OORJA 2 PTE. LTD.
(UEN: 200714713N)

STATEMENT OF FINANCIAL POSITION
As at 31 March 2016

	Note	2016 US$	2015 US$
ASSETS			
Non-current assets			
Investment in subsidiary	4	-	1,791,505
Investment in related company	5	-	28,500
Amounts due from subsidiaries	6	2,700,000	2,704,526
Deposits	7	1,579,819	691,923
Total non-current assets		4,279,819	5,216,454
Current assets			
Amount due from related company		-	425
Cash and cash equivalents	8	2,711	44,224
Total current assets		2,711	44,649
Total assets		4,282,530	5,261,103
EQUITY AND LIABILITIES			
Equity attributable to owner			
Share capital	9	1	1
Accumulated losses		(7,333,032)	(5,278,990)
Total equity		(7,333,031)	(5,278,989)
LIABILITIES			
Non-current liability			
Amount due to immediate holding company	10	11,611,309	10,533,892
Current liability			
Other payables	11	4,252	6,200
Total liabilities		11,615,561	10,540,092
Total equity and liabilities		4,282,530	5,261,103

The notes set out on pages 8 to 24 form an integral part of and should be read in conjunction with this set of financial statements.

YEUNG PAC ✱ KRESTON DAVID

OORJA 2 PTE. LTD.
(UEN: 200714713N)

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the year ended 31 March 2016

	Note	2016 US$	2015 US$
Other operating income	12	-	42,831
Less: Cost and expenses			
Impairment loss on investment in subsidiary and related company	4, 5	1,820,005	700,000
Amount due from subsidiaries written off		4,526	-
Administrative expenses		5,419	7,909
Finance cost	13	224,092	258,374
		(2,054,042)	(966,283)
Loss before taxation		(2,054,042)	(923,452)
Less: Taxation	14	-	-
Net loss and total comprehensive income for the year		(2,054,042)	(923,452)

The notes set out on pages 8 to 24 form an integral part of and should be read in conjunction with this set of financial statements.

OORJA 2 PTE. LTD.
(UEN: 200714713N)

STATEMENT OF CHANGES IN EQUITY
For the year ended 31 March 2016

	Share Capital US$	Accumulated Losses US$	Total US$
Balance as at 01.04.2014	1	(4,355,538)	(4,355,537)
Total comprehensive income for the year	-	(923,452)	(923,452)
Balance as at 31.03.2015/01.04.2015	1	(5,278,990)	(5,278,989)
Total comprehensive income for the year	-	(2,054,042)	(2,054,042)
Balance as at 31.03.2016	1	(7,333,032)	(7,333,031)

The notes set out on pages 8 to 24 form an integral part of and should be read in conjunction with this set of financial statements.

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OORJA 2 PTE. LTD.
(UEN: 200714713N)

STATEMENT OF CASH FLOWS
For the year ended 31 March 2016

	Note	2016 US$	2015 US$
Cash flows from operating activities			
Loss before taxation		(2,054,042)	(923,452)
Adjustments for:-			
Amount due from subsidiaries written off		4,526	-
Interest expense		224,092	258,374
Interest income		-	(41,947)
Impairment loss on investment in subsidiary and related company		1,820,005	700,000
Operating cash flows before changes in working capital		(5,419)	(7,025)
Changes in working capital:-			
Decrease/(Increase) in amount due from related company		425	(425)
Decrease in other payables		(1,948)	(412)
Cash used in operations		(6,942)	(7,862)
Interest received		-	41,947
Net cash (used in)/generated from operating activities		(6,942)	34,085
Cash flows from investing activity			
Deposit paid		(887,896)	(99,900)
Net cash used in investing activity		(887,896)	(99,900)
Cash flows from financing activity			
Increase in amount due to immediate holding company		853,325	104,998
Net cash generated from financing activity		853,325	104,998
Net (decrease)/increase in cash and cash equivalents		(41,513)	39,183
Cash and cash equivalents at beginning of year		44,224	5,041
Cash and cash equivalents at end of year	8	2,711	44,224

The notes set out on pages 8 to 24 form an integral part of and should be read in conjunction with this set of financial statements.

