian Dollar S\$</b>	<b>United States Dollar S\$</b>
<b><u>Group</u></b>		
<b><u>2016</u></b>		
<b>Financial assets</b>		
Loans receivable	<u>156,900</u>	<u>69,422</u>
<b>Financial liabilities</b>		
Convertible bonds	<u>-</u>	<u>(289,217)</u>
<b>Currency exposure</b>	<u>156,900</u>	<u>(219,795)</u>

**DONGSHAN GROUP LIMITED AND ITS SUBSIDIARY**

**NOTES TO THE FINANCIAL STATEMENTS**

*For the financial year ended 31 December 2016*

**15. Financial risk management objectives and policies (continued)**

(a) Market risk (continued)

(i) *Currency risk (continued)*

	<b>Australian Dollar S\$</b>	<b>United States Dollar S\$</b>
<b><u>Group</u></b>		
<b><u>2015</u></b>		
<b>Financial assets</b>		
Loans receivable	153,435	67,608
<b>Financial liabilities</b>		
Convertible bonds	-	-
<b>Currency exposure</b>	<b>153,435</b>	<b>67,608</b>

At 31 December 2016, if the AUD and USD had strengthened/weakened by 5% (2015: 5%) against the SGD with all other variables including tax rate being held constant, the Company's profit after tax for the financial year would have been higher/lower as a result of currency translation gains/losses on the SGD-denominated financial instruments as follow:

	<u>(Loss)/Profit after income tax</u>	
	<b>2016</b>	<b>2015</b>
	<b>S\$</b>	<b>S\$</b>
AUD against SGD		
- Strengthened	<b>13,023</b>	12,735
- Weakened	<b>(13,023)</b>	(12,735)
USD against SGD		
- Strengthened	<b>(18,243)</b>	5,611
- Weakened	<b>18,243</b>	(5,611)

(ii) *Interest rate risk*

The Group has insignificant financial assets or liabilities that are exposed to interest rate risks

## DONGSHAN GROUP LIMITED AND ITS SUBSIDIARY

### NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

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#### 15. Financial risk management objectives and policies (continued)

##### (b) Credit risk

The Group adopts the policy of dealing only with customers of appropriate credit history, and obtaining sufficient security where appropriate to mitigate credit risk. For other financial assets, the Group adopts the policy of dealing with financial institutions and other counterparties with high credit ratings.

The maximum exposure to credit risk for each class of financial assets is the carrying amount of that class of financial instruments presented on the balance sheet.

*Financial assets that are neither past due nor impaired*

Bank deposits that are neither past due nor impaired are mainly deposits with banks which have high credit-ratings as determined by international credit-rating agencies. Trade receivables and loans receivables that are neither past due nor impaired are substantially companies with good collection track records with the Group.

##### (c) Liquidity risk

The table below analyses the Group's non-derivative financial liabilities into relevant maturity groupings based on the remaining year from the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying amounts as impact of discounting is not significant.

	Less than 1 year S\$	2 to 5 years S\$
<b><u>Group and Company</u></b>		
<b>At 31 December 2016</b>		
Trade and other payables	<b>95,515</b>	<b>574,116</b>
<b>At 31 December 2015</b>		
Trade and other payables	289,261	189,140

##### (d) Capital risk

The Group's objectives when managing capital are to ensure that the Group is adequately capitalised and to maintain an optimal capital structure by issuing or redeeming additional equity and debt instruments when necessary.

The Board of Directors' monitors its capital based on net debt and total capital. Net debt is calculated as borrowings plus trade and other payables less cash and bank deposits. Total capital is calculated as equity plus net debt.

## DONGSHAN GROUP LIMITED AND ITS SUBSIDIARY

### NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

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#### 15. Financial risk management objectives and policies (continued)

##### (d) Capital risk (continued)

	2016 S\$	2015 S\$
<b><u>Group</u></b>		
Net debt	480,931	462,315
Total equity	153,496	(106,577)
Total capital	<u>634,427</u>	<u>355,738</u>
	2016 S\$	2015 S\$
<b><u>Company</u></b>		
Net debt	481,031	462,415
Total equity	159,826	(106,626)
Total capital	<u>640,857</u>	<u>355,789</u>

The Company is not subject to any externally imposed capital requirements.

