亞洲時尚
ASIA FASHION

EXPLORING **DYNAMIC**
PROSPECTS

ANNUAL REPORT 2014

CONTENTS

CORPORATE **PROFILE**

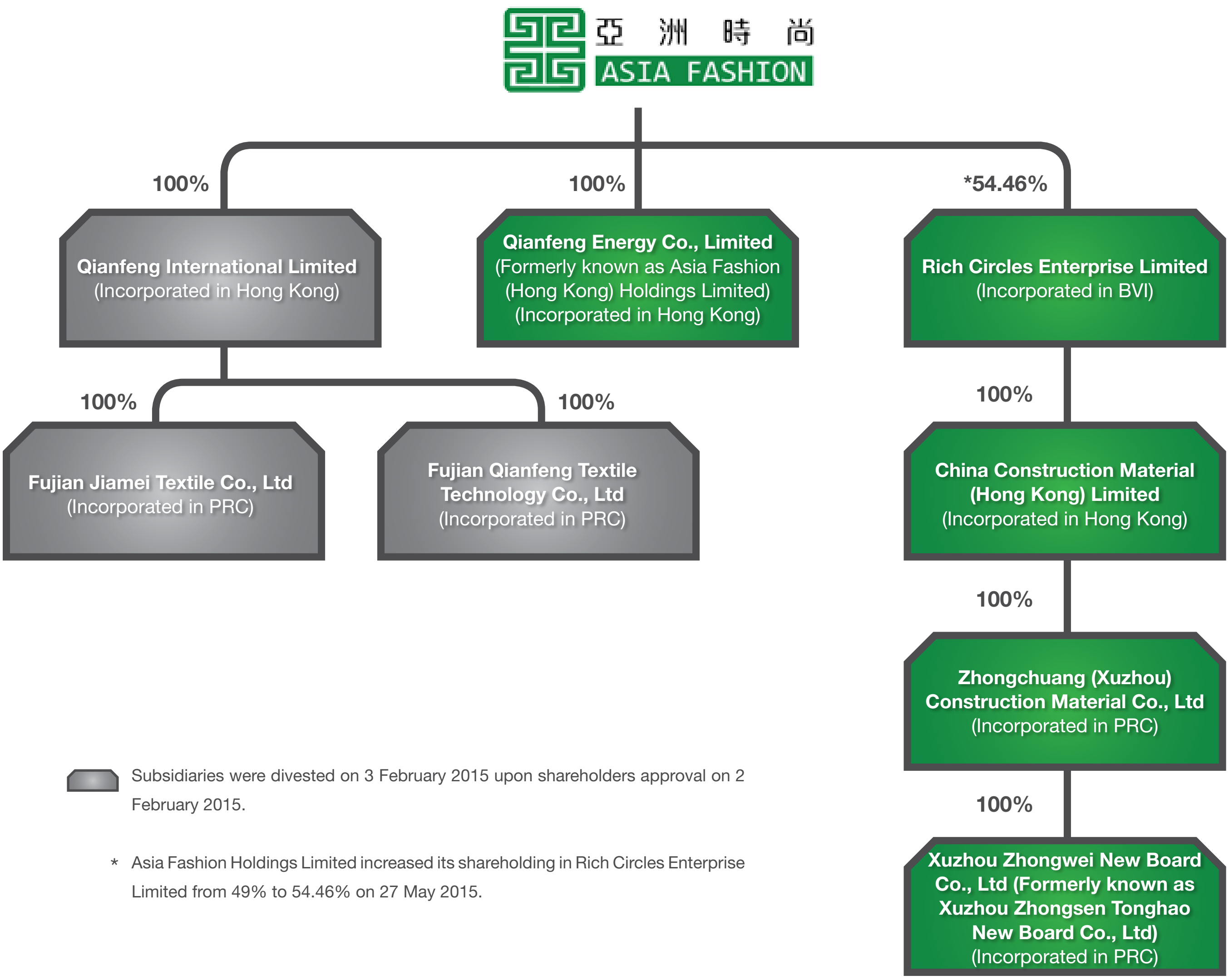
Founded in 2007, Asia Fashion Holdings Limited ("Asia Fashion" or "the Group") was in the business of manufacturing functional knitted fabrics. However, this business was divested on 3 February 2015.

To tap on the strong Chinese and global demand for construction materials, Asia Fashion acquired 100% of China Construction Material (Hong Kong) Limited ("CCMH") through its 49% owned subsidiary, Rich Circles Enterprise Limited ("Rich Circles") on 27 June 2014. On 27 May 2015, the Group has increased its shareholding in Rich Circles to 54.46%.

As the pioneer and key player in China's construction material industry with patented technologies and products, Asia Fashion redefines traditional construction materials by using its proprietary technologies with magnesium oxide and magnesium chloride to create multi-functional interior and exterior panels that are highly moldable, fire-proof, water-proof and sound-proof. According to China Industrial Information Network, the total addressable market for CCMH's products stood at RMB 1 trillion as at the end of 2013.

Asia Fashion's vision is to be a leader in the high-tech construction materials industry through continuous innovation to deliver world-class and high-value products to its Chinese and global customers. Led by a motivated and experienced management team, the Group is committed to creating shareholder value with our new strategic direction.

GROUP **STRUCTURE**



Subsidiaries were divested on 3 February 2015 upon shareholders approval on 2 February 2015.

* Asia Fashion Holdings Limited increased its shareholding in Rich Circles Enterprise Limited from 49% to 54.46% on 27 May 2015.

CHAIRMAN'S **MESSAGE**

DEAR SHAREHOLDERS

On behalf of Asia Fashion Holdings Limited ("Asia Fashion" or the "Group"), I would like to present the Group's Annual Report for the financial year ended 31 December 2014 ("FY2014").

FY2014 was a year of transformation as we executed a series of changes aimed at turning the Group's performance around. As stewards of a listed company, we prospect for viable businesses to revive our revenue streams, placing strong emphasis on our shareholders' interest. With this guiding principle, the Group carried out due diligence before embarking on a strategic move into the new construction material industry with the acquisition of China Construction Material (Hong Kong) Limited ("CCMH") through a 49% stake in Rich Circles Enterprise Limited ("Rich Circles"). On 27 May 2015, the Group increased its shareholding in Rich Circles to 54.46%.

This earnings accretive acquisition positions Asia Fashion as a key player in the new material market with a ready platform of innovative and outstanding products. Redefining traditional construction materials, our new material is created using proprietary technologies to deliver a multi-functional product applicable for a wide variety of purposes and serving customers predominantly in the public and private sectors in China. The product's exceptional properties differentiate us from traditional material manufacturers with its eco-friendliness, durability, superior fire, water and sound-proofing qualities. Apart from the superior physical characteristics of our products, our technologies and products enjoy patent protection for up to 20 years.

Reaffirming our foray into the new material market, we achieved a strong turnaround in financial performance as we rebounded from a net loss after tax of RMB423.2 million for the financial year ended 31 December 2013 ("FY2013"), to a net profit after tax of RMB17.7 million for the financial year ended 31 December 2014 ("FY2014").

Underscoring the potential of our new material business, the total addressable market for the new material was RMB1 trillion as at the end of 2013, according to China Industrial Information Network. Our turnaround for FY2014 was mainly attributed to the six months' contribution from the new material business. We believe that there is much room for growth given the size of the industry as we strategically position ourselves and differentiate with our strong competitive advantages to capture a larger market share.

Despite these achievements, more work lies ahead in our transformation journey. Building on our growth momentum, we are committed to penetrate the construction material market to expand our direct sales network through cooperation with strategic partners and government agencies for their construction projects. To that end, we have strengthened our strategic partnership with one of China's largest non-state owned petrochemical group, Ningxia Baota Petrochemical Group. Recognising that strategic partnerships are essential to our success, we look towards building mutually beneficial long-term partnerships with our strategic partners as the new material business continued to play an integral role in our growth.

With the ambition to become one of the leading construction material manufacturers and distributors in China and beyond, we will continue to expand our distribution network for both local and overseas markets with leading material vendors. While we are committed to driving these initiatives to fruition, we remain mindful of our operating environment by exercising prudent cost, inventory and cash management. We are cautiously optimistic that our new material business will be able to contribute positively to our performance in FY2015 and generate value for our shareholders.

IN APPRECIATION

Before closing this address, I would like to thank Mr Ong Kian Guan, who retired as Independent Director and Chairman of the Audit Committee, for his contribution during his tenure of service. I would also like to thank Mr Neo Chee Beng, who has stepped down as the Executive Chairman, for his contributions to the Group. I wish them well in their future endeavors.

I would also like to extend a warm welcome to Mr Mak Tin Sang, our new Executive Director and Chief Executive Officer, Mr Huo Weisheng, our new Executive Director and Chief Operating Officer, and Mr Kwok Wei Woon, our new Independent Director onto the Board. Mr Mak's extensive finance, management and business development experience will equip him well to take Asia Fashion forward. With the support of Mr Huo, the founder of the new material business, and under the guidance of Mr Kwok, our strengthened team is poised to transform Asia Fashion dynamically.

Last but not least, we wish to thank all our shareholders, partners, employees, and customers who have provided us with their continuous support and trust. On course with our transformation, we look forward to working with all our stakeholders to chart a new era of growth.

Mr Yuan Limin
Non-Executive Chairman

FINANCIAL AND OPERATIONS REVIEW

FABRIC BUSINESS[1] OPERATED BY QIANFENG INTERNATIONAL LIMITED ("QIL") AND ITS SUBSIDIARIES (COLLECTIVELY AS "DISCONTINUED BUSINESS").

Annual sales from the discontinued business for the financial year ended 31 December 2014 ("FY2014") was RMB127.8 million, a decline of 17.8% year-on-year ("yoy") as compared to the financial year ended 31 December 2013 ("FY2013"). This was mainly due to the declining demand for QIL's fabric products as its end-customers are People's Republic of China ("China") sportwear manufacturers. These end-customers were disadvantaged due to overcapacity, weighed down by the sluggish demand from both domestic and overseas markets.

On the Group level, other operating income decreased 84.1% yoy to RMB1.9 million for FY2014 due to the absence of the write-back of provision for compensation to distributors which was recorded as RMB11.6 million for FY2013.

For FY2014, administrative expenses increased 41.7% yoy to RMB9.6 million mainly due to increase in legal and professional fees.

The finance costs comprised interests totaling RMB1.9 million for FY2014 which arose mainly from the issuance of 7% unsecured bonds of S$10 million provided by third party PRC investors.

Share of profit from associated company, Xuzhou Zhongwei New Board Co., Ltd ("Zhongwei"), was RMB27.4 million for FY2014, while the discontinued business achieved a net profit of RMB40,000.

NEW MATERIALS BUSINESS OPERATED BY ZHONGWEI, A WHOLLY OWNED COMPANY OF RICH CIRCLES ENTERPRISE LIMITED ("RC")[2], (COLLECTIVELY AS "NEW MATERIAL BUSINESS").

The New Material Business produces a main board which can then be further enhanced into other interior and exterior boards. The New Material Business' products can be streamlined into four categories as detailed below.

(a) Magnesium Multifunctional Board

Magnesium Multifunctional Board is the fundamental board or base material made from magnesium chloride prior to further processing to create different end-products.

With high integration capabilities that are not subjected to product deformities, this Magnesium Multifunctional Board can be easily nailed, sawed, drilled, and polished. Apart from being environmental friendly, this board is also waterproof, fireproof, soundproof and is applicable for a wide variety of usage including ceiling panels, wall panels, insulation board, fireproof board, and waterproof board. This base board can be either directly sold to customers or further processed for building and decorative purposes.

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1. The Fabric Business was disposed on 3 February 2015 following shareholders' approval on 2 February 2015.
2. Asia Fashion Holdings Limited acquired a 49% shareholding in Rich Circles Enterprise Limited on 12 June 2014

(b) Floor and grainy boards

Floor and grainy boards are produced by further processing of the Magnesium Multifunctional Board. These include geothermal-dedicated flooring and titanium flooring. Geothermal-dedicated flooring has characteristics such as environmental friendliness (consuming minimal energy and resources), outstanding fire, sound and water proofing qualities, high durability (being able to withstand wear, scratch and stain). Similarly, Titanium flooring also embodies the above characteristics. These boards' surfaces are processed to shield the board against wear, scratch, and stain. These products can be used as decorative panels for, inter alia, home, hotels, and office flooring.

(c) Decorative board

Decorative board is produced from Magnesium Multifunctional Boards by coating the surfaces with aluminium or magnesium compounds. Decorative boards processed with certain metals can be aesthetically enhanced with vein lines and grains resembling marble, granite or wood. Such decorative boards are also environmentally friendly, waterproof, fireproof, and resistant to deformation, wear, scratches, and stains. With different surface treatments, the decorative board can be widely used to create cabinets and other kinds of interior and exterior decorations.

(d) Aluminium products

Aluminium products are aluminium plates with various customized designs and colours incorporated using printing technology. These products are produced with transfer printing technology, which can allow the final product to look like natural materials such as marble and granite. Aluminium panels are fire-proof, heat-insulated, energy-saving, environmental-friendly amongst many other high-quality attributes. With a product life of up to 30 years, the alumimium products can also be widely used in energy efficient building facades and wall decorations. At the end of the product life cycle, the products are removed from buildings. Through separation and recycling processes, the aluminium can be re-used, thereby preserving resources and the environment. Products made with nano-glaze aluminium coating are eco-friendly, non-toxic and able to withstand light, scratches, corrosion, and extreme temperatures. Aluminium products can be either sold as finished goods or used with Magnesium Multifunctional Boards to produce decorative boards.

The Group's operating subsidiary, Xuzhou Zhongwei New Board Co,. Ltd ("Zhongwei") positively recorded sales amounting to RMB446.0 million for FY2014 since the Asia Fashion acquired the New Material Business on 12 June 2014. This will be the Group's core business moving forward[3].

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3. Asia Fashion Holdings Limited increased its shareholding in Rich Circles Enterprise Limited to 54.46% on 27 May 2015.

FINANCIAL AND
OPERATIONS REVIEW

REVIEW OF FINANCIAL POSITION

The following assets and liabilities for the discontinued business had been classified as assets held-for-sale for FY2014:

- Property, plant and equipment
- Land use rights
- Intangible assets
- Inventories
- Trade receivables
- Prepayment and other receivables
- Amount due from associated companies
- Trade payables
- Other payables and accruals
- Compensation payable
- Bank loans

Loan to associate company, RC, was RMB49.0 million which was in connection to the acquisition of a 49% stake in the company. This loan is repayable on 18 June 2016.

Other payables and accruals totaling RMB32.2 million were due to accrued operating expenses of RMB7.9 million, non-trade amount due to subsidiaries of RMB10.4 million, and provision for compensation to distributors and provision for minimum guaranteed royalty of RMB 13.9 million.

Bond payables comprise a 7% unsecured bond of S$10 million together with its interest thereon, provided by Li Yuhuan, an independent third party China investor[4].

REVIEW OF CASH FLOW

The net cash flow used in operating activities was RMB5.0 million for FY2014 (FY2013: RMB342.5 million), mainly due to changes in trade receivables.

The Group's cash outflow for investing activities, related mainly to loan of RMB49 million to RC, amounted to RMB50.7 million for FY2014 (FY2013: cash outflow of RMB0.5 million).

Cash inflow from financing activities of RMB49.8 million was primarily due to proceeds from the issuance of bond (FY2013: cash outflow of RMB25.7 million).

Cash and cash equivalents were RMB4.7 million for FY2014 (FY2013: cash and cash equivalents were RMB10.6 million).

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4. Pursuant to the announcement dated 9 June 2014, the Group entered into a bond subscription agreement with a third party subscriber for the issuance of S$10 million, 7% unsecured non-equity linked bonds, due 2016 (the "Bonds"). The subscriber had also on 9 June 2014 subscribed for the Bonds at the aggregate subscription price of S$10 million.

CORPORATE INFORMATION

DIRECTORS

Yuan Limin（原立民）
Non-Executive Chairman
(Re-designated from Non-Executive Director to Non-Executive Chairman on 22 May 2015)

Mak Tin Sang
Executive Director and Chief Executive Officer
(Appointed on 25 May 2015)

Huo Weisheng（霍伟生）
Executive Director and Chief Operating Officer
(Appointed on 25 May 2015 and 9 February 2015 respectively)

Kwok Wei Woon (Guo Weiwen)
Independent Director

Teo Kean Eek
Independent Director

AUDIT COMMITTEE

Kwok Wei Woon (Guo Weiwen) (Chairman)
Teo Kean Eek
Yuan Limin

NOMINATING COMMITTEE

Teo Kean Eek (Chairman)
Kwok Wei Woon (Guo Weiwen)
Yuan Limin

REMUNERATION COMMITTEE

Teo Kean Eek (Chairman)
Kwok Wei Woon (Guo Weiwen)
Yuan Limin

COMPANY SECRETARY

Ng Poh Khoon

REGISTERED OFFICE

Clarendon House, 2 Church Street
Hamilton HM 11, Bermuda

BERMUDA SHARE REGISTRAR

Appleby Management (Bermuda) Ltd
Canon's Court 22 Victoria Street
Hamilton HM12 Bermuda

SINGAPORE SHARE TRANSFER AGENT

M&C Services Private Limited
112 Robinson Road #05-01
Singapore 068902

PRINCIPAL BANKER

Shanghai Pudong Development Bank, Fuqing Branch
Oversea-Chinese Banking Corporation Limited

INDEPENDENT AUDITOR

Foo Kon Tan LLP
(formerly known as Foo Kon Tan Grant Thornton LLP)
Public Accountants and Chartered Accountants
47 Hill Street #05-01
Singapore Chinese Chamber of Commerce & Industry Building
Singapore 179365

PARTNER-IN-CHARGE

Chang Fook Kay
(Appointed with effect from financial year ended 31 December 2012)

BOARD OF **DIRECTORS**

MR YUAN LIMIN

Non-Executive Chairman

Mr Yuan Limin was appointed on 27 December 2013 as our Non-Executive Director and subsequently re-designated as our Non-Executive Chairman on 22 May 2015. He is a member of the Audit Committee, Nominating Committee and Remuneration Committee. Mr Yuan is currently a senior business analyst with American Etech Securities Inc., He has more than 30 years' experience in the capital, investment and financial analysis and handled more than 15 listing and fund raising projects in China. Prior to that from 1987 to 1998, he was the General Manager of CAD Company of Ministry of Aerospace. From 1982 to 1985, he was an analyst with the Beijing Government's Finance Office.