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

1. GOING CONCERN

At 31 March 2016, the company recorded a net capital deficiency of US$7,333,031 (2015: US$5,278,989). The ability of the company to pay its debts as and when they fall due and to continue as a going concern is dependent on continuing financial support from the ultimate holding company, Mercator Limited.

In the preparation of this financial statements, management has made the assumption that such financial support will be available to the company and preparation of the financial statements on the assumption of going concern is appropriate.

2. GENERAL

The company is incorporated in the Republic of Singapore with its registered office and principal place of business at 8 Temasek Boulevard, #07-01 Suntec Tower 3, Singapore 038988.

The company is a wholly-owned subsidiary of Oorja Holdings Pte. Ltd., incorporated in the Republic of Singapore. The company's ultimate holding company is Mercator Limited, incorporated in India.

The principal activities of the company are that of investment holding.

The principal activities of the subsidiary are disclosed in Note 4 to the financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES

a) Basis of Preparation

The financial statements of the company have been prepared in accordance with the historical cost convention, except as disclosed in the accounting policies below, and are drawn up in accordance with the Singapore Financial Reporting Standards ("FRS").

In the current financial year, the company adopted all the new and revised FRS and Interpretations of FRS ("INT FRS") that are relevant to its operations and effective for annual periods beginning on or after 1 April 2015. The adoption of these new/revised FRSs and INT FRSs has no material effect on the financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

b) Significant Accounting Estimates and Judgements

In the application of the company's accounting policies, which are described in Note 3 to the financial statements, management is required to make judgement, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below:-

Investments in subsidiary and related company

Management has carried out a review of the recoverable amount of the investments in subsidiary (Note 4) and related company (Note 10) and amounts due from the subsidiary (Note 6), having regard to the depleting coal reserves of the entities which the subsidiary has equity stakes in.

The fair value calculation requires the company to:-

(i) estimate the future cash flows expected from the cash-generating units comprising, the coal mining investees with the coal reserves and the investee which provides equipment to the coal mining entities; and

(ii) use an appropriate discount rate in order to calculate the present value of the future cash flows.

In 2015, the company prepared cash flow forecasts derived from the most recent financial forecasts approved by management for the five years projected for extraction of remaining reserves using the following key assumptions:-

- Prices of coal were projected at current level, with increase by 7% for the period from 2018 onwards;
- Coal resources which could be economically mined were assumed to be depleted in 2020 based on sales and production estimates; and
- Discount rate for discounting of net cash flows to present value: 11%

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

b) Significant Accounting Estimates and Judgements (Continued)

Investments in subsidiary and related company (Continued)

In 2016, no such fair value calculation is performed as the activity of the subsidiary and related company has been suspended. The investment in subsidiary and related company has been fully impaired at end of reporting period.

The carrying amounts of the investment in subsidiary and related company are disclosed in Notes 4 and 5 to the financial statements respectively.

c) Basis of Consolidation

A subsidiary is an entity controlled by the company. Control is achieved where the company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. One set of consolidated financial statements of the company and its subsidiary has not been prepared as the company's ultimate holding company - Mercator Limited, prepares publicly available consolidated financial statements which include the financial statements of the company and its subsidiary.

The registered address of the ultimate holding company is 3rd floor, Mittal Tower, B-Wing Nariman Point, Mumbai, India.

d) Investment in Subsidiary

A subsidiary is an entity controlled by the company. Control is achieved when the company:-

- Has the power over the investee;
- Is exposed, or has rights, to variable returns from its involvement with the investee; and
- Has the ability to use its power to affect its returns.