#### 16. Related party transactions

A related party is defined as follows:

- (a) A person or a close member of that person's family is related to the Company if that person:
- (i) Has control or joint control over the Company;
  - (ii) Has significant influence over the Company; or
  - (iii) Is a member of the key management personnel of the Company or of a parent of the Company;
- (b) An entity is related to the Company if any of the following conditions applies:
- (i) The entity and the Company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
  - (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
  - (iii) Both entities are joint ventures of the same third party.
  - (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
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## DONGSHAN GROUP LIMITED AND ITS SUBSIDIARY

### NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

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#### 16. Related party transactions (continued)

- (v) The entity is a post-employment benefit plan for the benefit of employees of either the Company or an entity related to the Company. If the Company is itself such a plan, the sponsoring employers are also related to the Company.
- (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.

The effect of the Company's transactions and arrangements with related parties is reflected in these financial statements. The balances are unsecured, interest-free and repayable on demand unless otherwise stated.

In addition to the information disclosed elsewhere in the financial statements, the following transactions took place between the Company and related parties at terms agreed between the parties:

	2016 S\$	2015 S\$
Expenses paid on behalf of the Company by a director	-	209,598

Compensation of key management personnel:

	2016 S\$	2015 S\$
<b><u>Group and Company</u></b>		
Directors' fee	12,000	28,000
Directors' salary	48,000	-
	<b>60,000</b>	<b>28,000</b>

#### 17. Subsequent events

As disclosed in Note 10 of the financial statements, the Company entered into a loan agreement with Lim Kok Seng, a third party individual amounting to S\$500,000 on 25<sup>th</sup> August 2015 with the exchange of 20,000,000 shares of ISR Capital Ltd pledged as collateral for the loan. The loan is secured, bears interest at 12% per annum and repayable by February 2017.

## **DONGSHAN GROUP LIMITED AND ITS SUBSIDIARY**

### **NOTES TO THE FINANCIAL STATEMENTS**

*For the financial year ended 31 December 2016*

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#### **17. Subsequent events (continued)**

We have obtained the loan repayment schedule and noted that there are four tranche repayments with amount of S\$532,055 (inclusive of interest) in September, October, December 2016 and February 2017 due from Lim Kok Seng. As of now, there is no repayment of the loan.

On 26 July 2017, Lim Kok Seng transferred the 20,000,000 shares in ISR Capital Ltd to the Company in exchange for the repayment of loan.

On 1 July 2017, the Company and Eastbound Investments Limited assented to the transfer of loans receivable from Johannes Francios Vanpletsen, Harun Abidin and Apexis Offshore Limited to Eastbound Investments Limited.

#### **18. Authorisation of financial statements**

These financial statements were authorised for issue in accordance with a resolution of the Board of Directors of DONGSHAN GROUP LIMITED on 31 August 2017.

The annexed detailed income statement does not form part of the audited statutory financial statements and therefore it is not covered by the report of the auditors. It is not necessary to file the detailed income statement with the Registrar of Companies.

**DONGSHAN GROUP LIMITED****DETAILED INCOME STATEMENT***For the financial year ended 31 December 2016*

	2016 S\$	2015 S\$
Revenue	-	-
Add: <u>Other operating income</u>		
Interest received	47,399	3,945
Other income	12,385	-
	<u>59,784</u>	<u>3,945</u>
Less: <u>Administrative expenses</u>		
Accounting fee	3,600	2,100
Administrative fee	3,600	2,100
Auditors' remuneration	2,300	2,300
Bank charges	612	620
Director's salaries	48,000	-
Director's fee	12,000	28,000
Entertainment and refreshment	2,648	5,213
General expenses	3,555	2,997
Impairment loss on loan receivable	262,118	-
Postage and courier charges	16	6
Printing and stationery	9,565	15,580
Professional fee	60,000	17,518
Secretarial fee	5,287	2,500
Transportation	47	25
Website design expense	13,500	4,000
Unrealised loss on foreign exchange	6,700	-
<b>Finance costs:</b>		
Convertible note interest	22,076	3,551
	<u>449,246</u>	<u>86,510</u>
Loss before income tax	<u>(389,462)</u>	<u>(82,565)</u>