Mr Yuan graduated with a Bachelor Degree in Finance at the Beijing Institute of Technology.

MR MAK TIN SANG

Executive Director and Chief Executive Officer

Mr Mak Tin Sang was appointed on 25 May 2015 as our Executive Director and Chief Executive Officer. He is responsible for the Group's marketing, public relations, as well as formulating and implementing business strategies and development plans. Prior to that, Mr Mak was a consultant with Armarda Group Limited ("Armarda") before he joined Armarda as Chief Financial Officer in 2004 and was appointed as Executive Director on 10 June 2013. Prior to that, he was the Chief Financial Officer of the LottVision Limited between August 2001 and September 2003. Mr Mak also served as Group Chief Financial Officer and General Manager of UniVision Engineering Limited's operations in the PRC from October 1996 to July 2001. Mr Mak holds a Master's Degree in Business Administration from the University of Sheffield, UK. He is also a fellow of the United Kingdom Chartered Association of Certified Accountants.

MR HUO WEISHENG

Executive Director and Chief Operating Officer

Mr Huo was appointed as the Chief Operating Officer and Executive Director on 9 February 2015 and 25 May 2015 respectively. He has 15 years' experience in the building materials industry and he is responsible for the day-to-day operations of Xuzhou Zhongwei New Board Co., Ltd (formerly known as Xuzhou Zhongsen Tonghao New Board Co., Ltd). Since 2007, he has been the General Manager of Xuzhou Zhongwei New Board Co., Ltd. From 1999 to 2007, Mr Huo was the General Manager of Zhongsen Tonghao (Beijing) Group Co., Ltd. He was the Deputy General Manager of Beijing Real Estate Co., Ltd, from 1996 to 1999 involving in sourcing of property development opportunities, concurrently he was the General Manager of Beijing Sen Wang Flooring Company Co., Ltd.

From 1987 to 1996, he was with the Loan department of the China Construction Bank, Beijing Miyun sub-branch.

Mr Huo graduated with a Bachelor Degree in Banking and Finance from the China University of Mining & Technology.

MR TEO KEAN EEK

Independent Director

Mr Teo Kean Eek was appointed on 27 December 2013 as our Independent Director and he is the Chairman of the Nominating Committee and Remuneration Committee and a member of the Audit Committee. From 2003 till present, Mr Teo is the founder and Managing Director of Agile Partners Pte Ltd, an advisory and investment firm which focuses on the expansion, public listing and M&A activities of Chinese enterprises as well as managing a team of financial traders specialized in various Index Futures in Shanghai since 2010. From 2000 to 2002, he was a Principal at Shanghai NewMargin Ventures, one of the top venture capital firms in China. Prior to Shanghai NewMargin Ventures, Mr Teo was with Strategic Alliance Capital Pte Ltd (Singapore), Household International Inc (USA) and Lattice Semiconductor Inc. (USA), involved in venture capital investment and strategic planning.

Mr Teo was the Independent Director of Pharmesis International Limited, a company listed on Main Board of SGX-ST and Non-Executive Director of Bluestar Secutech Inc., Sinosoft Technology Limited and Jiasen International Limited, all listed on AIM, UK.

Mr Teo is a Chartered Financial Analyst (CFA) since 2000. Mr Teo graduated with a Master Degree in Engineering Economics System from Stanford University and a Bachelor Degree in Electrical Engineering from Arizona State University.

MR KWOK WEI WOON (GUO WEIWEN)

Independent Director

Mr Kwok Wei Woon was appointed on 27 March 2014 as our Independent Director and he is the Chairman of the Audit Committee and a member of the Nominating Committee and Remuneration Committee.

Mr Kwok is currently the Deputy General Manager, Product Strategy with Professional Investment Advisory Services Pte Ltd ("PIAS"), one of the largest independent financial advisory firm in Singapore that is a subsidiary of Aviva Insurance. He has more than 16 years' experience in the financial services industry and has held senior roles with global financial institutions like Standard Life; JP Morgan Private Wealth Management; UBS AG and Standard Chartered.

Mr Kwok is also currently the Independent Director of Chiwayland International Limited and ISR Capital Limited, both of which are listed on the Mainboard of Singapore Exchange Securities Trading Limited ("SGX-ST").

Apart from his professional roles, he is active in non-profit organisations. He is currently the President of the Financial Planning Association of Singapore (FPAS) and Audit Committee Chairman for Singapore Gymnastics.

Mr Kwok graduated with a Bachelor Degree in Commerce (majoring in Accounting and Finance) and a Master Degree in Commerce, majoring in Advance Finance from the University of New South Wales. He is a Certified Financial Planner and a Certified Accountant with CPA Australia and also a member of Singapore Institute of Directors.

KEY MANAGEMENT

Mr Ng Poh Khoon
Chief Financial Officer ("CFO")

Mr Ng Poh Khoon joined the Group as Finance Director on 31 July 2013 and subsequently was re-designated as the Chief Financial Officer on 1 January 2014. He is responsible for the preparation of all our financial statements as well as reviewing and developing effective financial policies and control procedures of the Group. From November 2012 to June 2013, he was the IR Director of Youbisheng Green Paper AG, a Quanzhou based linerboard producer listed on Frankfurt Prime Standard. Prior to that from Jan 2012 to October 2012, he was heading the export division for Passion Group which is based in Longyan City, Fuijan Province, and is involved in design, production and sale of handicrafts, furniture and home furnishings. From November 2008 to December 2011, he was the CFO of Passion Holdings Limited, formerly a listed company quoted on the mainboard of SGX-ST.

From October 2004 to October 2008, Mr Ng was the CFO of the Sinoying Group of Companies, which is primarily engaged in the business of shipping and oil trading. He oversaw the financial, accounting and taxation matters of the group's operations in Singapore, the PRC and Hong Kong. He was also the Deputy Managing Director of Sinoying Logistics Pte. Ltd., the shipping arm of the Sinoying Group and assisted in its daily operations during the same period. Prior to that, Mr Ng had 11 years of experiences in various accounting firms, including KPMG Singapore.

He is currently the independent director and the Chairman of the Audit Committee of Lottvision Limited and Star Pharmaceutical Limited, both are listed on the mainboard of SGX-ST.

Mr Ng is a Chartered Accountant and a member of the Institute of Singapore Chartered Accountants and Singapore Institute of Directors. Mr Ng is also a fellow member of the Association of Chartered Certified Accountants, UK.

CORPORATE GOVERNANCE REPORT AND FINANCIAL CONTENTS

CORPORATE **GOVERNANCE**

The Board of Directors ("the Board") is committed to maintaining a high standard of corporate governance within the Company and its subsidiaries (the "Group"). The Board has adopted wherever feasible, the recommendations of the Code of Corporate Governance 2012 ("the Code") issued by the Council on Corporate Disclosure and Governance ("CCDG"). This report describes the Group's corporate governance practices with specific reference to each of the principles of the Code.

(A) BOARD MATTERS

Board's Conduct of its Affairs

Principle 1: Every company should be headed by an effective Board to lead and control the company. The Board is collectively responsible for the long term success of the company. The Board works with Management to achieve this objective and the Management remains accountable to the Board.

The Board is responsible for the overall performance of the Group. It sets the Company's values and standards and ensures that the necessary financial and human resources are in place for the Company to achieve its objectives.

The principal functions of the Board include the following:

1. Protecting and enhancing long-term value and return to its shareholders;

2. Establishing, reviewing and approving the board policies, strategies and financial objectives of the Group and monitoring the performance of Management;

3. Overseeing the process for evaluating the adequacy of internal controls, risk management, financial reporting and compliance;

4. Declaration of interim and final dividends, if applicable;

5. Approving the nomination of Board of Directors and appointment of key personnel;

6. Ensuring the Group's compliance with all relevant and applicable laws and regulations; and

7. Assuming responsibility for the corporate governance of the Group.

All Directors objectively discharge their duties and responsibilities at all times as fiduciaries and take decisions in the interests of the Company.

To assist the Board in the execution of its responsibilities, the Board is supported by three committees, namely the Audit Committee ("AC"), the Remuneration Committee ("RC") and the Nominating Committee ("NC") (collectively "Board Committees'). These Board Committees function within clearly defined terms of reference and they play an important role in ensuring good corporate governance in the Company and within the Group. These terms of reference are reviewed on a regular basis to ensure their continued relevance.

The Board meets at least four times a year. Ad-hoc meetings will be convened as and when warranted by particular circumstances between the scheduled meetings. The Company's Bye-Laws allow for participation in Board meetings via telephone and video conferencing.

The attendance of the Directors at the Board meetings and Board Committees meetings held for the financial year ended 31 December 2014 are as follows:

	Board		Audit Committee		Nominating Committee		Remuneration Committee	
Name of Director	**No. of Meetings held**	**No. of Meetings attended**	**No. of Meetings held**	**No. of Meetings attended**	**No. of Meetings held**	**No. of Meetings attended**	**No. of Meetings held**	**No. of Meetings attended**
Yuan Limin(1)	7	5	5	3	2	2	2	2
Kwok Wei Woon (Guo Weiwen)(2)	7	4	5	4	2	–	2	–
Teo Kean Eek	7	7	5	5	2	2	2	–
Mak Ting Sang(3)	–	–	–	–	–	–	–	–
Huo Weisheng(4)	–	–	–	–	–	–	–	–
Neo Chee Beng(5)	7	7	5	–	2	–	2	–
Lin Daoqin(6)	7	4	5	–	2	–	2	2
Ong Kian Guan(7)	7	3	5	1	2	2	2	2

Note:

(1) Mr. Yuan Limin had been re-designated from Non-Executive Director to Non-Executive Chairman on 22 May 2015

(2) Mr. Kwok Wei Woon (Guo Weiwen) was appointed as the Independent Director on 27 March 2014.

(3) Mr. Mak Ting Sang was appointed as the Executive Director and Chief Executive Officer ("CEO") on 25 May 2015

(4) Mr. Huo Weisheng was appointed as the Executive Director and Chief Operating Officer ("COO") on 25 May 2015 and 9 February 2015, respectively.

(5) Mr. Neo Chee Beng had resigned as the Executive Chairman on 22 May 2015.

(6) Mr. Lin Daoqin had resigned as the Executive Director and Chief Executive Officer on 30 May 2014.

(7) Mr. Ong Kian Guan had resigned as the Independent Director on 27 March 2014.

Matters which are specifically reserved for the Board's decisions include, in particular, interested person transactions, material acquisitions and disposal of assets, operating budgets and capital expenditure, corporate or financial restructuring, share issuances and declaration of dividends and other return to shareholders, and other transactions of a material price sensitive nature requiring announcement under the listing rules of the Singapore Exchange Securities Trading Limited ("SGX-ST"). The Board, based on the AC's recommendation, approves the quarterly and full year financial results for release to the SGX-ST.

Independent Directors and Non-Executive Directors are routinely briefed by the Executive Directors or Senior Managers at Board meetings or at separate sessions, and are provided with all necessary updates on regulatory and policy changes as well as developments affecting the Company and the Group. All Independent Directors and Non-Executive Directors may request for additional information from the Executive Directors, Management and/or the Company Secretary to familiarize them with the Group's business and have access to Executive Directors, Management and the Company Secretary.

The Directors are also updated regularly with changes to the SGX-ST listing rules, risk management, corporate governance, insider trading and the key changes in the relevant regulatory requirements and financial reporting standards and the relevant laws and regulations to facilitate effective discharge of their fiduciary duties. The Company has an orientation programme for all new Directors, and also for Directors to attend any appropriate training programme in order to discharge their duties as Directors.

New releases issued by the SGX-ST which are relevant to the Directors are circulated to the Board. The Directors are informed of upcoming conferences and seminars relevant to their roles as Directors of the Company. Annually, the external auditors update the AC and the Board on the new and revised financial reporting standards.

Any newly appointed Directors will be briefed by the Management on the business activities of the Group, governance policies, policies and disclosure of interests in securities, the rules relating to disclosure of any conflict of interest in a transaction involving the Company's operations, prohibitions in dealing in the Company's securities and restrictions on disclosure of price sensitive information and furnished with information and updates on the Group's corporate governance practices at the time of appointment as well as the latest updates in laws and regulations affecting the Group's business.

A formal letter of appointment would be furnished to every newly-appointed Director upon their appointment explaining, among other matters, their roles, obligations, duties and responsibilities as member of the Board.

Board Composition and Guidance

Principle 2: There should be a strong and independent element on the Board, which is able to exercise objective judgement on corporate affairs independently, in particular, from Management and 10% shareholders. No individual or small group of individuals should be allowed to dominate the Board's decision making.

Presently, the Board comprises of two Executive Directors, one Non-Executive Director and two Independent Directors:

Name of Directors	Board	AC	NC	RC
Yuan Limin	Non-Executive Chairman	Member	Member	Member
Mak Ting Sang(1)	Executive Director and CEO	–	–	–
Huo Weisheng(2)	Executive Director and COO	–	–	–
Kwok Wei Woon (Guo Weiwen)(3)	Independent Director	Chairman	Member	Member
Teo Kean Eek	Independent Director	Member	Chairman	Chairman

Note:

(1) Mr. Mak Ting Sang was appointed as the Executive Director and CEO on 25 May 2015

(2) Mr. Huo Weisheng was appointed as the Executive Director and COO on 25 May 2015 and 9 February 2015 respectively.

(3) Mr. Kwok Wei Woon (Guo Weiwen) was appointed as the Independent Director, Chairman of the AC and member of the NC and RC on 27 March 2014.

The independence of each Director is reviewed by the NC. The criteria for independence is determined based on the definition as provided in the Code and the independence of each Director is reviewed annually by the NC. The NC considers an Independent Director as one who has no relationship with the Company, its related corporations or its officers that could interfere or be reasonably perceived to interfere, with the exercise of the Director's independent business judgement with a view to the best interests of the Company.

The NC has reviewed the independence of each Independent Director and is of the view that these Directors are independent. There is no Independent Director who has served on the Board beyond nine years from the date of his first appointment.

The Board considers that the current Board size and number of Board Committees facilitate effective decision-making and are appropriate for the nature and scope of Company's operations.

As a Group, the Directors bring with them a broad range of expertise and experience in areas such as accounting, finance, business and management experience, industry knowledge, strategic planning experience and customer-based experience and knowledge. The diversity of the Directors' experience allows for the useful exchange of ideas and views.

The profile of the Directors is set out in the 'Board of Directors' section of this Annual Report.

The Independent Directors exercise no Management functions in the Group. The role of the Non-Executive Directors and Independent Directors is particularly important in ensuring that the strategies proposed by the Management are fully discussed and rigorously examined and reviewing the performance of the Management in meeting agreed goals and objectives and monitor the reporting of performance.

The Company co-ordinates informal meeting sessions for Independent Directors to meet on a need-basis without the presence of the Management to discuss matters such as the Group's financial performance, corporate governance initiatives, Board processes, succession planning as well as leadership development and the remuneration of the Executive Directors.

Chairman and Chief Executive Officer ("CEO")

Principle 3: There should be a clear division of responsibilities between the leadership of the Board and the executives responsible for managing the company's business. No one individual should represent a considerable concentration of power.

Mr. Neo Chee Beng and Mr. Lin Daoqin had resigned as the Executive Chairman and CEO of the Company on 22 May 2015 and 30 May 2014 respectively. Mr. Yuan Limin had been re-designated from Non-Executive Director to Non-Executive Chairman on 22 May 2015. The Executive Director and CEO, Mr. Mak Ting Sang who was appointed on 25 May 2015, is responsible for the overall business operations, overall management, strategic direction and ensuring that the organizational objectives are achieved and the day-to-day operations of the Group. He ensures effective and constructive relations within the Board and between the Board and the Management.

The responsibilities of the Chairman include:

1. Scheduling of meetings to enable the Board to perform its duties responsibly while not interfering with the flow of the Group's operations;

2. Ensuring that Directors receive accurate, timely and clear information, and ensuring effective communication with shareholders;

3. Ensuring the Group's compliance with the Code; and

4. Acting in the best interest of the Group and of the shareholders.

The Company Secretary may be called to assist the Chairman and CEO in any of the above.

Overall, the Board is responsible for overseeing the overall management and strategic development of the Group.

Board Membership

Principle 4: There should be a formal and transparent process for the appointment and re-appointment of directors to the Board.

The NC comprises of two Independent Directors and one Non-Executive Director as follows:

Nominating Committee

Mr. Teo Kean Eek (Chairman)
Mr. Kwok Wei Woon (Guo Weiwen)
Mr. Yuan Limin

Mr. Kwok Wei Woon (Guo Weiwen) was appointed as the Independent Director and member of the NC on 27 March 2014.

The NC's role is to establish a formal and transparent process for:

1. Reviewing and making recommendations to the Board on all candidates nominated for appointment to the Board of the Company;

2. Reviewing and recommending to the Board on a regular basis the Board structure, size and composition having regard to the scope and nature of the operations and the core competencies of the Directors as a group;

3. Determine annually the independence of a Director;

4. Review the ability of a Director to adequately carry out his duties as Director when he has multiple Board representations;

5. Recommend to the Board as to which Directors are to retire and to be put forward for re-election at each Annual General Meeting ("AGM"); and

6. Assess the effectiveness of the Board as a whole.

The NC is responsible for identifying and making recommendations to the Board on all nominations for new appointments and re-appointments to the Board and the Board Committees. It ascertains the independence of Directors and evaluates the Board's performance. In accordance with the Code, the NC has adopted a process for selection and appointment of new Directors. In selecting potential new Directors, the NC will seek to identify the competencies required to enable the Board to fulfil its responsibilities. Recommendations for new Board members are put to the Board for its consideration.