The company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Investment in subsidiary is carried at cost less any impairment in net recoverable value that has been recognised in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

e) Financial Instrument

Financial assets and financial liabilities are recognised on the company's statement of financial position when the company becomes a party to the contractual provisions of the instrument.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial instrument and of allocating interest income or expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial instrument, or where appropriate, a shorter period, to the net carrying amount on initial recognition.

i) Financial Assets

Loans and receivables

Trade and other receivables and amounts due from related company, and amounts due from subsidiaries that have fixed or determinable payments that are not quoted in an active market are classified as "loans and receivables". These are initially measured at fair value and subsequently measured at amortised cost using the effective interest method less impairment. Interest is recognised by applying the effective interest method, except for short-term receivables when the recognition of interest would be immaterial.

Impairment

Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimates future cash flows of the investment have been impacted. For financial assets carried at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of receivables where the carrying amount is reduced through the use of an allowance account. When a receivable is uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

e) **Financial Instrument** (Continued)

i) **Financial Assets** (Continued)

Impairment (Continued)

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

De-recognition

The company derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the company neither transfers nor retains substantially all the risk and rewards of ownership and continues to control the transferred asset, the company recognises its retained interest in the asset and an associated liability for amount it may have to pay. If the company retains substantially all the risks and rewards of ownership of a transferred financial asset, the company continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

ii) **Financial Liabilities and Equity Instruments**

Classification as debt or equity

Financial liabilities and equity instruments issued by the company are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities. Equity instruments are recorded at the proceeds received, net of direct issue costs.

Other financial liabilities

Other payables and amount due to immediate holding company are initially measured at fair value, net of transaction costs, and are subsequently measured at amortised cost, using the effective interest rate method, with interest expense recognised on an effective yield basis.

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3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

e) **Financial Instrument** (Continued)

ii) **Financial Liabilities and Equity Instruments** (Continued)

Derecognition

The company derecognises financial liabilities when, and only when, the company's obligations are discharged, cancelled or expired.

iii) **Offsetting Financial Instruments**

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when the company has a legally enforceable right to set off the recognised amounts; and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously. A right to set-off must be available today rather than being contingent on a future event and must be exercisable by any of the counterparties, both in the normal course of business and in the event of default, insolvency or bankruptcy.

f) **Impairment of Non-Financial Assets**

At the end of each reporting period, the company reviews the carrying amounts of its non-financial assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

3. **SIGNIFICANT ACCOUNTING POLICIES** (Continued)

g) **Provisions**

Provisions are recognised when the company has a present obligation (legal or constructive) as a result of a past event, it is probable that the company will be required to settle that obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settled the present obligation at the end of each reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

h) **Contingencies**

A contingent liability is:-

A possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the company; or

A present obligation that arises from past events but is not recognised because:

i) It is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or

ii) The amount of the obligation cannot be measured with sufficient reliability.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the company.

Contingent liabilities and assets are not recognised on the statement of financial position of the company.

i) **Revenue Recognition**

Revenue is measured at the fair value of the consideration received or receivable.

Interest income

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life the financial asset to that asset's net carrying amount.

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3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

j) Borrowing Costs

Borrowing costs are recognised in profit or loss in the period in which they are incurred.

k) Income Taxes

Current tax

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profits differs from profit as reported in the statement of profit or loss and other comprehensive income because of items of incomes and expenses that are taxable or deductible in other years and items that are never taxable or deductible. The company's liability for current tax is calculated using tax rates (and tax laws) that have been enacted or substantively enacted in the country where the company operates by the end of the reporting period.

Deferred tax

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and are accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised based on the tax rates and tax laws that have been enacted or substantially enacted by the end of each reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the company expects at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the company intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax are recognised as an expense or income in profit or loss, except when they relate to items credited or debited outside profit or loss, in which case the tax is also recognised outside profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

l) Foreign Currency Transactions and Translations

The financial statements of the company are measured and presented in United States dollars (US$), the currency of the primary economic environment in which the company operates (its functional currency).

In preparing the financial statements, transactions in currencies other than the company's functional currency are recorded at the rate of exchange prevailing on the date of the transaction. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the end of the reporting period. Exchange differences arising on the settlement of monetary items, and on retranslation of monetary items are included in profit or loss for the period.

m) Cash and Cash Equivalents

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

4. INVESTMENT IN SUBSIDIARY

	2016 US$	2015 US$
Unquoted shares - at cost	5,561,505	5,561,505
Less: Allowance for impairment loss	(5,561,505)	(3,770,000)
	-	1,791,505
Movement in allowance		
Balance at beginning of the year	3,770,000	3,070,000
Addition	1,791,505	700,000
Balance at end of the year	5,561,505	3,770,000

Name of company	Place of operation/ incorporation	Principal activities	Precentage of ownership interest/ voting power held by the Company 2016 %	2015 %
PT. Oorja Indo Petangis Three	Indonesia	Services for general mining and export	99	99

PT. Oorja Indo Petangis Three holds 50% equity stake in each of two coal mining companies in Indonesia and 99% in the equity of another company in Indonesia which rents equipment to the mining companies.

5. INVESTMENT IN RELATED COMPANY

	2016 US$	2015 US$
Unquoted shares - at cost	30,500	30,500
Less: Allowance for impairment loss	(30,500)	(2,000)
	-	28,500
Movement in allowance		
Balance at beginning of the year	2,000	2,000
Addition	28,500	-
Balance at end of the year	30,500	2,000

Name of company	Place of operation/ incorporation	Principal activities	Precentage of ownership interest/ voting power held by the Company 2016 %	2015 %
PT. Oorja Indo Petangis Four	Indonesia	Services for general mining and export	1	1

PT. Oorja Indo Petangis Four owns 1% of the equity in the company which rents equipment to the mining companies referred to in Note 4.

6. AMOUNTS DUE FROM SUBSIDIARIES

	2016 US$	2015 US$
Loan to subsidiaries		
- principal	2,700,000	2,700,000
- interest on loan	-	4,526
	2,700,000	2,704,526

In previous year, the principal loan to subsidiaries was unsecured, interest charged at 1.55% per annum which was subject to annual review using 1 year LIBOR plus 1% per annum. During the year, due to market conditions, the parties have mutually agreed to waive off retrospectively the loan interest since the date of sanction of loan until the market improves. The loan interest waived off of US$46,026 has been charged to profit or loss.

The amounts are repayable when the subsidiaries have financial resources to do so and to be settled in cash.

6. AMOUNTS DUE FROM SUBSIDIARIES (Continued)

In determining the recoverability of amount due from subsidiaries, the company considers the operating results and projected cash flows of the subsidiaries. Based on the projection as described in Note 3(b), management concluded that no allowance for doubtful debts is required.

7. DEPOSITS

This represents deposit paid to acquire 70% equity interest in a company incorporated in Indonesia which owns coal mining concession.

8. CASH AND CASH EQUIVALENTS

	2016 US$	2015 US$
Cash on hand	1	1
Cash at bank	2,710	44,223
	2,711	44,224
Cash and cash equivalents are denominated in the following currencies:-		
United States dollar	2,038	43,239
Singapore dollar	673	985
	2,711	44,224

9. SHARE CAPITAL

Issued and fully paid:-		
2 ordinary shares	1	1

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

10. AMOUNT DUE TO IMMEDIATE HOLDING COMPANY

	2016 US$	2015 US$
Interest-bearing amount	8,912,704	8,092,204
Non-interest bearing amount	2,698,605	2,441,688
	11,611,309	10,533,892

The amount due to immediate holding company is unsecured, bears interest of 1.7% and 4% (2015: 1.55% and 4%) per annum based on the immediate holding company's cost of external funds. They are repayable when the company has the financial resources to do so using any future dividends from the subsidiary.