The curriculum vitae and other particulars/documents of the nominee or candidate will be given to the NC for consideration. The NC will evaluate the suitability of the nominee or candidate based on his qualifications, business and related experience, commitment, ability to contribute to the Board process and such qualities and attributes that may be required by the Board.

In accordance with the Company's Bye-Laws, each Director is required to retire at least once in every three years by rotation and all newly appointed Directors will have to retire at the next AGM following their appointments. The retiring Directors are eligible to offer themselves for re-election.

Each member of the NC shall abstain from voting on any resolutions in respect to his re-nomination as a Director.

For the financial year under review, the NC is of the view that the Independent Directors of the Company are independent (as defined in the Code) and are able to exercise judgment on the corporate affairs of the Group independent of the Management.

The NC has an internal guideline addressing competing time commitments that are faced when Directors serve on multiple boards. Despite some of the Directors having other Board representations, the NC is satisfied that these Directors are able to and have adequately carried out their duties as Directors of the Company. Currently, the Board has not determined the maximum number of listed Board representations which any Director may hold. The NC and the Board will review the requirement to determine the maximum number of listed Board representations as and when it deemed fits.

There is no alternate director being appointed to the Board.

Key information on Directors of the Company such as academic and professional qualifications, board committees served, directorships or chairmanships both present and past held over the preceding three years in other listed companies and other major appointments, whether the appointment is executive or non-executive can be found on page 25 of this Annual Report.

Board Performance

Principle 5: There should be a formal annual assessment of the effectiveness of the Board as a whole and its board committees and the contribution by each director to the effectiveness of the Board.

The NC has implemented a process for assessing the effectiveness of the Board as a whole. During the financial year, each Director was requested to complete evaluation forms to assess the overall effectiveness of the Board. The results of the evaluation exercise were considered by the NC which then makes recommendations to the Board aimed at helping the Board to discharge its duties more effectively. The NC focuses on a set of performance criteria which includes the evaluation of the size and composition of the Board, the Board's access to information, Board's processes and accountability, communication with Senior Management and Directors' standard of conduct in assessing the Board's performance as a whole.

The Board and the NC have endeavored to ensure that the Directors appointed to the Board possess the experience, knowledge and expertise critical to the Group's business.

Although the Directors are not evaluated individually, the factors taken into consideration with regards to the re-nomination of Directors for the current year are based on their attendance and contribution made at these meetings.

Access to Information

Principle 6: In order to fulfil their responsibilities, directors should be provided with complete, adequate and timely information prior to Board meetings and on an on-going basis so as to enable them to make informed decisions to discharge their duties and responsibilities

The Board has separate and independent access to the Group's Senior Management, the Company Secretary and the external auditors at all times. The Directors also have unrestricted access to the Company's records and information, all Board minutes and Board Committees minutes and Management reports so as to enable them to carry out their duties.

All Directors are provided with complete and adequate information prior to Board meetings and Board Committees meetings and on an ongoing basis. Board papers and Board Committees papers are prepared for each meeting and are disseminated to the members before the meetings. Board papers and Board Committees papers include financial, business and corporate matters of the Group so as to enable the Directors to be properly briefed on matters to be considered at the Board meetings and Board Committees meetings.

The Company Secretary or his representative administers, attends and prepares minutes of Board meetings and Board Committees meetings, and assists the Chairman of the Board and/or the AC, RC and NC in ensuring that proper procedures at such meetings are followed and reviewed so that the Board and the Board Committees function effectively. The appointment and removal of the Company Secretary will be subjected to the approval of the Board.

Should the Directors, whether as a group or individually, require independent professional advice in furtherance of their duties, the Directors may seek such advice and the costs will be borne by the Company.

(B) REMUNERATION MATTERS

Procedures for Developing Remuneration Policies

Principle 7: There should be a formal and transparent procedure for developing policy on executive remuneration and for fixing the remuneration packages of individual directors. No director should be involved in deciding his own remuneration.

The RC comprises of two Independent Directors and one Non-Executive Director as follows:

<u>Remuneration Committee</u>

Mr. Teo Kean Eek (Chairman)
Mr. Kwok Wei Woon (Guo Weiwen)
Mr. Yuan Limin

Mr. Kwok Wei Woon (Guo Weiwen) was appointed as the Independent Director and member of the RC on 27 March 2014.

The key duties of the RC are:

1. To review and submit its recommendations for endorsement by the entire Board, a framework of remuneration and the specific remuneration packages and terms of employment (where applicable) for each Director, the CEO (if CEO is not a Director), Senior Management and key executives;

2. To review and approve annually the total remuneration of the Directors and key executives; and

3. To review and submit its recommendations for endorsement by the entire Board, Share Option Schemes or any long term incentive schemes which may be set up from time to time and to do all acts necessary in connection therewith.

The annual review of the remuneration packages of all Directors are carried out by the RC to ensure that the remuneration of the Directors and key executives commensurate with their performance, giving due regard to the financial and commercial health and business needs of the Group.

Independent Directors are paid at fixed fees as Directors' fees. The recommendation on the Directors' fees are made in consultation with the Chairman of the Board and submitted for endorsement by the entire Board and is subject to shareholders' approval at the AGM.

No Director is involved in deciding his own remuneration.

The RC has access to seek other independent professional advice externally or within the Company with regard to remuneration matters where deem necessary. The expenses of such services shall be borne by the Company.

In reviewing the service agreements of the Executive Directors and key management personnel of the Company, the RC will review the Company's obligations arising in the event of termination of these service agreements, to ensure that such service agreements contain fair and reasonable termination clauses which are not overly generous. The RC aims to be fair and avoid rewarding poor performance.

Level and Mix of Remuneration

Principle 8: The level and structure of remuneration should be aligned with the long-term interest and risk policies of the company, and should be appropriate to attract, retain and motivate (a) the directors to provide good stewardship of the company, and (b) key management personnel to successfully manage the company. However, companies should avoid paying more than is necessary for this purpose.

The Executive Director and key Senior Management remuneration packages are based on service agreements and their remuneration is determined by having regard to the performance of the individuals, the Group and industry benchmarks. The remuneration package for the Executive Director and key Senior Management staff are made up of both fixed and variable components. The variable component is determined based on the performance of the individual employee as well as the Group's performance.

The Executive Director, Mr. Lin Daoqin had a service agreement for an initial term of 3 years commencing from 27 August 2008. The service agreement can be terminated by either party giving not less than six (6) months' notice in writing to the other. The Company had renewed the service agreement with Mr. Lin Daoqin for a further period of 3 years commencing from 27 August 2011. During the financial year, Mr. Lin Daoqin had resigned as the Executive Director and Chief Executive Officer on 30 May 2014.

The Executive Chairman, Mr. Neo Chee Beng had a service agreement ("Agreement") for an initial period of two years from 27 December 2013 and shall be automatically renewed annually for such annual period thereafter unless otherwise agreed in writing between the Company and the Executive Chairman or terminated in accordance with the Agreement. Mr. Neo Chee Beng had resigned as the Executive Chairman on 22 May 2015.

The Executive Director and CEO, Mr. Mak Ting Sang, who was appointed on 25 May 2015, had a service agreement for an initial term of 2 years commencing from 25 May 2015. The service agreement can be terminated by either party giving not less than six (6) months' notice in writing to the other.

The Executive Director and COO, Mr. Huo Weisheng, appointed on 9 February 2015 as the COO and Executive Director on 25 May 2015 had a service agreement for an initial term of 2 years commencing from 9 February 2015. The service agreement can be terminated by either party giving not less than six (6) months' notice in writing to the other.

The Company does not have any employee share option scheme or any long-term incentive scheme in place.

Independent Directors are paid Directors' fees of an agreed amount based on their contributions, taking into account factors such as effort and time spent, and the respective responsibilities of the Directors. Directors' fees are recommended by the Board for shareholders' approval at the Company's AGM.

The Company does not use contractual provisions to allow the Company to reclaim incentive components of remuneration from Executive Directors and key management personnel in exceptional circumstances of misstatement of financial results, or of misconduct resulting in financial loss to the Company. The Executive Directors owe a fiduciary duty to the Company. The Company should be able to avail itself to remedies against the Executive Directors in the event of such breach of fiduciary duties.

Disclosure of remuneration

Principle 9: Every company should provide clear disclosure of its remuneration policy, level and mix of remuneration, and the procedure for setting remuneration in the Company's annual report. It should provide disclosure in relation to its remuneration policies to enable investors to understand the link between remuneration paid to Directors and key management personnel, and performance.

(a) Breakdown of each individual Director's remuneration, in percentage terms showing the level and mix for the financial year ended 31 December 2014 is as follows:

Directors	Salary	Fee	Bonus	Other Benefits	Total
Neo Chee Beng[(1)]	RMB948,600	–	–	–	RMB948,600
Mak Ting Sang[(2)])	–	–	–	–	–
Huo Weisheng[(3)]	–	–	–	–	–
Lin Daoqin[(4)]	–	–	–	–	–
Yuan Limin	–	–	–	–	–
Kwok Wei Woon (Guo Weiwen)[(5)]	–	S$50,000	–	–	S$50,000
Teo Kean Eek	–	S$50,000	–	–	S$50,000
Ong Kian Guan[(6)]	–	S$12,500	–	–	S$12,500

Note:

(1) Mr. Neo Chee Beng had resigned as Executive Chairman on 22 May 2015.

(2) Mr. Mak Ting Sang was appointed as the Executive Director and Chief Executive Officer on 25 May 2015.

(3) Mr. Huo Weisheng was appointed as the Executive Director and Chief Operating Officer on 25 May 2015 and 9 February 2015, respectively.

(4) Mr. Lin Daoqin had resigned as the Executive Director and Chief Executive Officer on 30 May 2014.

(5) Mr. Kwok Wei Woon (Guo Weiwen) was appointed as the Independent Director on 27 March 2014.

(6) Mr. Ong Kian Guan had resigned as the Independent Director on 27 March 2014.

(b) The remuneration paid to the key management personnel (who are not the Directors) for the financial year ended 31 December 2014 are as follows:

Key Management Personnel	Salary (RMB)	Bonus (RMB)	Other Benefits (RMB)	Total (RMB)
Ng Poh Khoon	948,600	–	–	948,600
Huo Weisheng[(1)]	210,000	–	–	210,000
Su Chi-Ho[(2)]	60,000	–	–	60,000

Note:

(1) Mr. Huo Weisheng was appointed as the General Manager of our principle operating unit, Xuzhou Zhongwei New Board Co., Ltd (formerly known as Xuzhou Zhongsen Tonghao New Board Co., Ltd) on 1 July 2014.

(2) Mr. Su Chi-Ho was appointed as the General Manager of the Fabrics business unit prior to our disposal of the Fabrics business completed on 3 February 2015.

The aggregate amount of the total remuneration paid (including benefit) to the key management personnel for the financial year ended 31 December 2014 was RMB1,296,000.

Immediate Family Members of Directors

There is no employee of the Group who is an immediate family member of a Director or substantial shareholder and whose remuneration exceeds S$50,000 during the year.

The Company has no share-based compensation scheme or any long-term scheme involving the offer of shares or options in place.

(C) ACCOUNTABILITY AND AUDIT

Accountability

Principle 10: The Board should present a balanced and understandable assessment of the company's performance, position and prospects.

The Board is accountable to shareholders for the Management of the Group. The Board updates shareholders with a detailed and balanced explanation and analysis of the Company's performance, position and prospects on a quarterly basis when it releases its results announcements as well as timely announcements of other matters as prescribed by the relevant rules and regulations.

In line with the SGX-ST Listing Rules, the Board provides a negative assurance statement to the shareholders in respect of the interim financial statements. For the financial year under review, the CEO and the Chief Financial Officer have provided assurance to the Board on the integrity of the Group's financial statements. The Board would take adequate steps to ensure the compliance with the legislative and regulatory requirements and establishing written policies where appropriate.

The Management is accountable to the Board by providing the Board with the necessary financial information, detailed management accounts of the Group's performance, position and prospects on a quarterly basis for the discharge of its duties.

RISK MANAGEMENT AND INTERNAL CONTROLS

Principle 11: The Board is responsible for the governance of risk. The Board should ensure that the Management maintains a sound system of risk management and internal controls to safeguard the shareholders' interests and the company's assets, and should determine the nature and extent of the significant risks which the Board is willing to take in achieving its strategic objectives.

The Board is responsible for the overall internal control framework, but acknowledges that no cost-effective internal control system will preclude all errors and irregularities. The system is designed to manage rather than eliminate the risk of failure to achieve business objectives, and can provide only reasonable and not absolute assurance against material misstatement or loss. The internal controls in place will address the financial, operational and compliance risks and the objectives of these controls are to provide reasonable assurance that there are no material financial misstatements or material loss, there are maintenance of proper accounting records, financial information are reliable and assets are safeguarded.

As the Company does not have a risk management committee, the Management assume the responsibility of the risk management function. The Management is responsible for designing, implementing and monitoring the risk management system within the Company. The Management regularly reviews the Company's business and operational activities to identify areas of significant risks as well as take appropriate measures to control and mitigate these risks. The Management highlights any significant matters to the Board and the AC for their deliberation.

Based on the discussion with and the reports submitted by the external auditors and internal auditors, the discussion with the Management, the Board, with the concurrence of the AC is of the opinion that, the system of internal controls addressing financial, operational, compliance and information technology risks as well as risk management system maintained by the Company that are in place throughout the financial year ended 31 December 2014 are adequate, but warrants further adjustments and improvements. The system provides reasonable, but not absolute, assurance against material financial misstatements or loss, and includes the safeguarding of assets, the maintenance of proper accounting records, the reliability of financial information, compliance with appropriate legislation, regulations and best practices, and the identification and containment of financial, business and compliance risks.

The Board have received and considered the representation letter from the Executive Chairman and the Chief Financial Officer in relation to the financial information for the year. The Executive Chairman and the Chief Financial Officer have assured the Board that:

(a) The financial records have been properly maintained and the financial statements for the financial year ended 31 December 2014 give a true and fair view in all material respects, of the Company's operations and finances; and

(b) The Group's internal controls and risk management systems are operating effectively in all material respects given its current business environment.

Audit Committee

Principle 12: The Board should establish an Audit Committee with written terms of reference which clearly set out its authority and duties.

The AC comprises entirely Non-Executive Directors, the majority of whom, including the Chairman, are Independent Directors. The AC members are as follows:

Audit Committee

Mr. Kwok Wei Woon (Guo Weiwen) (Chairman)
Mr. Teo Kean Eek
Mr. Yuan Limin

Mr. Kwok Wei Woon (Guo Weiwen) was appointed as the Independent Director and member of the AC on 27 March 2014.

The AC meets at least four times a year and as and when deemed appropriate to carry out its functions.

The AC has written terms of reference, setting out their duties and responsibilities, which include the following:

- monitor the integrity of the financial information provided by the Company;

- assess, and challenge, where necessary, the correctness, completeness, and consistency of financial information (including interim reports) before submittal to the Board for approval or made public;

- review any formal announcements relating to the Company's financial performance;

- discuss problems and concerns, if any, arising from the interim audits and final audits, in consultation with the external auditors and the internal auditors where necessary;

- assess the adequacy and effectiveness of the internal control (including financial, operational, compliance, information technology controls and risk management) systems established by Management to identify, assess, manage, and disclose financial and non-financial risks (including those relating to compliances with existing legislation and regulation) at least once a year in compliance with Guideline 12.4 of the Code;

- review and ensure that the assurance has been received from the CEO (or equivalent) and the Chief Financial Officer (or equivalent) in relation to the interim / financial unaudited financial statement.

- review Management's and the internal auditors' reports on the effectiveness of the systems for internal control, financial reporting and risk management;

- monitor and assess the role and effectiveness of the internal audit function in the overall context of the Company's risk management system;

- in connection with the terms of engagement to the external auditors, to make recommendations to the Board on the selection, appointment, reappointment, and resignation of the external auditors based upon a thorough assessment of the external auditors' functioning, and approve the remuneration and Terms of Engagement of the external auditors;

- monitor and assess the external auditors' independence and keep the nature and extent of non-audit services provided by the external auditors under review to ensure the external auditors' independence or objectivity are not impaired;

- assess, at the end of the audit cycle, the effectiveness of the audit process; and

- review interested person transactions to consider whether they are on normal commercial terms and are not prejudicial to the interests of the Company or its minority shareholders; and

- review the Company's procedures for detecting fraud and whistle-blowing, and ensure that arrangements are in place by which staff may, in confidence, raise concerns about possible improprieties in matters of financial reporting, financial control, or any other matters.

The Board is of the view that the AC members have the relevant expertise to discharge the functions of an AC. Reasonable resources have been made available to the AC to enable them to discharge their duties.

Apart from the duties listed above, the AC is given the task of commissioning investigations into matters where there is suspected fraud or irregularity, or failure of internal controls or infringement of any law, rule or regulation which has or is likely to have a material impact on the Company's operating results or financial position, and to review its findings. The AC has full access to and co-operation of the Management, and has full discretion to invite any Director or Executive Officer to attend its meetings. It also has reasonable adequate resources to enable it to discharge its functions.

The AC had recommended to the Board that Messrs Foo Kon Tan LLP be nominated for re-appointment as external auditors at the forthcoming AGM of the Company. The Company confirmed that Rule 712, Rule 715 and Rule 716 of the Listing Manual of the SGX-ST had been complied with.

Annually, the AC meets with the external auditors without the presence of the Management and had established that the external auditors have had the full co-operation of the Management in carrying out the audit and conducts a review of all the non-audit services provided by the external auditors and is satisfied that the nature and extent of such services will not prejudice the independence and objectivity of the external auditors. Fee paid or payable by the Company to the external auditors for audit services for the financial year ended 31 December 2014 amounted to S$250,000. For the financial year ended 31 December 2014, there were no non-audit fees paid to the external auditors.

The Company has put in place a Whistle-Blowing Policy, endorsed by the AC where employees of the Company may, in confidence, raise concerns about possible corporate improprieties in matters of financial reporting or other matters and to ensure that arrangements are in place for the independent investigations of such matters and for appropriate follow up actions. As of to-date, there were no reports received through the whistle-blowing mechanism.

The AC is kept updated annually or from time to time on any changes to the accounting and financial reporting standards by the external auditors, No former partner or director of the Company's existing auditing firm has acted as a member of the AC.

Internal Audit

Principle 13: The Company should establish an effective internal audit function that is adequately resourced and independent of the activities it audits.

The Board recognises the importance of the internal audit function. The Company outsources its internal audit function to HLP Atrede LLP. The Company had also engaged PricewaterhouseCoopers LLP to review the cash and bank balances of the Group's Fabrics business units for enhancing its corporate governance.

The roles of the internal auditors are to:

(a) assess the effectiveness of the key internal controls, including financial, operational, compliance and information technology controls and risk management on an on-going basis;

(b) identify and recommend improvement to internal control procedures, where required; and

(c) Non-compliance and internal control weaknesses noted during internal audits and the recommendations thereof are reported to the AC.

The internal auditors report directly to the AC on internal audit matters and may request from it the necessary resources to adequately perform its functions. The internal auditors have unfettered access to all the Company's documents, records, properties and personnel, including access to the AC.

The AC is satisfied that the internal audit function is adequately resourced to perform its function effectively and is staffed by suitable qualified and experienced professionals with the relevant experience.

The AC approves the appointment, removal, evaluation and compensation of the internal auditor. The internal auditor carried out their works and is guided by the International Standard for the Professional Practice of Internal Auditing laid down in the International Professional Practices Framework issued by the Institute of Internal Auditors Singapore.

The AC would annually review the adequacy and effectiveness of the internal audit function of the Company.

SHAREHOLDER RIGHTS AND RESPONSIBILITES

Shareholder Rights

Principle 14: Companies should treat all shareholders fairly and equitably, and should recognize, protect and facilitate the exercise of shareholder's rights and continually review and update such governance agreements.

The Company does not practice selective disclosure. In line with the continuous obligations of the Company under the Listing Manual of the SGX-ST and the Bermuda Companies Act 1981, the Board's policy is that all shareholders should equally and on a timely basis be informed of all major developments that impact the Group.

All shareholders of the Company receive the annual report and notice of AGM. All shareholders are entitled to attend the general meetings. At general meetings, the shareholders are given the opportunity to voice their views and ask the Directors or the Management questions regarding the Company's affairs. If any shareholder is unable to attend, he/she is allowed to appoint up to two proxies to vote on his/her behalf at the meeting through proxy forms sent in advance.

The Company's current Bye-Laws does not include the nominee or custodial services to appoint more than two proxies.

(D) COMMUNICATION WITH SHAREHOLDERS

Principle 15: Companies should actively engage their shareholders and put in place an investor relations policy to promote regular, effective and fair communication with shareholders.

The Company believes in high standards of transparent corporate disclosure, where there is inadvertent disclosure made to a selected group, the Company will make the same disclosure publicly to all others as soon as practicable. Communication is made through:-

- annual reports that are prepared and sent to all shareholders. The Board ensures that the annual report includes all relevant information about the Company and the Group, including future developments and other disclosures as prescribed by the Companies Act, Chapter 50 and Singapore Financial Reporting Standards

- quarterly announcements containing a summary of the financial information and affairs of the Group for that period; and

- notices of explanatory memoranda for AGMs and Extraordinary General Meetings (the "EGM"). The notice of AGMs and EGMs are also advertised in a national newspaper.

The Company does not practice selective disclosure. Price sensitive information is first publicly released through SGXNet, either before the Company meets with any investors or analysts. All shareholders of the Company will receive the annual report with notice of AGM by post and published in the newspapers within the mandatory period.

The Group does not have a formal dividend policy at present. The form, frequency and amount of dividends declared each year will take into consideration the Group's profit growth, cash position, positive cash flow generated from operations, projected capital requirements for business growth and other factors as the Board may deem appropriate.

CONDUCT OF SHAREHOLDER MEETINGS

Principle 16: Companies should encourage greater shareholder participation at general meeting of shareholders, and allow shareholders the opportunity to communicate their views on various matters affecting the company.

The shareholders are encouraged to attend the Company's general meetings to ensure a high level of accountability and to stay informed of the Group's strategies and growth plans. Notice of the general meeting is dispatched to shareholders, together with explanatory notes or a circular on items of special businesses (if necessary), at least 14 clear calendar days before the meeting. The Board welcomes questions from shareholders who wish to raise issues, either informally or formally before or during the general meetings.

Each item of special business included in the notice of the general meetings will be accompanied by explanation of the effects of a proposed resolution. Separate resolutions are proposed for each substantially separate issue at general meetings.

The Chairman of the AC, NC and RC are normally present and available to address questions relating to the work of their respective Board Committees at general meetings. Furthermore, the external auditors are present to assist our Board in addressing any relevant queries by our shareholders.

The Company will make available minutes of general meetings to shareholders upon their request.

The Company acknowledges that voting by poll in all its general meeting is integral in the enhancement of corporate governance. Currently, the Company has yet to implement poll voting in all its general meetings in view of higher costs involved in polling. Nonetheless, the Company shall adhere to the requirements of the Code where all resolutions are to be voted by poll for general meetings held on or after 1 August 2015.

(E) DEALING IN COMPANY'S SECURITIES

The Company has adopted an internal compliance code pursuant to the SGX-ST's best practices on dealing in securities and there are applicable to all its officers in relation to their dealings in the Company's securities. The Company and its officers are not allowed to deal in the Company's shares during the period commencing two weeks before the announcement of Company's quarterly results and one month before the announcement of the Company's full year results, and ending on the date of announcement of the relevant results. In addition, the Directors and officers are expected to observe insider-trading laws at all times even when dealing in securities within the permitted trading period or when they are in possession of unpublished price-sensitive information of the Company.

The Company's internal compliance code pursuant to the SGX-ST's best practices on dealing in securities states that officers should not deal in the Company's securities on short-term considerations.

The Group has complied with the Best Practices on dealing in the Company's securities issued by the SGX-ST.

(F) MATERIAL CONTRACTS

Saved for the service agreements entered with the Executive Directors as abovementioned, there were no material contracts entered into by the Company or any of its subsidiaries involving the interest of the CEO, any Director or controlling shareholder at the end of the financial year ended 31 December 2014.

(G) INTERESTED PERSON TRANSACTIONS

The Company has adopted an internal policy with regard to transactions with interested persons and has set out procedures for review and approval of the Company's interested person transactions. The Company also ensures that all transactions with interested persons are reported on a timely manner to the AC, if any and that the transactions are carried out on a normal commercial terms and will not be prejudicial to the interests of the Company and its minority shareholders. Mr. Lin Daoqin has provided personal guarantees to Shanghai Pudong Development Bank, Fuqing Branch in respect of some banking facilities granted to the Company. Saved as the aforesaid, there were no interested person transactions which require disclosure pursuant to the rules under the Listing Manual of the SGX-ST.

Name of Director	Academic / Professional Qualifications	Board Appointment Executive/ Non-executive	Board Committees as Chairman or Member	Directorship Date First Appointed	Date of Last Re-election	Directorships in other listed companies and other major appointments	Past directorships in other listed companies and other major appointments over the preceding 3 years
Yuan Limin	Bachelor Degree in Finance from Beijing Institute of Technology	Non-Executive Director	Board Member, Member of the AC, NC and RC	27 December 2013	30 May 2014	Nil	Nil
Mak Tin Sang	Master's Degree in Business Administration from University of Sheffield, UK. Fellow of the United Kingdom Chartered Association of Certified Accountants	Executive Director and CEO	Board Member	25 May 2015	–	Nil	• Armarda Group Limited
Huo Weisheng	Bachelor Degree in Banking and Finance from the China University of Mining & Technology	Executive Director and COO	Board Member	25 May 2015	–	Nil	Nil
Kwok Wei Woon (Guo Weiwen)	Master of Commerce Degree (majoring in Advance Finance) and a Bachelor of Commerce Degree (majoring in Accounting and Finance) from University of New South Wales. He is also a Certified Financial Planner (CFP) and a certified accountant with CPA Australia as well as a member with Singapore Institute of Directors.	Independent Director	Board Member, Chairman of the AC and Member of the NC and RC	27 March 2014	30 May 2014	• ISR Capital Ltd • Chiwayland International Limited	Nil
Teo Kean Eek	Master of Science in Engineering Economic Systems from Stanford University, Bachelor of Science in Electrical Engineering from Arizona State University and Charter Financial Analyst (CFA) since year 2000	Independent Director	Board Member, Chairman of the NC and RC and Member of the AC	27 December 2013	30 May 2014	• Agile Partners (BVI) Ltd • Tianjin Wealth Venture Management Limited	• Pharmesis International Ltd • Agile Partners (Hong Kong) Limited • Sinosoft Technology Plc • Beijing GaiNianFong Li Movie Private Limited • BlueStar Secutech, Inc • Jiasen International Limited

DIRECTORS' **REPORT**

The Directors submit this annual report to the members together with the audited consolidated financial statements of the Group and the statement of financial position of the Company for the financial year ended 31 December 2014.

Names of Directors

The Directors of the Company in office at the date of this report are:

Yuan Limin (原立民) - Non-Executive Chairman (Re-designated from Non-Executive Director to Non-Executive Chairman on 22 May 2015)
Mak Tin Sang - Executive Director and Chief Executive Officer (Appointed on 25 May 2015)
Huo Weisheng (霍伟生) - Executive Director and Chief Operating Officer (Appointed on 25 May 2015 and 9 February 2015 respectively)
Kwok Wei Woon - Independent Director (Appointed on 27 March 2014)
Teo Kean Eek - Independent Director (Appointed on 27 December 2013)
Neo Chee Beng - Executive Chairman (Resigned on 22 May 2015)
Lin Daoqin (林道钦) - Executive Director and Chief Executive Officer (Resigned on 30 May 2014)

Arrangements to enable Directors to acquire shares or debentures

During or at the end of the financial year, neither the Company nor any of its subsidiaries was a party to any arrangement of which the objects was to enable the Directors of the Company to acquire benefits through the acquisition of shares in or debentures of the Company or of any other corporate body, other than as disclosed in this report.

Directors' interest in shares or debentures

According to the Register of Directors' Shareholdings kept by the Company, particulars of interests of directors who held office at the end of the financial year (including those of their spouses and infant children) in shares in the Company and in related corporations are as follows:

	Holdings registered in the name of director		Holdings in which director is deemed to have an interest	
Asia Fashion Holdings Limited The Company	As at 1.1.2014 or date of appointment, if later	**As at 31.12.2014 and 21.1.2015**	As at 1.1.2014 or date of appointment, if later	**As at 31.12.2014 and 21.1.2015**
		Number of shares of US$0.005 each		
Lin Daoqin[(1)(2)]	14,400,000	–	258,809,913	–
Yuan Limin[(3)]	–	–	–	159,152,765
Qian Feng Group Limited				
The ultimate holding company		Number of shares of US$1.00 each		
Lin Daoqin	6,000	–	–	–

(1) Mr. Lin Daoqin is deemed to be interested in the shares held by Qian Feng Group Limited ("Qian Feng Group") (see Note (2) below) and the shares held by his spouse, Mdm Lin Xiujin.

(2) Mr. Lin Daoqin is deemed to be interested in 244,409,913 ordinary shares in the Company held by Qian Feng Group. Qian Feng Group is a company which is owned by Mr. Lin Daoqin (60%).

(3) Mr. Yuan Limin is deemed to be interested in 159,152,765 ordinary shares held by Yong Tai Investment Company Limited ("Yong Tai"). Yong Tai is a company which is owned by Mr. Yuan Limin (100%).

Directors' benefits

Except as disclosed in Note 24 to the financial statement, since the end of the last financial year, no Director has received or become entitled to receive a benefit by reason of a contract made by the Company and/or its related corporations with the Director, or with a firm of which he is a member or with a company in which he has a substantial financial interest.

Share options

No options to take up unissued shares of the Company or its subsidiaries have been granted during the financial year.

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

There were no unissued shares of the Company or its subsidiary under options as at the end of the financial year.

Audit Committee

The Audit Committee ("AC") at the end of the financial year comprises the following members:

Kwok Wei Woon - Chairman
Teo Kean Eek
Yuan Limin

The AC performs its functions as set out in the Listing Manual of the Singapore Exchange Securities Trading Limited ("SGX-ST") and the Code of Corporate Governance 2012. In performing those functions, the committee reviewed the following:

(i) audit plans of the external auditors and internal auditors and the results of their respective examinations;

(ii) effectiveness of actions/policies taken by Management on the recommendations of the external auditors and internal auditors;

(iii) the quarterly financial information and the financial statements of the Group and the Company prior to consideration and approval of the Board; and

(iv) interested person transactions (as defined in Chapter 9 of the Listing Manual of the SGX-ST).

The AC has full access to Management and is given the resources required for it to discharge its functions. It has full authority and the discretion to invite any Director or executive officer to attend its meetings. The AC also recommends the appointment of the external auditor and reviews the level of audit and non-audit fees.

The AC is satisfied with the independence and objectivity of the external auditor and has recommended to the Board of Directors that the auditor, Foo Kon Tan LLP, be nominated for re-appointment as auditor at the forthcoming Annual General Meeting of the Company.

Independent auditor

The independent auditor, Foo Kon Tan LLP, Public Accountants and Chartered Accountants, has expressed its willingness to accept re-appointment.

Other information required by the SGX-ST

Material information

There are no material contract to which the Company or its subsidiaries, is a party which involve directors' interests subsisted or have been entered into during the financial year.

Interested person transactions

There was no interested person transactions as defined in Chapter 9 of SGX-ST Manual conducted during the financial year except as disclosed under "Interested Person Transactions" on "Corporate Governance".

On behalf of the Board of Directors

Yuan Limin

Mak Tin Sang

Dated: 8 June 2015

STATEMENT BY DIRECTORS

In the opinion of the Directors, the accompanying statements of financial position, consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows, together with the notes thereon, are drawn up so as to give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2014 and of the results of the business, changes in equity and cash flows of the Group for the financial year ended on that date in accordance with Singapore Financial Reporting Standards; and 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.

On behalf of the Board of Directors

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Yuan Limin

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Mak Tin Sang

Dated: 8 June 2015

REPORT

To the Member of Asia Fashion Holdings Limited

Report on the Financial Statements

We were engaged to audit the accompanying financial statements of Asia Fashion Holdings Limited (the "Company") and its subsidiaries (collectively the "Group"), as set out on pages 32 to 90, which comprise the statements of financial position of the Group and the Company as at 31 December 2014, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity, and consolidated statement of cash flows of the Group for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with 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 profit and loss accounts and balance sheets and to maintain accountability of assets.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on conducting the audit in accordance with Singapore Standards on Auditing. Because of the matters described in the Basis for Disclaimer of Opinion paragraph, we are not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

Basis for Disclaimer of Opinion

1. Opening balances

   The financial statements of the Group for the financial year ended 31 December 2013 had been qualified as the appropriateness of the compensation to customers by the Group could not be ascertained as stated in our auditor's report dated 30 April 2014. Consequently, we were also unable to determine if the opening balances of the Group are fairly stated. Any adjustment to opening balances would have consequential effects on the current year or prior year's figures and accordingly, our opinion on the financial statements of the Group for the financial year ended 31 December 2014 was qualified because of the possible effects of the matters discussed therein.

   The compensation to customers by the Group as mentioned in the preceding paragraph relates to the operations of Qianfeng International Limited which has been disposed of on 2 February 2015, as discussed in Note 28 to the financial statements.

2. Discontinued operations and disposal group classified as held-for-sale

   As mentioned in Note 28 to the financial statements, during the financial year, the Company entered into a sale and purchase agreement to sell its entire interest in its subsidiary, Qianfeng International Limited and its subsidiaries, Fujian Qianfeng Textile Technology Co. Ltd and Fujian Jiamei Textile Company Limited (collectively known as the "Disposal Group") for an aggregate consideration of S$2.4 million (approximately RMB 11 million) subject to shareholders approval. Subsequent to the year end, on 2 February 2015, the shareholders of the Company approved the sale. On 15 May 2015, the Company announced that the Group has recorded a loss of RMB 19.024 million on the disposal of the Disposal Group.

   Because the Company was initially denied access to the accounting and other records of the Disposal Group by its new owner, Chengde Industrial Co. Limited, and since the effective date of the said Disposal at 2 February 2015, we were unable to carry out procedures necessary to satisfy ourselves as to the validity and appropriateness of the carrying values of the assets and liabilities associated with the Disposal Group classified as held for sale as at 31 December 2014 and of the net results of the discontinued operations of the Disposal Group for the year ended on that date. In addition, the management recently understands from Chengde Industrial Co. Limited, that the books and records of certain entities in the Disposal Group have been retained by the PRC authorities for their review and examination, and accordingly such books and records were not made available for our audit. We were also unable to perform other alternative audit procedures to satisfy ourselves with respect to these said transactions and balances. As a result of the above, we were unable to determine the adjustments, if any, and or disclosures and presentations to be made to these financial statement.

3. <u>Disclosures, presentation, other matters and subsequent events</u>

   Because of the pervasive nature of the matters described above including the other matters concerning the going concerns of the Company and the Group, the completeness and appropriateness of other payables of the Company and the unverified transactions relating to the associated company group as discussed in Note 2(a) to the financial statements, we are not able to determine whether all the necessary financial statements adjustments, disclosure and presentation and all events up to the date of this report that may require adjustments of, or disclosures and presentations in the accompanying financial statements.

Disclaimer of Opinion

Because of the significance of the matters discussed in the Basis for Disclaimer of Opinion paragraph, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly, we do not express an opinion on the accompanying financial statements of the Group and the Company.