11. OTHER PAYABLES

	2016 US$	2015 US$
Accruals	3,552	5,500
Others	700	700
	4,252	6,200
Other payables are denominated in the following currencies:-		
United States dollar	700	700
Singapore dollar	3,552	5,500
	4,252	6,200

12. OTHER OPERATING INCOME

Interest income charged to subsidiaries waived off (Note 16)	(46,026)	-
Interest income charged to subsidiary (Note 16)	46,026	41,947
Exchange gain	-	884
	-	42,831

13. FINANCE COST

This pertains to interest expense charged by the immediate holding company (Note 10).

14. TAXATION

The income tax varied from the amount of taxation determined by applying the Singapore taxation rate of 17% (2015: 17%) to loss before taxation as a result of the following differences:-

	2016 US$	2015 US$
Loss before taxation	(2,054,042)	(923,452)
Tax benefit calculated at a tax rate of 17%	(349,187)	(156,987)
Tax effect of loss not available for carry forward	349,187	156,987
	-	-

15. CONTINGENT LIABILITY

The company has, together with related companies, given corporate guarantees of US$20 million (2015: US$20 million) to a bank for the credit facilities granted to its immediate holding company. At 31 March 2016, the immediate holding company had utilised US$13.25 million (2015: US$17 million) of the credit facilities.

Management has evaluated the guarantees issued and determined that the fair value of the financial guarantee is not material.

16. SIGNIFICANT RELATED PARTY TRANSACTIONS

Related companies in these financial statements refer to members of the ultimate holding company's group of companies.

Some of the company's transactions and arrangements are between members of the group and the effect of these on the basis determined between the parties is reflected in these financial statements.

	2016 US$	2015 US$
Amount due from subsidiaries written off	4,526	-
Interest income charged to subsidiaries waived off (Note 12)	46,026	-
Interest income charged to subsidiary (Note 12)	(46,026)	(41,947)
Interest expense charged by immediate holding company (Note 10)	224,092	258,374

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16. SIGNIFICANT RELATED PARTY TRANSACTIONS (Continued)

(a) There are no employees and associated employee benefit expenses incurred during the year ended 31 March 2016 and 31 March 2015 as administrative support is provided by ultimate holding company (2015: a related company) without any charge.

(b) There is no remuneration of director incurred during the years ended 31 March 2016 and 31 March 2015.

17. FINANCIAL RISK MANAGEMENT POLICIES AND OBJECTIVES

The management monitors and manages the financial risks relating to the operations of the company to minimise adverse potential effects on financial performance. These risks include market risk (including foreign exchange risk and interest rate risk), credit risk, liquidity risk and fair value risk. The policies on how to mitigate these risks are set out below.

Foreign Currency Risk

The financial assets and liabilities are denominated in United States dollar unless otherwise stated.

The company's transactions are mainly denominated in United States dollars and therefore the exposure to foreign exchange risk is not significant.

Interest Rate Risk

The company has no interest-bearing financial assets and financial liabilities except for amount due from subsidiaries and amount due to immediate holding company as disclosed in Note 6 and Note 10 to the financial statements. No sensitivity analysis is presented as reasonably possible changes in interest rates are not expected to have a significant impact on operating results.

Credit Risk

Credit risk refers to the risk that debtors may default on their obligations to repay the amounts owing to the company, resulting in a loss to the company. Cash balances are held with a reputable financial institution.

The company has no concentration of credit risk other than the amount due from subsidiaries as disclosed in Note 6.

The carrying amount of financial assets recorded in the financial statements represents the company's maximum exposure to credit risk without taking account of the value of any collateral obtained.

17. FINANCIAL RISK MANAGEMENT POLICIES AND OBJECTIVES (Continued)

Liquidity Risk

At the end of the reporting period, the company recorded a net capital deficiency of US$7,333,031 (2015: US$5,278,989). The financial statements have been prepared on a going concern basis as the ultimate holding company has undertaken to provide continuing financial support to enable the company to pay its debts when they fall due.