Foo Kon Tan LLP
Public Accountants and
Chartered Accountants

Singapore, 8 June 2015

STATEMENTS OF
FINANCIAL POSITION
As at 31 December 2014

		The Company			The Group		
	Note	**31 December 2014 RMB'000**	31 December 2013 RMB'000 (Restated)	1 January 2013 RMB'000	**31 December 2014 RMB'000**	31 December 2013 RMB'000 (Restated)	1 January 2013 RMB'000
ASSETS							
Non-Current Assets							
Intangible assets	4	**–**	–	–	**–**	–	–
Property, plant and equipment	5	**–**	–	–	**–**	47,176	55,018
Land use rights	6	**–**	–	–	**–**	7,831	8,013
Subsidiaries	7	**8**	3,259	214,063	**–**	–	–
Associates	8	**30**	–	–	**27,384**	–	–
Loan to associate company	8	**49,000**	–	–	**49,000**	–	–
Interest receivable	8	**1,851**	–	–	**1,851**	–	–
		50,889	3,259	214,063	**78,235**	55,007	63,031
Current Assets							
Inventories	9	**–**	–	–	**–**	12,041	15,874
Trade receivables	10	**–**	–	–	**–**	67,637	50,234
Prepayments and other receivables	11	**–**	–	–	**–**	3,707	3,101
Amount due from associated companies	8	**–**	–	–	**1,634**	–	–
Cash and cash equivalents	12	**131**	137	36	**182**	10,614	379,243
		131	137	36	**1,816**	93,999	448,452
Assets of disposal group classified as held for sale	28	**3,251**	–	–	**153,002**	–	–
		3,382	137	36	**154,818**	93,999	448,452
Total assets		**54,271**	3,396	214,099	**233,053**	149,006	511,483
EQUITY							
Share capital	13	**19,220**	19,220	192,203	**19,220**	19,220	192,203
Reserves	14	**(57,323)**	(47,633)	(14,652)	**(3,276)**	(20,979)	229,239
Total equity		**(38,103)**	(28,413)	177,551	**15,944**	(1,759)	421,442
Current Liabilities							
Trade payables	15	**–**	–	–	**–**	24,496	18,420
Accruals and other payables	16	**40,087**	29,100	36,548	**32,178**	25,885	33,856
Amount due to subsidiaries							
Compensation payables – current portion	17	**–**	–	–	**–**	17,400	–
Amount due to former director/ shareholder	18	**1,221**	2,709	–	**1,221**	2,709	–
Bank loans	19	**–**	–	–	**–**	7,766	35,387
Tax payable		**–**	–	–	**–**	1,182	–
		41,308	31,809	36,548	**33,399**	79,438	87,663
Liabilities directly associated with disposal group classified as held-for sale	28	**–**	–	–	**132,644**	–	–
		41,308	31,809	36,548	**166,043**	79,438	87,663
Non-Current Liabilities							
Compensation payables	17	**–**	–	–	**–**	69,730	–
Bond payable	20	**49,159**	–	–	**49,159**	–	–
Interest payable	20	**1,907**	–	–	**1,907**	–	–
Bank loans	19	**–**	–	–	**–**	1,597	2,378
		51,066	–	–	**51,066**	71,327	2,378
Total equity and liabilities		**54,271**	3,396	214,099	**233,053**	149,006	511,483

The annexed notes form an integral part of and should be read in conjunction with these financial statements.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended 31 December 2014

		The Group	
	Note	**31 December 2014 RMB'000**	31 December 2013 RMB'000 (Restated)
Continuing operations			
Revenue	3	**–**	–
Cost of sales		**–**	–
Gross results		**–**	–
Other operating income	3	**1,851**	11,648
Administrative expenses	21	**(9,635)**	(6,799)
(Loss)/profit from continuing operations		**(7,784)**	4,849
Finance costs	22	**(1,907)**	–
Share of profit from associated company, net of tax	8	**27,354**	–
Profit before tax from continuing operations		**17,663**	4,849
Taxation	25	**–**	–
Profit after taxation from continuing operations		**17,663**	4,849
Other comprehensive income, net of tax		**–**	–
Total comprehensive profit for the year ended from continuing operations		**17,663**	4,849
Discontinued operations			
Profit/(loss) from discontinued operation, net of tax	28	**40**	(428,050)
Total comprehensive profit/(loss) for the period/year		**17,703**	(423,201)
Total comprehensive profit/(loss) attributable to:			
Equity holders of the company			
- Profit from continuing operations, net of tax		**17,663**	4,849
- Profit/(loss) from discontinued operations, net of tax	28	**40**	(428,050)
		17,703	(423,201)
		fen	fen
Earnings per share			
Continuing operations			
- Basic	26	**3.22**	0.88
- Diluted	26	**3.22**	0.88
Earnings/(loss) per share			
Discontinued operations			
- Basic	26	**0.01**	(78.00)
- Diluted	26	**0.01**	(78.00)

The annexed notes form an integral part of and should be read in conjunction with these financial statements.

CONSOLIDATED STATEMENT OF
CHANGES IN EQUITY
Year ended 31 December 2014

The Group	Share capital (Note 13) RMB'000	Share premium (Note 14(a)) RMB'000	Capital reserve (Note 14(b)) RMB'000	Merger reserve (Note 14(c)) RMB'000	Statutory reserve (Note 14(d)) RMB'000	Share option reserve (Note 14(e)) RMB'000	Contributed reserve (Note 14(f)) RMB'000	Retained profits/ (Accumulated loss) RMB'000	Total equity RMB'000
Balance at 1 January 2013	192,203	65,466	4,230	(64,889)	45,303	1,224	–	177,905	421,442
Credit arising from the Capital Reorganization exercise undertaken by the Company (Note 12(d))	(172,983)	–	–	–	–	–	172,983	–	–
Loss and representing total comprehensive loss for the year (restated)	–	–	–	–	–	–	–	(423,201)	(423,201)
Balance at 31 December 2013	**19,220**	**65,466**	**4,230**	**(64,889)**	**45,303**	**1,224**	**172,983**	**(245,296)**	**(1,759)**
Employee share option scheme									
- Expired share option	**–**	**–**	**–**	**–**	**–**	**(1,224)**	**–**	**1,224**	**–**
Profit and representing total comprehensive profit for the year	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**17,703**	**17,703**
Balance at 31 December 2014	**19,220**	**65,466**	**4,230**	**(64,889)**	**45,303**	**–**	**172,983**	**(226,369)**	**15,944**

The annexed notes form an integral part of and should be read in conjunction with these financial statements.

	Note	The Group 2014 RMB'000	2013 RMB'000 (Restated)
Cash flows from operating activities			
Profit before taxation from continuing operations		**17,663**	4,849
Profit / (loss) from discontinued operations	28	**40**	(426,822)
Adjustments for:			
Depreciation of property, plant and equipment	5	**9,543**	8,327
Amortisation of land use rights	6	**182**	182
(Reversal of provision)/provision for compensation to distributors	15	**–**	(11,562)
Provision for minimum guaranteed royalty	15	**–**	–
Interest income		**(1,851)**	(1,088)
Interest expense		**1,907**	2,155
Share of profit of associated companies		**(27,354)**	–
Operating profit/(loss) before working capital changes		**130**	(423,959)
Changes in inventories		**998**	3,833
Changes in trade receivables		**(20,379)**	(17,447)
Changes in prepayments and other receivables		**(396)**	(562)
Liability for compensation payables (Note A)	15	**(16,415)**	87,130
Changes in trade payables		**17,528**	6,076
Changes in accruals and other payables		**14,706**	3,591
Cash used in from operations		**(3,828)**	(341,338)
Interest received		**–**	1,088
Interest paid		**–**	(2,155)
Income tax paid		**(1,182)**	(46)
Net cash used in from operating activities		**(5,010)**	(342,451)
Cash flows from investing activities			
Acquisition of property, plant and equipment	5	**–**	(485)
Acquisition of associated companies		**(30)**	–
Loan to associated company		**(49,000)**	–
Expense paid on behalf by associated companies		**(1,634)**	–
Net cash used in investing activities		**(50,664)**	(485)
Cash flows from financing activities			
Proceeds from bank loans		**8,403**	–
Repayment of bank loans		**(7,766)**	(28,402)
Amount due to a director/shareholder		**–**	2,709
Proceeds from issuance of bond		**49,159**	–
Net cash generated from/(used in) financing activities		**49,796**	(25,693)
Net decrease in cash and cash equivalents		**(5,878)**	(368,629)
Cash and cash equivalents at beginning of year		**10,614**	379,243
Cash and cash equivalents at end of year		**4,736**	10,614
Cash and cash equivalents comprise:			
Cash and bank balances:			
- Continuing operations	12	**182**	765
- Discontinued operations	28	**4,554**	9,849
		4,736	10,614

The annexed notes form an integral part of and should be read in conjunction with these financial statements.

Note A

The Group	2013 RMB'000
Liability for compensation expenses	424,580
Amounts paid	(300,000)
	124,580
Set-off against trade receivables	(37,450)
Compensation payable in consolidated statement of financial position as at 31 December 2013	87,130

The annexed notes form an integral part of and should be read in conjunction with these financial statements.

1 General information

The financial statements of Asia Fashion Holdings Limited (the "Company") and its subsidiaries (the "Group") for the year ended 31 December 2014 were authorised for issue in accordance with a resolution of the directors on the date of the Statement By Directors.

The Company (Registration No.41195) is incorporated as an exempt company with limited liability, in Bermuda and listed on the Singapore Exchange Securities Trading Limited ("SGX-ST").

The registered office of the Company is located at Claredon House 2 Church Street Hamilton HM 11 Bermuda. The principal place of business of the Group is located at Jimei Textile Park, Rongqiao Economic Technnology Development Zone, Fuqing City, Fujian Province 350301, the People's Republic of China ("PRC"). Following the disposal of the Qianfeng International Limited group of companies (see note 28), the principal place of business of the Group is Industry Developing District of East City, Pizhou City, Jiangsu Province, Xuzhou Zhongwei New Board Co., Ltd, Post code: 221300.

The principal activity of the Company is investment holding. The principal activities of the subsidiaries are set out in Note 7 to the financial statements.

2(a) Basis for Disclaimer of Opinion – Auditors' report

The other matters as described in paragraph 3 - Disclosures, presentation, other matters and subsequent events, in the Basis for Disclaimer of Opinion paragraph in the auditors' report are as follows which forms an integral part of the Auditors' report:

Going concern

At 31 December 2014, the Company had a deficit in shareholders' funds of approximately RMB 38.1 million, and the Group and the Company had net current liabilities of approximately RMB 31.6 million and RMB 41.2 million respectively.

These factors indicate the existence of a material uncertainty which may cast significant doubt about the Group's and the Company's ability to continue to operate as going concerns. The validity of the going concern assumption, on which these financial statements are prepared, depends on continued support from its lenders and shareholders and/or the availability of other means of financial support.

Subsequent to 31 December 2014, the Group has obtained funds from new share placements and convertible bonds amounting to S$8.938 million (approximately RMB 40.21 million). In addition, the Company and the Group has loaned RMB 12 million (S$2.66 million) to the associated company, Rich Circles Enterprise Limited, as additional working capital.

In preparing the financial statements, the directors have taken into account all information currently available to them in relation to these uncertainties. At the date of this report, the directors believe that there is no significant uncertainty that financial support will continue be available to the Group and the Company.

The financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts or the amounts and classification of liabilities that may be necessary if the Company and the Group are unable to continue as going concerns.

The Company

We have not been able to satisfy ourselves as to the completeness and appropriateness of the provision for compensation to distributors amounting to approximately RMB 8.6 million and provision for minimum guaranteed royalty amounting to approximately RMB 5.3 million as at 31 December 2014. In connection with the disposal of the Disposal Group, Mr. Lin Daoqin had made an undertaking to the Company to take up all future claims and liabilities associated with the Disposal Group including the above two liabilities which may arise subsequent to the disposal of the Disposal Group to Chengde Industrial Co., Limited on 2 February 2015. Notwithstanding this, we have been unable to obtain independent confirmations nor were we able to perform satisfactory alternative procedures to ascertain whether these balances were properly stated as at that date.

2(a) Basis for Disclaimer of Opinion – Auditors' report (Cont'd)

Unverified transactions – the associated company

During the course of our audit, we have not been able to gain access to sufficient documentation that will adequately support certain transactions recorded in the accounting books of the Company's and the Group's 49% interest in the associated company, Rich Circles Enterprise Limited, and its wholly-owned subsidiaries, China Construction Material (Hong Kong) Limited, Zhongchuang (Xuzhou) Construction Material Co., Ltd and of Xuzhou Zhongwei New Board Co., Ltd (formerly known as "Xuzhou Zhongsen Tonghao New Board Co., Ltd") (collectively known as the "Associated Company Group"). These transactions relate to the appropriateness of the share of results of the Associated Company Group by the Group and the goodwill arising from the acquisition of the entire interest of China Construction Material (Hong Kong) Limited (and its subsidiaries) by Rich Circles Enterprise Limited on 27 June 2014.

During the financial year, the Company had provided a loan of RMB 49 million to the associated company, Rich Circles Enterprise Limited, which is repayable on 18 June 2016. We have been unable to obtain sufficient evidence to ascertain the recoverability of this loan including the interest receivable of RMB1.851 million as at 31 December 2014. The financial statements do not include any adjustments that would be necessary if the amount are not recoverable.

2(b) Basis of preparation

The financial statements are prepared in accordance with Singapore Financial Reporting Standards ("FRS") including related Interpretations promulgated by the Accounting Standards Council ("ASC") of Singapore. The financial statements have been prepared under the historical cost convention except as disclosed in the accounting policies set out below.

The financial statements are presented in Renminbi (RMB) which is the Company's functional currency. All financial information presented in RMB has been rounded to the nearest thousand, unless otherwise stated.

Significant accounting estimates and judgements

The preparation of the financial statements in conformity with FRS requires the use of judgements, estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the financial year. Although these estimates are based on management's best knowledge of current events and actions, actual results may differ from those estimates.

The critical accounting estimates and assumptions used and area involving a high degree of judgement are described below.

Determination of functional currency

The Group measures foreign currency transactions in the respective functional currencies of the Company and its subsidiaries. In determining the functional currencies of the respective entities in the Group, judgement is required to determine the currency that mainly influences sales prices of goods and services and of the country whose competitive forces and regulations mainly determines the sales prices of its goods and services. The functional currencies of the entities in the Group are determined based on the local management's assessment of the economic environment in which the entities operate and the respective entities' process of determining sales prices.

Significant judgements in applying accounting policies

Income tax (Note 25)

Significant judgement is involved in determining the group-wide provision for income taxes. There are certain transactions and computations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for expected tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recognised, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

2(b) Basis of preparation (Cont'd)

Classification of land use rights (Note 6)

Within the People's Republic of China, it is the practice for the State to issue land use rights to individuals or entities. Such rights are evidenced through the granting of a land use rights certificate, which gives the holder the right to use the land (including the construction of buildings thereon) for a given length of time. An upfront payment is made for this right. Management judges that the substance of these arrangements is purchase of an intangible asset.

Critical accounting estimates and assumptions used in applying accounting policies

Depreciation of property, plant and equipment (Note 5)

Property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives. The Group's business is capital intensive and the annual depreciation of property, plant and equipment forms a significant component of total costs charged to profit or loss. The Group performs annual reviews on whether the assumptions made on useful lives continue to be valid. As changes in the expected level of usage, competitors' actions and technological obsolescence arising from changes in market demands or service output of the assets could impact the economic useful lives and the residual values of these assets, future depreciation charges could be revised. A 5% (2013 - 5%) difference in the expected useful lives of these assets from management's estimates would result is approximately 1% (2013 -1%) variance in the Group's loss for the financial year.

Impairment of non-financial assets (Notes 4, 5, 6, 7 and 8)

Assets that are subject to depreciation and amortisation are reviewed to determine whether there is any such indication that the carrying value of these assets may not be recoverable and have suffered an impairment loss. If any such indication exists, the assets are tested for impairment. The recoverable amounts of the assets are estimated in order to determine the extent of the impairment loss, if any. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. Such impairment loss is recognised in profit or loss.

Impairment of subsidiaries (Note 7)

Where a subsidiary is in net equity deficit and has suffered losses a test is made whether the investment in the investee has suffered any impairment, in accordance with the stated accounting policy. This determination requires significant judgement. An estimate is made of the future profitability of the investee, and the financial health of and near-term business outlook for the investee, including factors such as industry and sector performance, and operational and financing cash flow.

Carrying value of inventories (Note 9)

Inventories are stated at lower of cost and net realisable value. In determining the net realisable value, the directors estimate the future selling price in the ordinary course of business, less the estimated costs of selling expenses. Possible changes in these estimates could result in revisions to the valuation of inventories.

Allowance for bad and doubtful debts (Note 10)

Allowances for bad and doubtful debts are based on an assessment of the recoverability of trade and other receivables. Allowances are applied to trade and other receivables where events or changes in circumstances indicate that the balances may not be collectible. The identification of bad and doubtful debts requires the use of judgement and estimates. Where the expected outcome is different from the original estimate, such difference will impact carrying value of trade and other receivables and doubtful debt expenses in the period in which such estimate has been changed.

Provisions (Note 16)

The Group and the Company have recognised provision for minimum guaranteed royalty payments and provision for compensation to distributors based on the maximum amounts payable under the terms of the respective agreements. No provision for litigation has been made as the Group aims to work closely with the agent of Goodyear and the distributors to negotiate a settlement. Actual amounts of settlement could differ from the amounts recognised in the financial statements.

2(b) Basis of preparation (Cont'd)

Critical accounting estimates and assumptions used in applying accounting policies (Cont'd)

Compensation claims (Note 17)

The Group has recognised a liability for compensation claims to customers under the terms of the settlement agreement entered with each respective individual customer. The terms of the settlement agreements have been confirmed by Fuzhou Arbitration Centre in the PRC to be valid and legally enforceable. In order to stay effective, the Fuzhou Arbitration Centre has also affirmed that no further claims can be made by customers on the basis of the settlement terms and conditions under the arbitration proceedings. The Group will observe and expects to comply with all the terms and conditions under the arbitration proceedings. See Note 28 on discontinued operations and disposal group classified as held for sale.

The accounting policies used by the Group have been applied consistently to all periods presented in these financial statements.

2(c) Interpretations and amendments to published standards effective in 2014

Adoption of new or revised FRS

On 1 January 2014, the Company and the Group adopted the amended FRSs that are mandatory for application from that date. Changes to the Company's and the Group's accounting policies have been made as required, in accordance with the transitional provisions in the respective FRS. This includes the following FRSs which are relevant to the Company and the Group:

Reference	Description
Revised FRS 27	Separate Financial Statements
Revised FRS 28	Investments in Associates and Joint Ventures
FRS 110	Consolidated Financial Statements
FRS 111	Joint Arrangements
FRS 112	Disclosure of Interests in Other Entities
Amendments to FRS 110, FRS 112 and FRS 27	Investment Entities
Amendments to FRS 32	Offsetting Financial Assets and Financial Liabilities
Amendments to FRS 36	Recoverable Amount Disclosures to Non-Financial Assets
Amendments to FRS 39	Novation of Derivatives and Continuation of Hedge Accounting
INT FRS 121	Levies

The adoption of the above FRSs did not have a material impact on the financial statements of the Group and the Company in the period of their initial adoption except for the following:

FRS 110 *Consolidated Financial Statements* and Revised FRS 27 *Separate Financial Statements*

FRS 110 establishes a single control model that applies to all entities including special purpose entities. The changes introduced by FRS 110 will require management to exercise significant judgement to determine whether entities are controlled and therefore are required to be consolidated by the Group, compared with the requirements that were in FRS 27. Therefore, FRS 110 may change which entities are consolidated within a group. The revised FRS 27 was amended to address accounting for subsidiaries, jointly controlled entities and associates in the separate financial statements.

The Group has reassessed of which entities the Group controls and there are no resulting changes required.

2(c) Interpretations and amendments to published standards effective in 2014 (Cont'd)

FRS issued but not yet effective

The following are the new or amended FRS and INT FRS issued that are not yet effective but may be early adopted for the current financial year:

Reference	Description	Effective date (Annual periods beginning on or after)
FRS 19	*Defined Benefit Plan: Employee Contribution*	1 July 2014
Improvements to FRSs (January 2014)		
- FRS 16	*Property, Plant and Equipment*	1 July 2014
- FRS 24	*Related Party Transaction*	1 July 2014
- FRS 38	*Intangible Assets*	1 July 2014
- FRS 40	*Investment Property*	1 July 2014
- FRS 102	*Share-based Payment*	1 July 2014
- FRS 103	*Business Combinations*	1 July 2014
- FRS 108	*Operating Segments*	1 July 2014
- FRS 113	*Fair Value Measurement*	1 July 2014
- FRS 19	*Employee Benefits*	1 January 2016
- FRS 34	*Interim Financial Reporting*	1 January 2016
- FRS 105	*Non-current Assets Held for Sale and Discontinued Operations*	1 January 2016
- FRS 107	*Financial Instruments: Disclosures*	1 January 2016
- FRS 27	*Amendments to FRS 27: Equity Method in Separate Financial Statements*	1 January 2016
- FRS 16, FRS 38	*Amendments to FRS 16 and FRS 38: Clarification of Acceptable Methods of Depreciation and Amortisation*	1 January 2016
- FRS 16, FRS 41	*Amendments to FRS 16 and FRS 41: Agriculture: Bearer Plants*	1 January 2016
- FRS 110, FRS 28	*Amendments to FRS 110 and FRS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*	1 January 2016
- FRS 111	*Amendments to FRS 111: Accounting for Acquisitions of Interests in Joint Operations*	1 January 2016
- FRS 114	*Regulatory Deferral Accounts*	1 January 2016
- FRS 115	*Revenue from Contracts with Customers*	1 January 2017
- FRS 109	*Financial Instruments*	1 January 2018
- FRS 1	*Amendments to FRS 1: Disclosure Initiative*	1 January 2016
- FRS 110, FRS 112, FRS 28	*Amendments to FRS 110, FRS 112 and FRS 28: Investment Entities: Applying the Consolidation Exception*	1 January 2016

2(c) Interpretations and amendments to published standards effective in 2014 (Cont'd)

FRS issued but not yet effective (Cont'd)

Improvements to FRSs (January 2014) *Related Party Disclosures*

Improvements to FRSs (January 2014) Related Party Disclosures clarify that an entity providing key management personnel services to the reporting entity or to the parent of the reporting entity is a related party of the reporting entity. In addition, an entity that uses a management entity is required to disclose the expenses incurred for management services. The improvements to FRSs (January 2014) FRS 24 Related Party Disclosures are effective from annual periods beginning on or after 1 July 2014. As this is a disclosure standard, it will not have any impact on the financial performance or the financial position of the Group and the Company when implemented.

Improvements to FRS (January 2014) *Operating Segments*

The Improvements to FRSs (January 2014) Operating Segments clarifies that an entity shall only provide reconciliations of the total of the reportable segments' assets to the entity's assets if the segment assets are reported regularly. In addition, the entity is required to disclose the judgements made by management in applying the aggregation criteria to operating segments. As this is a disclosure standard, it will not have any impact on the financial statements.

Amendments to FRS 1 *Presentation of Financial Statements*

The amendments to FRS 1 clarify that materiality applies to the whole of financial statements and that the inclusion of immaterial information can inhibit the usefulness of financial disclosures. Furthermore, the amendments clarify that companies should use professional judgement in determining where and in what order information is presented in the financial disclosures. As this is a disclosure standard, it will have no impact to the financial position and financial performance of the Group or the Company when applied.

FRS 109 *Financial Instruments*

FRS 109 Financial Instruments replaces FRS 39 and it is a package of improvements introduced by FRS 109 includes a logical model for:

- classification and measurement;
- a single, forward-looking "expected loss" impairment model; and
- a substantially reformed approach to hedge accounting

FRS 109 is effective for annual periods beginning on or after 1 January 2018. The directors are still assessing its impact but which cannot be ascertained presently.

2(d) Summary of significant accounting policies

Consolidation

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

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

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

Losses and other comprehensive income are attributable to the non-controlling interest even if that results in a deficit balance.

2(d) Summary of significant accounting policies (Cont'd)

Consolidation (cont'd)

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

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

A subsidiary is an investee that is controlled by the Group. The Group controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Thus, the Group controls an investee if and only if the Group has all of the following:

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

The Group 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.

When the Group has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Group considers all relevant facts and circumstances in assessing whether or not the Group's voting rights in an investee are sufficient to give it power, including:

- the size of the Group's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Group, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Group has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Group.

When the Group loses control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interest. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable FRSs). The fair value of any investment retained in the former subsidiary at the date when the control is lost is regarded as the fair value on the initial recognition for subsequent accounting under FRS 39, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

2(d) Summary of significant accounting policies (Cont'd)

Property, plant and equipment and depreciation

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses, if any. Depreciation on property, plant and equipment is calculated using the straight-line method to allocate their depreciable amounts over their estimated useful lives as follows:

Buildings	20 years
Plant and machinery	10 years
Motor vehicles	5 years
Furniture, fixtures and office equipment	5 years

Construction-in-progress represents buildings, plant and machinery under construction or pending installation and is stated at cost less accumulated impairment losses, if any. This includes cost of construction, plant and equipment and other direct costs. No provision for depreciation is made on construction-in-progress until such time as the relevant assets are completed and ready for intended use. When the assets concerned are brought into use, the costs are transferred to property, plant and equipment and depreciated in accordance with the policy stated above.

The cost of property, plant and equipment includes expenditure that is directly attributable to the acquisition of the items. Dismantlement, removal or restoration costs are included as part of the cost of property, plant and equipment if the obligation for dismantlement, removal or restoration is incurred as a consequence of acquiring or using the asset.

Subsequent expenditure relating to property, plant and equipment that have been recognised is added to the carrying amount of the asset when it is probable that future economic benefits, in excess of the standard of performance of the asset before the expenditure was made, will flow to the Group and the cost can be reliably measured. Other subsequent expenditure is recognised as an expense during the financial year in which it is incurred.

For acquisitions and disposals during the financial year, depreciation is provided from the month of acquisition and to the month after disposal respectively. Fully depreciated property, plant and equipment are retained in the books of accounts until they are no longer in use.

The depreciation methods, useful lives and residual values of property, plant and equipment are reviewed and adjusted as appropriate at end of each reporting date. The depreciation methods and useful lives are reviewed at each financial year-end to ensure that the method and period of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of property, plant and equipment.

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

Investment in subsidiaries

In the Company's separate financial statements, investments in subsidiaries are stated at cost less allowance for any impairment losses on an individual subsidiary basis.

Associated companies

An associated company is defined as a company, not being a subsidiary or jointly controlled entity, in which the Group has significant influence, but not control, over its financial and operating policies. Significant influence is presumed to exist when the Group holds between 20% to 50% of the voting power of another entity.

Investment in associated company at company level is stated at cost. Allowance is made for any impairment losses on an individual company basis.

2(d) Summary of significant accounting policies (Cont'd)

Associated companies (Cont'd)

In applying the equity method of accounting, the Group's share of the post-acquisition profit or loss of associated company, is included in the profit or loss and its shares of post-acquisition other comprehensive income is recognised in other comprehensive income. Unrealised gains on transactions between the Group and its associated company are eliminated to the extent of the Group's interest in associated company. Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred.

When the Group's share of losses of an associated company equals or exceeds the carrying amount of an investment, the Group ordinarily discontinues including its share of further losses. The investment is reported at nil value. Additional losses are provided for to the extent that the Group has incurred obligations or made payments on behalf of the associated company to satisfy obligations of the associated company that the Group has guaranteed or otherwise committed, for example, in the forms of loans. When the associated company subsequently reports profits, the Group resumes including its share of those profits only after its share of the profits equals the share of net losses recognised.

The Group's share of the net assets and post-acquisition retained profits and reserves of associated company is reflected in the book values of the investments in the consolidated statement of financial position.

Where the accounting policies of an associated company do not conform to those of the Company, adjustments are made on consolidation when the amounts involved are considered significant to the Group.

On acquisition of the investment, any difference between the cost of acquisition and the Group's share of the fair values of the net identifiable assets of the associated company is accounted for in accordance with the accounting policy on "Consolidation".

When financial statements of associated company with different reporting dates are used (not more than three months apart), adjustments are made for the effects of any significant events or transactions between the investor and the associated companies that occur between the date of the associated company' financial statements and the end of reporting period. Where this occurs, adjustments are made to bring the accounting policies in line with those of the Group.

Details of the associated company are given in Note 8 to the financial statements.

Intangible asset

Intangible asset related to the licencing right acquired from a third party with finite useful lives is measured at cost less accumulated amortisation and impairment losses. Amortisation is calculated on a straight-line basis over its useful economic life of 5 years.

Land use rights

Land use rights are stated at cost less accumulated amortisation and impairment losses, if any. Amortisation is charged to profit or loss using the straight-line basis over the lease term of the rights of 50 years.

Financial assets

Financial assets, other than hedging instruments, can be divided into the followings categories: financial assets at fair value through profit or loss, held-to-maturity investments, loans and receivables, and available-for-sale financial assets. Financial assets are assigned to the different categories by management on initial recognition, depending on the purpose for which the assets were acquired. The designation of financial assets is re-evaluated and classification may be changed at the reporting date with the exception that the designation of financial assets at fair value through profit or loss is not revocable.

All financial assets are recognised on their trade date - the date on which the Company and the Group commit to purchase or sell the assets. Financial assets are initially recognised at fair value, plus directly attributable transaction costs except for financial assets at fair value through profit or loss, which are recognised at fair value.

2(d) Summary of significant accounting policies (Cont'd)

Financial assets (Cont'd)

De-recognition of financial assets occurs when the rights to receive cash flows from the investments expire or are transferred and substantially all of the risks and rewards of ownership have been transferred. An assessment for impairment is undertaken at least at end of each reporting period whether or not there is objective evidence that a financial asset or a group of financial assets is impaired.

Non-compounding interest and other cash flows resulting from holding financial assets are recognised in profit and loss when received, regardless of how the related carrying amount of financial assets is measured.

The Group does not hold any financial assets at fair value through profit or loss, held-to-maturity investments or available-for-sale financial assets.

Loans and receivables

Loan and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor with no intention of trading the receivables. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets.

Loans and receivables are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method, less provision for impairment. Any change in their value is recognised in profit or loss. Any reversal shall not result in a carrying amount that exceeds what the amortised cost would have been had any impairment loss not been recognised at the date the impairment is reversed. Any reversal is recognised in profit or loss.

Receivables are provided against when objective evidence is received that the Group will not be able to collect all amounts due to it in accordance with the original terms of the receivables. The amount of the write-down is determined as the difference between the asset's carrying amount and the present value of estimated future cash flows.

Loans and receivables comprise cash and cash equivalents, trade receivables and other receivables.

Cash and cash equivalents

Cash and cash equivalents comprise cash and bank balances.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on a weighted-average basis and includes all costs incurred in bringing the inventories to their present location and condition. In the case of manufactured inventories, cost includes the cost of raw materials, direct labour and an appropriate proportion of production overheads based on the normal level of activity.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale. Allowance is made for obsolete, slow-moving and defective inventories in arriving at the net realisable value. The amount of any write-down of inventories to net realisable value is recognised as an expense in the period the write-down occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value, is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

Provision is made for obsolete, slow-moving and defective inventories in arriving at the net realisable value.

2(d) Summary of significant accounting policies (Cont'd)

Impairment of non-financial assets

The carrying amounts of the Company's and the Group's non-financial assets subject to impairment are reviewed at each reporting period to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

If it is not possible to estimate the recoverable amount of the individual asset, then the recoverable amount of the cash-generating unit to which the assets belongs will be identified.

For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level.

Individual assets or cash-generating units that include intangible assets, if any, with an indefinite useful life or those not yet available for use are tested for impairment at least annually. All other individual assets or cash-generating units are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss, if any, is recognised for the amount by which the asset's or cash-generating unit's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of fair value, reflecting market conditions less costs to sell and value-in-use, based on an internal discounted cash flow evaluation. All assets are subsequently reassessed for indications that an impairment loss previously recognised may no longer exist.

Any impairment loss is charged to the profit or loss unless it reverses a previous revaluation in which case it is charged to equity.

An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount or when there is an indication that the impairment loss recognised for the asset no longer exists or decreases.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined if no impairment loss had been recognised.

A reversal of an impairment loss is credited as income in the profit or loss.

Share capital

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

Dividends

Final dividends (if any) proposed by the directors are not accounted for in shareholders' equity as an appropriation of retained profit, until they have been approved by the shareholders in a general meeting. When these dividends have been approved by the shareholders and declared, they are recognised as a liability.

Interim dividends (if any) are simultaneously proposed and declared, because of the articles of association of the Company grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognised directly as a liability when they are proposed and declared.

Financial liabilities

The Group's financial liabilities include trade payables, accruals and other payables, compensation payable, amount due to director/shareholder and bank loans.

Financial liabilities are recognised when the Group becomes a party to the contractual agreements of the instrument. All interest related charges are recognised as an expense in "finance costs" in profit or loss. Financial liabilities are derecognised if the Group's obligations specified in the contract expire or are discharged or cancelled.

2(d) Summary of significant accounting policies (Cont'd)

Financial liabilities (Cont'd)

Borrowings are recognised initially at fair value of proceeds received less attributable transaction costs, if any. Borrowings are subsequently stated at amortised cost which is the initial fair value less any principal repayments. Any difference between the proceeds (net of transaction costs) and the redemption value is taken to profit or loss over the period of the borrowings using the effective interest method. The interest expense is chargeable on the amortised cost over the period of the borrowings using the effective interest method.

Gains and losses are recognised in the profit and loss account when the liabilities are derecognised as well as through the amortisation process.

Borrowings which are due to be settled within twelve months after the end of reporting period are included in current liabilities in the statement of financial position even though the original terms was for a period longer than twelve months and an agreement to refinance, or to reschedule payments, on a long-term basis is completed after the end of the reporting period. Borrowings to be settled within the Group's normal operating cycle are classified as current. Borrowings with agreements incorporating an overriding repayment on demand clause, which gives the lenders the right to demand repayment at any time, at their sole discretion and irrespective of whether a default event has occurred are considered as current. Other borrowings due to be settled more than twelve months after the end of the reporting period are included in non-current liabilities in the statement of financial position.

Trade and other payables are initially measured at fair value, and subsequently measured at amortised cost, using the effective interest method.

Equity settled share-based payments

Share-based payment transactions in which the Group receives services from consultants in exchange for its own equity instruments settled by its shareholders are treated as equity settled share-based payment transactions. The fair value of the consulting services received is recognised as an expense in profit or loss with a corresponding increase in the capital reserve over the service period.

Income tax

Current income tax for current and prior periods is recognised at the amount expected to be paid to or recovered from tax authorities, using the tax rates and tax laws that have been enacted or substantively enacted by the end of reporting period.

Deferred income tax is recognised for all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements except when the deferred income tax arises from the initial recognition of an asset or liability in a transaction that is not a business combination and affects neither accounting or taxable profit or loss at the time of the transaction.

A deferred income tax liability is recognised on temporary differences arising on investments in subsidiaries and associated company, except where the Group is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

A deferred income tax asset is recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences and tax losses can be utilised.

Deferred income tax is measured:

(a) at the tax rates that are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted by the date of the financial position; and

(b) based on the tax consequence that will follow from the manner in which the Company and the Group expect, at the date of the financial position, to recover or settle the carrying amounts of its assets and liabilities.

2(d) Summary of significant accounting policies (Cont'd)

Income tax (Cont'd)

Current and deferred income taxes are recognised as income or expense in the profit or loss, except to the extent that the tax arises from a business combination or a transaction which is recognised either in other comprehensive income or directly in equity.

Deferred tax liability has been recognised in respect of the temporary differences associated with undistributed earnings of certain of the Group's subsidiaries. The Group has determined that not all the undistributed earnings of the subsidiaries will be distributed in the foreseeable future. Withholding tax is levied on dividends declared to foreign investors from foreign investment enterprises established in Mainland China. The Group made provision for deferred tax liabilities on withholding tax of the forecasted dividend payout of the earnings of its PRC subsidiaries.

Value-added tax

The Group's sales of goods in the PRC are subjected to Value-added tax ("VAT") at the applicable tax rate of 17% for PRC domestic sales. Input VAT on purchases can be deducted from output VAT. The net amount of VAT recoverable from, or payable to, the tax authority is included as part of "other receivable" or "other payable" in the statement of financial position. The Group's export sales are not subject to VAT.