All financial assets and financial liabilities in 2016 and 2015 are payable on demand or due within 1 year from the end of the reporting period except for the amounts due from subsidiaries and the amount due to the immediate holding company as disclosed in the respective notes to the financial statements.

18. FAIR VALUES

Fair value of financial instruments that are not carried at fair value and whose carrying amounts are not reasonable approximation of fair value

The non-interest bearing amount due to immediate holding company measured at cost are not carried at fair value because the fair value cannot be measured reliably. The management is unable to ascertain the repayment period of the balance.

Fair value of financial instruments that are not carried at fair value and whose carrying amounts are reasonable approximation of fair value

The carrying amounts of the financial assets and financial liabilities approximate their respective fair values due to the relatively short-term maturity of these financial instruments.

19. CATEGORIES OF FINANCIAL INSTRUMENTS

The following table sets out the financial instruments as at the end of the reporting period:-

	2016 S$	2015 S$
<u>Financial assets</u>		
Loans and receivables:-		
Amount due from subsidiaries	2,700,000	2,704,526
Amount due from related company	-	425
Cash and cash equivalents	2,711	44,224
Total financial assets	2,702,711	2,749,175

19. CATEGORIES OF FINANCIAL INSTRUMENTS (Continued)

	2016 S$	2015 S$
Financial liabilities		
At amortised costs:-		
Amount due to immediate holding company	8,912,704	8,092,204
Other payables	4,252	6,200
	8,916,956	8,098,404
At cost:-		
Amount due to immediate holding company (interest-free)	2,698,605	2,441,688
Total financial liabilities	11,615,561	10,540,092

20. CAPITAL MANAGEMENT

The company reviews its capital at least annually to ensure that it will able to continue as a going concern.

The capital structure of the company consists of debt owing to the immediate holding company and shareholder's equity comprising issued share capital net of accumulated losses.

The company's overall strategy remained unchanged from prior year.

21. NEW OR REVISED ACCOUNTING STANDARDS AND INTERPRETATIONS

At the date of authorisation of these financial statements, management anticipates that the adoption of the FRSs, INT FRSs and amendments to FRS that were issued but not effective will not have a material impact on the financial statements of the company in the period of their initial adoption except for the following:-

FRS 109 *Financial Instruments*

FRS 109 was issued in December 2014 to replace FRS 39 *Financial Instruments: Recognition and Measurement* and introduced new requirements for (i) the classification and measurement of financial assets and financial liabilities (ii) derecognition (iii) general hedge accounting (iv) impairment requirements for financial assets.

21. NEW OR REVISED ACCOUNTING STANDARDS AND INTERPRETATIONS (Continued)

Key requirements of FRS 109 include:-

i) All recognised financial assets that are within the scope of FRS 39 are now required to be subsequently measured at amortised cost or fair value through profit or loss ("FVTPL). Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, comprising solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting period. Debt instruments that are held within a business model whose objective is achieved both by selling financial assets, and collecting contractual cash flows comprising payments of principal and interest on the principal amount outstanding, are measured at fair value through other comprehensive income ("FVTOCL"). All other debt investments and equity investments are measured at FVTPL at the end of subsequent accounting period.

ii) With some exceptions, financial liabilities are generally subsequently measured at amortised cost. With regard to the measurement of financial liabilities designated as at FVTPL, FRS 109 requires that the amount of change in fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch to profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Under the existing FRS 39, the entire amount of the change in the fair value of the financial liability designated as at FVTPL is presented in profit or loss.

iii) In relation to the impairment of financial assets, FRS 109 requires an expected credit loss model, as opposed to an incurred credit loss model under the existing FRS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

iv) The new general hedge accounting requirements retain the three types of hedge accounting mechanisms currently available in FRS 39. Under FRS 109, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of an 'economic relationship'. Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

FRS 109 will take effect from financial years beginning on or after 1 January 2018. Management will undertake a detailed review of the effect of FRS 109 prior to implementation.