Revenue, expenses and assets are recognised net of the amount of VAT except:

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

The net amount of VAT recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance cost.

Onerous contracts

A provision for onerous contracts is recognised when the expected benefits to be derived by the Company and the Group from a contract are lower than the unavoidable cost of meeting its obligations under the contract. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Before a provision is established, the Group recognises any impairment loss on the assets associated with that contract.

Operating leases

Rentals on operating leases are charged to profit or loss on a straight-line basis over the lease term. Lease incentives, if any, are recognised as an integral part of the net consideration agreed for the use of the leased asset. Penalty payments on early termination, if any, are recognised in the profit or loss when incurred.

Key management personnel

Key management personnel are those persons having the authority and responsibility for planning, directing and controlling the activities of the entity. Directors and executive officers are considered key management personnel.

2(d) Summary of significant accounting policies (Cont'd)

Employee benefits

Pension obligations

The Company and the Group participate in the defined contribution/pension schemes as provided by the laws of the countries in which it has operations. The subsidiaries in the PRC are required to provide certain staff pension benefits to their employees under existing PRC regulations. The contributions to national pension schemes are charged to the profit or loss in the period as incurred to which the contributions relate.

Employee leave entitlements

No provision has been made for employee leave entitlements as any unconsumed annual leave will be forfeited.

Revenue recognition

Sales of goods

Revenue from the sale of goods in the course of ordinary activities is measured at the fair value of the consideration received or receivable, net of returns, trade discounts and volume rebates. Revenue is recognised when persuasive evidence exists, usually in the form of an executed sales agreement, that the significant risks and rewards of ownership have been transferred to the customer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably. If it is probable that discounts will be granted and the amount can be measured reliably, then the discount is recognised as a reduction of revenue as the sales are recognised.

For sales of goods, transfer of risks and rewards usually occurs when the goods are received at the customer's warehouse.

Interest income

Interest income is recognised on a time-proportion basis using the effective interest rate method.

Earnings per share

The Group presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the year, adjusted for own shares held. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding, adjusted for the effects of all dilutive potential ordinary shares.

Foreign currency

Functional and presentation currency

Items included in the financial statements of each entity in the Group are measured using the currency that best reflects the economic substance of the underlying events and circumstances relevant to that entity (the "functional currency"). The Group's principal operations are predominantly conducted in the People's Republic of China ("PRC") and thus the financial statements are presented in Renminbi (to the nearest thousand), which is also the functional currency of the Company.

2(d) Summary of significant accounting policies (Cont'd)

Conversion of foreign currencies

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 translation differences 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 reporting date are recognised in profit or loss, unless they arise from borrowings in foreign currencies, other currency instruments designated and qualifying as net investment hedges and net investment in foreign operations. Those currency translation differences are recognised in the currency translation reserve in the consolidated financial statements and transferred to profit or loss as part of the gain or loss on disposal of the foreign operation.

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.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the date of the date of the transaction. Foreign currency differences arising on retranslation are recognised in profit or loss.

Group entities

None of the group entities' currencies is the currency of a hyper-inflationary economy. The results and financial positions of all the entities within the Group that have functional currencies different from the presentation currency are translated into the presentation currency as follows:

(i) Assets and liabilities are translated at the closing rate at the end of the reporting period;

(ii) Income and expenses are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and

(iii) All resulting exchange differences are recognised as a separate component of equity.

Non-current assets (or disposal groups) held-for-sale and discontinued operations

Non-current assets (or disposal groups) are classified as assets held-for-sale and carried at the lower of carrying amount and fair value less costs to sell if their carrying amount is recovered principally through a sale transaction rather than through continuing use. The assets are not depreciated or amortised while they are classified as held-for-sale. Any impairment loss on initial classification and subsequent measurement is recognised as an expense.

Any subsequent increase in fair value less costs to sell (not exceeding the accumulated impairment loss that has been previously recognised) is recognised in profit or loss.

A discontinued operation is a component of an entity that either has been disposed of, or that is classified as held-for-sale and:

(a) represents a separate major line of business or geographical area of operations;

(b) is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations; or

(c) is a subsidiary acquired exclusively with a view to resale.

2(d) Summary of significant accounting policies (Cont'd)

Related parties

A related party is defined as follows:

(a) A person or a close member of that person's family is related to the Group and 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 Group or the Company or of a parent of the Company.

(b) An entity is related to the Group and 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,
- (ii) subsidiary and fellow subsidiary is related to the others);
- (iii) 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);
- (iv) both entities are joint ventures of the same third party;
- (v) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
- (vi) 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;
- (vii) the entity is controlled or jointly controlled by a person identified in (a); or
- (viii) 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).

Financial instruments

Financial instruments carried on the statements of financial position include cash and cash equivalents, financial assets and financial liabilities. The particular recognition methods adopted are disclosed in the individual policy statements associated with each item. These instruments are recognised when contracted for.

Disclosures on financial risk management objectives and policies are provided in Note 29.

Operating segments

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. All operating segments' operating results are reviewed regularly by the Group's chief operating decision maker, who is the Group's Chief Executive Officer, to make decisions about resources to be allocated to the segment and to assess its performance, and for which discrete financial information is available.

Segment results that are reported to the chief operating decision maker include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly corporate expenses, financial income and expenses, and income tax expense.

3. Revenue and other operating income

The Group	**Year ended 31 December 2014 RMB'000**	Year ended 31 December 2013 RMB'000
Continuing operations		
<u>Other operating income</u>		
Interest income	**1,851**	–
Write-back of provision for compensation to distributors	**–**	11,562
Exchange gain	**–**	86
	1,851	11,648

4 Intangible asset

The Group and The Company	RMB'000
Trademark licence	
<u>Cost</u>	
At 1 January 2013/31 December 2013/31 December 2014	**2,031**
<u>Accumulated amortisation and impairment</u>	
At 1 January 2013/31 December 2013/31 December 2014	**2,031**
<u>Net book value</u>	
At 1 January 2013/31 December 2014/ At 31 December 2013	–

<u>Trademark licence</u>

In March 2011, the Company entered into a Trademark Licence Agreement (the "Agreement") with The Goodyear Tire & Rubber Company ("Goodyear" or the "Licensor") for a right to produce, distribute, advertise and promote the products bearing Goodyear trademarks which includes, amongst others, outdoor performance apparel for men, women and children, outdoor and casual footwear for men, women and children, accessories, bags, outdoor equipment, gifts and souvenirs (the "Goodyear Products"). In March 2011, the Company received a letter from Goodyear confirming its appointment as a licencee for the Goodyear Products.

In accordance with the Agreement, amongst other things, the Company is required to:

(i) make payment of US$1.27 million to Goodyear at dates from March 2011 to June 2015. Of the US$1.27 million, US$200,000 was due and payable upon execution of the Agreement in March 2011 and US$110,000 by 31 December 2011; and

(ii) set up a minimum of 10, 40 80, 120 and 160 retail outlets and supply the Licensed Goodyear Products to these outlets by 31 December 2011, 31 December 2012, 31 December 2013, 31 December 2014 and 31 December 2015, respectively.

4 Intangible asset (Cont'd)

At 31 December 2011, the Company had paid Goodyear US$200,000 (RMB1,310,000) and accrued US$110,000 (RMB721,000 in Note 16). At 31 December 2011, the Company had not set up any retail outlets due to unforeseen delays in procuring approval of the Licensed Goodyear Products from Goodyear's authorised agent. The failure to set up at least 10 retail outlets by 31 December 2011 constituted a breach of the contractual term and Goodyear has the right to terminate the Agreement. Goodyear has not granted a waiver of its right to terminate the Agreement. In view of the facts and circumstances related to the breach of the Agreement, the directors have considered it appropriate to recognise an impairment loss on the carrying amount of the licence fees amounting to RMB1,681,000. Notwithstanding the impairment loss recognised, the Company continues to work on the requirements of the Agreement.

Upon the termination of the Agreement with Goodyear on 4 February 2013, the Company's option under the agreement is either to destroy all remaining inventory of Goodyear Products and related materials or deliver all remaining Goodyear Products to the Licensor at no cost for the Goodyear Products. In assessing the estimated net realisable value of the Goodyear Products inventories, the management expects nil estimated net realisable value as at 31 December 2012.

Provision for minimum guaranteed royalty (Note 16)

Following the termination of the Agreement with Goodyear on 4 February 2013, a provision of RMB Nil (2013 - RMB Nil) was made in respect of the minimum guaranteed royalty fees payable by the Group and the Company.

Provision for compensation to distributors (Note 16)

In 2012, the Group and the Company made a provision of RMB21.85 million being the maximum amount of compensation payments under the terms of the distributorship agreement entered into with certain distributors for the retailing of the Goodyear Products following the termination of the trademark agreement with Goodyear.

The Group aims to work closely with the agent of Goodyear and the distributors to negotiate a settlement of the amounts payable under the respective agreements. The actual amounts of settlement could differ from the amounts recognised in the financial statements.

5 Property, plant and equipment

The Group	Construction In progress RMB'000	Buildings RMB'000	Plant and machinery RMB'000	Motor vehicles RMB'000	Furniture, fixtures and office equipment RMB'000	Total RMB'000
Cost						
At 1 January 2013	4,727	60,712	79,310	1,759	1,281	147,789
Additions	–	–	474	–	11	485
Reclassifications	(4,727)	–	4,727	–	–	–
At 31 December 2013	**–**	**60,712**	**84,511**	**1,759**	**1,292**	**148,274**
Reclassified to Assets of disposal group classified as held-for-sale (Note 28)	**–**	**(60,712)**	**(84,511)**	**(1,759)**	**(1,292)**	**(148,274)**
At 31 December 2014	–	–	–	–	–	–
Accumulated depreciation and impairment losses						
At 1 January 2013	–	34,494	55,889	1,289	1,099	92,771
Depreciation for the year	–	1,855	6,090	292	90	8,327
At 31 December 2013	**–**	**36,349**	**61,979**	**1,581**	**1,189**	**101,098**
Depreciation for the year	**–**	**3,431**	**5,850**	**149**	**113**	**9,543**
Reclassified to Assets of disposal group classified as held-for-sale (Note 28)	**–**	**(39,780)**	**(67,829)**	**(1,730)**	**(1,302)**	**(110,641)**
At 31 December 2014	**–**	**–**	**–**	**–**	**–**	**–**
Net book value						
At 31 December 2014	–	–	–	–	–	–
At 31 December 2013	–	24,363	22,532	178	103	47,176

The Group	**31 December 2014 RMB'000**	31 December 2013 RMB'000
Depreciation is charged to:		
Administrative expenses	**–**	1,218
Cost of sales	**–**	7,109
	–	8,327

All of the Group's property, plant and equipment are located in the PRC.

Certain of the Group's property, plant and equipment with a total net book value of approximately RMB Nil (2013 - RMB20,224,000) are pledged as security for the bank loans (Note 19).

6 Land use rights

The Group	31 December 2014 RMB'000	31 December 2013 RMB'000
Cost		
At 1 January 2013	–	9,092
Additions	–	–
At 31 December 2013	**9,092**	9,092
Reclassified to Assets of disposal group classified as held for sale (Note 28)	**(9,092)**	–
At 31 December 2014	–	–
Accumulated amortisation and impairment losses		
At 1 January 2013	–	1,079
Amortisation charge	–	182
At 31 December 2013	**1,261**	1,261
Reclassified to Assets of disposal group classified as held for sale (Note 28)	**(1,261)**	–
At 31 December 2014	–	–
Net book value	–	7,831

The Group has land use rights over 3 parcels of land located in Fuqing City, Fujian Province, PRC, where the Group's production facilities reside.

The Group's land use rights are pledged as security for the bank loans (Note 19).

As at 31 December 2014, the Group is still in the process of obtaining land certificate from authority for one of the parcels of land with a carrying amount of RMB3,331,000 (2013 - RMB3,331,000). This is included in the assets in the Disposal Group under intangible assets (see Note 28).

7 Subsidiaries

The Company	31 December 2014 RMB'000	31 December 2013 RMB'000 Restated	1 January 2013 RMB'000
Unquoted equity investments, at cost	**62,347**	62,347	62,339
Loans to subsidiaries	**151,724**	151,724	151,724
	214,071	214,071	214,063
Less: Impairment losses (see note A below)			
Unquoted equity investment	**59,088**	59,088	–
Loans to subsidiaries	**151,724**	151,724	–
	210,812	210,812	–
Reclassified to Assets of disposal group classified as held-for-sale (Note 28)	**(3,251)**	–	–
	8	3,259	214,063

7 Subsidiaries (Cont'd)

	31 December 2014	31 December 2013	1 January 2013
	RMB'000	RMB'000	RMB'000
Movement in impairment loss			
At the beginning of year	**210,812**	–	–
Provision made – Unquoted equity investment	**–**	59,088	–
Provision made – Loan to subsidiaries	**–**	151,724	–
	210,812	210,812	–
Reclassified to Assets of disposal group classified as held-for-sale (Note 28)	**(210,812)**	–	–
	–	210,812	–

Note A:

In view of the losses in 2013, the management prepared a cash flow forecast ("Forecast") to assess the carrying value of the Group's and the Company's assets. Concurrently the Board also commissioned Peak Vision Appraisals Limited, an independent valuer, which is a Registered Professional Surveyor and Registered Business Valuer, to perform a valuation of the cash generating unit ("CGU") of the Group.

According to the Peak Vision Appraisals Limited's valuation report, there was a shortfall of RMB 210.8 million to the carrying value of the Company's non-current assets (cost of investment in subsidiary and amount due from subsidiaries) and consequently an impairment loss of RMB 210.8 million has been recognized in profit or loss in the financial statements of the Company for the year ended 31 December 2013.

The impairment loss on the Company's interest in subsidiaries was determined based on the valuation report from Peak Vision using the value-in-use approach and after taking into account non-operating assets such as the compensation payables, cash, other receivables and other payables to derive the enterprise value or the value of the interest in subsidiaries to the Company. The equity value or recoverable amount is calculated after subtracting the value of debt from enterprise value which is shown below:

The Company	31 December 2013 RMB'000
Enterprise value	12,614
Less: Bank loans	(9,363)
Equity value or recoverable amount	3,251

A 1% increase/decrease in discount rate would result in an increase/decrease in impairment losses in subsidiaries by approximately RMB 3,251,000 and RMB 7,750,000 respectively for the financial year ended 31 December 2013.

7 Subsidiaries (Cont'd)

Value-in-use (the Group)

As stated above, the recoverable amount of the CGU of the Group as at 31 December 2013 was determined based on value-in-use. Cash flow projection used in the value-in-use calculations were based on financial budgets approved by management covering a five-year period. Cash flows beyond the five-year period were extrapolated using the estimated growth rates stated below. The growth rate did not exceed the long-term average growth rate for the fabric business in which the CGU operates. The key assumptions, used for value-in-use calculations were as follows:

The Group

Key assumptions	31 December 2013
Gross margin (Average)	18.00%
Growth rate	3.00%
Pre-tax discount rate	22.37%

Other key valuation assumptions include:

- The Group will successfully carry out all necessary activities for the development of its business to enable the CGU to continue as a going concern;

- The availability of finance will not be a constraint on the operations of the CGU in accordance with the business plans and its projections;

- There will be no material changes in the business strategy of the CGU and its operating structure of the Group: and

- Key management, competent personnel and technical staffs will all be retained to support the ongoing operation of the CGU.

The estimated value-in-use or recoverable amount is higher than the non-current assets of the Group and consequently no impairment loss is recognized at the Group level. If the assumed gross margin used to estimate recoverable amount had declined by 37%, the recoverable amount of the CGU would fall to its carrying amount.

7 Subsidiaries (Cont'd)

Value-in-use (the Group) (Cont'd)

Details of the subsidiaries are as follows:

Name of company	Country of incorporation	Percentage of equity held		Principal activities
		2014	2013	
Directly held:		**%**	%	
Qianfeng International Limited ("Qianfeng Int'l") 乾丰国际有限公司*@	Hong Kong	**100**	100	Investment holding
Qianfeng Energy Co., Limited (formerly known as Asia Fashion (Hong Kong) Holdings Limited)@	Hong Kong	**100**	100	Investment holding
Indirectly held:				
Fujian Jiamei Textile Co., Ltd. ("Fujian Jiamei") 福建佳美纺织有限公司*#	The People's Republic of China	**100**	100	Manufacture of fabrics
Fujian Qianfeng Textile Technology Co., Ltd. ("Fujian Qianfeng") 福建乾丰纺织科技有限公司*#	The People's Republic of China	**100**	100	Manufacture and sale of fabrics
Asia Fashion Beijing Business Company Limited@&	The People's Republic of China	**100**	100	Dormant

* audited by Foo Kon Tan LLP for the Group's financial statements audit and consolidation purposes.
# audited by Fuqing Xinyurong Certified Public Accountants Ltd. (福建鑫玉融会计事务所有限责任公司) for local statutory purposes.
@ not required to be audited in its country of jurisdiction. Asia Fashion Beijing Business Company Limited has been dormant since its incorporation.
& following the disposal of Qianfeng International Limited on 2 February 2015, this subsidiary was also disposed of as it is a subsidiary of Qianfeng International Limited.

The loans to subsidiaries are unsecured and interest-free. These loans are regarded as part of the Company's net investments in the subsidiaries because settlement is neither planned nor likely in the foreseeable future. These loans were fully impaired in 2013.

8 Associates

A Investment in associates

The Company and the Group unquoted equity at cost:

	The Company		The Group	
	31 December 2014	31 December 2013	**31 December 2014**	31 December 2013
	RMB'000	RMB'000	**RMB'000**	RMB'000
Unquoted equity investments				
Balance as at beginning of year	**–**	–	**–**	–
Addition during the year	**30**	–	**30**	–
Share of results of associated companies	**–**	–	**27,354**	–
Balance as at end of year	**30**	–	**27,384**	–
Comprises:				
Unquoted equity investments, at cost	**30**	–	**30**	–
Share of post-acquisition profits and reserves	**–**	–	**27,354**	–
	30	–	**27,384**	–

The directors consider the material reporting associated company to be the key operating entity as Xuzhou Zhongwei New Board Co., Ltd (formerly known as "Xuzhou Zhongsen Tonghao New Board Co., Ltd"). The summarised financial information of the associated company is shown below.

Summarised balance sheet	**Xuzhou Zhongwei New Board Co., Ltd**
	31 December 2014
	RMB'000
Current assets	410,789
Includes:	
Cash and cash equivalents	22,770
Current liabilities	(129,492)
Includes:	
Financial liabilities	(129,492)
Non-Current assets	206,850
Non-Current liabilities	(219,329)
Includes:	
Financial liabilities	(219,329)
Net assets	268,818

8 Associates (Cont'd)

A Investment in associates (Cont'd)

Summarised statement of comprehensive income	Xuzhou Zhongwei New Board Co., Ltd Year ended 31 December 2014 RMB'000
Revenue	446,031
Expense	(368,631)
Includes:	
- Depreciation and amortisation	(15,771)
- Interest expense	(29,965)
Profit from continuing operations	77,400
Income tax expense	(20,096)
Post-tax profit from continuing operations	57,304
Other comprehensive loss	–
Total comprehensive income	57,304

Reconciliation of summarised financial information	Xuzhou Zhongwei New Board Co., Ltd 2014 RMB'000
Net assets	
At 27 June 2014	211,514
Profit for the year	57,304
Other comprehensive income	–
Foreign exchange differences	–
At 31 December 2014	268,818
Group's 49% interest in associated companies before consolidation adjustment	131,721
Add: Carrying value of individually immaterial associated companies	3,449
Less: Effect of consolidation adjustment	(107,786)
Carrying value of Group's interest in associated companies at 31 December 2014	27,384

8 Associates (Cont'd)

A Investment in associates (Cont'd)

Details of the associates are as follows:

Name of company	Country of incorporation	Percentage of equity held		Principal activities
		31 December 2014	31 December 2013	
Directly held:		%	%	
Rich Circles Enterprise Limited ("Rich Circles")*@	British Virgin Island	**49**	–	Investment holding
Held by Rich Circles:				
China Construction Material (Hong Kong) Limited ("CCMH")*@	Hong Kong	**100**	–	Investment holding
Zhongchuang (Xuzhou) Construction Material Co., Ltd ("Xuzhou Zhongchuang")* 中创（徐州）建筑材料有限公司	The People's Republic of China	**100**	–	Investment holding
Xuzhou Zhongwei New Board Co., Ltd (formerly known as "Xuzhou Zhongsen Tonghao New Board Co., Ltd") ("Xuzhou Zhongwei")*#& 中伟（徐州）新型材料科技有限公司	The People's Republic of China	**100**	–	New material business

* reviewed by Foo Kon Tan LLP for the Group's financial statements audit and consolidation purposes.
\# audited by Jiangsu Fubang Certified Public Accountants Co., Ltd for local statutory purposes.
@ not required to be audited in its country of jurisdiction.
& changed its name from "Xuzhou Zhongsen Tonghao New Board Co., Ltd" ("徐州中森通浩新型板材有限公司") to "Xuzhou Zhongwei New Board Co., Ltd" ("中伟（徐州）新型材料科技有限公司") on 10 December 2014.

Acquisition of associated company

On 12 June 2014, the Company had acquired a 49% interest in an associated company, Rich Circles Enterprise Limited ("Rich Circles") for US$4,900 with an issued and paid up capital of US$10,000 ordinary shares. The acquisition arises from the Company's joint venture with Li Yaxin who holds the remaining 51% in Rich Circles. Rich Circles was accounted for as an associated company of the Company from that date.

On 27 June 2014, Rich Circles completed the acquisition of the entire equity interest of China Construction Material (Hong Kong) Limited ("CCMH") for a consideration of RMB 100 million. CCMH is an investment holding company. Its sole shareholder is China Construction Material Holdings Limited and its director is Mr. Huo Weisheng. CCMH is the legal and beneficial owner of 100% of Zhongchuang (Xuzhou) Construction Material Co., Ltd. ("Xuzhou Zhongchuang"), a company incorporated in the People's Republic of China ("PRC"). Xuzhou Zhongchuang is the legal and beneficial owner of 100% of Xuzhou Zhongwei New Board Co., Ltd (formerly known as "Xuzhou Zhongsen Tonghao New Board Co., Ltd") ("Xuzhou Zhongwei"), a company incorporated in the PRC.

In connection with the acquisition by Rich Circles, the Company has on 18 June 2014 granted Rich Circles a loan of RMB 49 million, which bears an interest rate of 7% per annum and is repayable by Rich Circles on 18 June 2016. On 18 June 2014, Li Yaxin granted a loan of RMB 51 million to Rich Circles which is repayable by Rich Circles on 18 June 2016.

8 Associates (Cont'd)

A Investment in associates (Cont'd)

On 7 August 2014, the Company announced a change to the board composition of CCMH and Xuzhou Zhongwei to enable the Company to have majority control over the operations of CCMH and Xuzhou Zhongwei. This would enable the Company to consolidate its accounts with CCMH. Mr. Yuan Limin and Mr. Neo Chee Beng have on 6 August 2014 been appointed as directors of CCMH. Mr. Huo Weisheng was the sole director of CCMH prior to their appointments and remains a director of CCMH. Mr. Yuan Limin and Mr. Neo Chee Beng have on 6 August 2014 been appointed as directors of Xuzhou Zhongwei. Mr. Huo Weisheng was the sole director of Xuzhou Zhongwei prior to their appointments and remains a director of Xuzhou Zhongwei. Effective from that date, Rich Circles and its subsidiaries (the "Associated Company Group" or the "Investee") were accounted for as subsidiaries of the Group and were consolidated with the Group from that date.

As from the date of the above announcement and up to the date of this report, management had held the view that it had obtained control of Rich Circles by way of delegation of duties and power to the director of the key operating subsidiary, Xuzhou Zhongwei, including having obtained a power of attorney issued by Li Yaxin (who held the remaining 51% equity interest in Rich Circles) to the Non-executive Director, Yuan Limin, of the Company, authorising him to act on her behalf and attend all shareholders meetings of Rich Circles and its subsidiaries and to execute and perform any other deed, matter, act or thing which in the Attorney's opinion ought to be done. Notwithstanding the above rationale, the management of the Company has consulted its external auditors to reassess whether the Company has control of Rich Circles for the financial year ended 31 December 2014 under Singapore Financial Reporting Standard No. 110 Consolidated Financial Statements ("FRS 110"). After repeated discussions between the Auditor and the management, the management generally accepted the auditor's view that the Company did not have sufficiently effective control of Rich Circles for the following reasons:

1. The Company did not have power over the investee:

   The Company did not have sufficient voting rights to have power over Rich Circles as it only has 49% of the voting rights. In addition, it has not effectively exercised its rights to direct the relevant activities of Rich Circles.

2. The Company did not have sufficient ability to use its power over the investee (Rich Circles) to affect the amount of the Company's returns:

   The key operating subsidiary of Rich Circles is Xuzhou Zhongwei. The design and purpose of Xuzhou Zhongwei was such that almost all of the financial and operating activities of Rich Circles were performed by a director of Xuzhou Zhongwei as a principal. The Company did not have the direct decision-making authority or decision-making rights over the relevant activities of Xuzhou Zhongwei.

3. The Company did not have exposure or rights to variable returns from its involvement with the investee.

   Apart from the entitlement to dividends as a shareholder of Rich Circles, the Company did not have any exposure or rights to variable returns from Xuzhou Zhongwei. The Company did not hold any other interests in Rich Circles and its subsidiaries. The Company did not derive any remuneration from the servicing of Xuzhou Zhongwei's assets and liabilities nor was the Company able to enhance the value of its own other assets through the use of its assets in combination with the assets of Xuzhou Zhongwei.

As a result, the directors accepted the Auditor's view that it should account for the investment in Rich Circles as an associated company using the equity method in accordance with FRS 28 Investment in Associates and Joint Ventures. Under the equity method, on initial recognition the investment in an associate or a joint venture is recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition. The investor's share of the investee's profit or loss is recognised in the investor's profit or loss. The consolidated financial statements of the Company for the financial year ended 31 December 2014 was prepared on this basis.

8 Associates (Cont'd)

A Investment in associates (Cont'd)

As required by FRS 110 on continuous assessment of control, the directors will perform a reassessment whether it controls Rich Circles Enterprise Limited if facts and circumstances indicate that there are changes to one or more of the above three conditions in subsequent financial years.

Subsequent to the financial year end, on 27 May 2015 (refer to Note 34), the Company announced that, with effect from 27 May 2015, its shareholding in Rich Circles Enterprise Limited has been increased from 49% to 54.46%, or 6,100 shares out of an expanded total number of 11,200 shares. As a result of the above-mentioned changes in management and Board members of the Company to further strengthen the operating and business control of Rich Circles Enterprise Limited and its subsidiaries, adding the fact that the Company has actually owned 54.46% majority shareholding of Rich Circles Enterprise Limited and its subsidiaries, the Board has strong reasons to treat Rich Circles Enterprise Limited and its subsidiaries as the Company's subsidiary instead of an associate with effect from 27 May 2015 and to prepare its financial statements for the financial year ending 31 December 2015 as a consolidated subsidiary from that date. The Board has discussed their views with the external auditors whose understanding is consistent with those of the Board.

B Loan to associate

	The Company and the Group	
	31 December 2014	31 December 2013
	RMB'000	RMB'000
Loan to associate	**49,000**	–
Interest receivable from associate	**1,851**	–
	50,851	–

During the financial year, the Company had provided a loan of RMB 49 million to the associated company, Rich Circles Enterprise Limited, which is repayable on 18 June 2016.

Management is of the view that the interest rate represents the fair value of the instrument, and accordingly, the fair value of the loan to associate approximates its carrying amounts.

C Amount due from associate

	31 December 2014	31 December 2013
	RMB'000	RMB'000
Amount due from associate	**1,634**	–

The amounts are due from associated company, China Construction Material (Hong Kong) Limited, for RMB1,627,000 (2013: Nil) and Rich Circles Enterprise Limited for RMB 7,000 (2013: Nil).

9 Inventories, at cost

	31 December 2014	31 December 2013
The Group	**RMB'000**	RMB'000
Raw materials	**–**	3,138
Work-in-progress	**–**	6,778
Finished goods	**–**	2,125
	–	12,041
Cost of inventories included in cost of sales	**–**	132,913

10 Trade receivables

The Group	31 December 2014 RMB'000	31 December 2013 RMB'000
Trade receivables from non-related parties	–	67,637

Trade receivables are non-interest bearing, bears credit terms of 90 days (2013 - 90 days) and denominated in the followings currencies:

The Group	31 December 2014 RMB'000	31 December 2013 RMB'000
Renminbi	–	67,320
United States Dollar	–	317
	–	67,637

11 Prepayments and other receivables

The Group	31 December 2014 RMB'000	31 December 2013 RMB'000	1 January 2013 RMB'000
		Restated	
Deposit for purchase of a commercial property	–	1,805	1,805
Prepayments	–	1,373	921
Other receivables	–	529	375
	–	3,707	3,101

Other receivables are denominated in Hong Kong Dollar, and relate to amount owing from associated company China Construction Material (Hong Kong) Limited for RMB1,627,000 (2013: Nil) and Rich Circles Enterprise Limited for RMB 7,000 (2013: Nil).

12 Cash and cash equivalents

	The Company		The Group		
	31 December 2014 RMB'000	31 December 2013 RMB'000	31 December 2014 RMB'000	31 December 2013 RMB'000	1 January 2013 RMB'000
				Restated	
Cash on hand	–	–	–	29	75
Cash at bank	131	137	182	10,585	379,168
	131	137	182	10,614	379,243

12 Cash and cash equivalents (Cont'd)

For the purpose of the consolidated statement of cash flows, the year-end cash and cash equivalents comprise the following:

The Group	31 December 2014 RMB'000	31 December 2013 RMB'000
Continuing operation		
Cash on hand	–	–
Cash at bank	182	765
Discontinued operation		
Cash on hand	–	29
Cash at bank	4,554	9,820

Cash and cash equivalents are denominated in the following currencies:

	The Company		The Group	
	31 December 2014 RMB'000	31 December 2013 RMB'000	31 December 2014 RMB'000	31 December 2013 RMB'000
Renminbi	–	–	–	9,159
Hong Kong Dollar	–	–	51	1,073
Singapore Dollar	131	137	131	137
United States Dollar	–	–	–	245
	131	137	182	10,614

At the reporting date, interest bearing bank balances amounting to RMB Nil (2013 - RMB9,957,000) have a weighted average effective interest rate of Nil% (2013 - 0.50%) per annum.

13 Share capital

	No. of ordinary shares		Share capital	
The Company	31 December 2014 '000	31 December 2013 '000	31 December 2014 US$'000	31 December 2013 US$'000
Authorised:				
At beginning and end of year	8,000,000	8,000,000	40,000	40,000
Issued and fully paid with par value of US$0.005 per share:				
At beginning of year	548,802	–	2,744	–
Capital reorganization undertaken by the Company*	–	548,802	–	2,744
At end of year	548,802	548,802	2,744	2,744
Issued and fully paid at end of year equivalent to (RMB'000)			19,220	19,220

13 Share capital (Cont'd)

*Reorganisation of capital in prior year

Pursuant to the shareholders' circular dated 4 November 2013 ("**Circular**") in relation to the capital reorganisation exercise of the Company, the following changes to the Company's share capital were approved by the shareholders of the Company on 27 November 2013, with effect from 28 November 2013:

(a) the issued and paid-up share capital of the Company was reduced from US$27,440,131.90 to US$2,744,013.19 by cancelling the paid-up capital of the Company to the extent of US$0.045 on each of the issued shares of par value US$0.05 in the share capital of the Company, so that each issued share of US$0.05 is treated as one fully paid up share of US$0.005 ("**Capital Reduction**");

(b) subject to and forthwith upon the Capital Reduction taking effect, all the authorised but unissued shares of US$0.05 each in the Company was cancelled and the authorised share capital of the Company of US$40,000,000 was diminished by US$37,255,986.81 representing the amount of shares so cancelled ("Authorised Capital Diminution");

(c) forthwith upon the Authorised Capital Diminution taking effect, the authorised share capital of the Company was increased from US$2,744,013.19 divided into 548,802,638 shares of par value of US$0.005 each to US$40,000,000 divided into 8,000,000,000 of par value US$0.005 each by the creation of 7,451,197,362 shares of US$0.005 each; and

(d) subject to and forthwith upon the Capital Reduction taking effect, the credit amount of US$24,696,118.71 (or equivalent to RMB172,983,000) arising from the Capital Reduction was credited to the contributed surplus account of the Company ((a), (b), (c), and (d) collectively referred to as the "Capital Reorganisation").

As reflected in the Circular, the impact of the Capital Reorganisation on the share capital of the Company is as follows:

	Before the Capital Reorganisation	**After the Capital Reorganisation**
Class of Shares		
Authorised Share Capital		
Number of Shares	800,000,000	8,000,000,000
Par Value (US$)	0.05	0.005
Total (US$)	40,000,000	40,000,000
Issued and Paid-up Capital		
Number of Shares	548,802,638	548,802,638
Par Value (US$)	0.05	0.005
Total (US$)	27,440,131.90	2,744,013.19

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 shareholders' meetings. All shares rank equally with regard to the Company's residual assets.

14 Reserves

Group

(a) Share premium

The share premium represents the excess of issue price over the par value of the shares issued, net of share issue expenses. The share premium account may be applied by the company in paying up unissued shares of the company to be issued to members of the company as fully paid bonus shares, in writing off the preliminary expenses of the company, or the expenses of the commission paid or discount allowed on, any issue of shares or debentures of the company or in providing for the premiums payable on redemption of any shares or of any debentures of the company.

(b) Capital reserve

The capital reserve represents the fair value of the former Chief Executive Officer's shares in the Company transferred to several business consultants in consideration of their services rendered in a Company's private share placement exercise. The Chief Executive Officer was a former controlling shareholder of the Company.

(c) Merger reserve

The merger reserve represents the difference between the nominal value of shares issued by the Company in exchange for the nominal value of shares and capital reserve of subsidiaries acquired which was accounted for as a business combination under common control.

(d) Statutory reserve

In accordance with the relevant laws and regulations of the PRC, the subsidiaries of the Company established in the PRC are required to transfer 10% of its profits after taxation prepared in accordance with the accounting regulation of the PRC to the statutory reserve until the reserve balance reaches 50% of the respective registered capitals of the subsidiaries. Such reserve may be used to offset accumulated losses or increase the registered capital of these subsidiaries, subject to the approval from the PRC relevant authority, and are not available for dividend distribution to the shareholders.

(e) Share option reserve

Share option reserve relates to the cumulative value of services received from an employee recorded on grant of equity-settled share option.

(f) Contributed surplus

Contributed surplus relates to the capital reduction of which resulted from the reorganisation exercise took place on 28 November 2013 (Note 13).

Company

	31 December 2013 RMB'000	1 January 2013 RMB'000
Contributed reserve (Note 14(f))	172,983	–
(Accumulated losses/retained profits), as previously reported	(218,374)	13,236
Prior year adjustment	–	(27,888)
(Accumulated losses/retained profits), as restated	(218,374)	(14,652)
	(45,391)	(14,652)

15 Trade payables

Trade payables, denominated in RMB, have credit terms ranging from 30 days to 60 days (2013 - 30 days to 60 days).

16 Accruals and other payables

	The Company			The Group		
	31 December 2014	31 December 2013	1 January 2013	**31 December 2014**	31 December 2013	1 January 2013
	RMB'000	RMB'000	RMB'000	**RMB'000**	RMB'000	RMB'000
		(Restated)			(Restated)	
Accrued operating expenses	**7,884**	3,756	1,709	**7,885**	9,319	5,968
Non-trade amount due to a subsidiary	**14,927**	11,173	6,951	**–**	–	–
Non-trade amount due to:						
- Sino Prestige Investment Management Limited	**1,067**	255	–	**4,667**	2,650	–
- New Star Education Limited	**2,293**	–	–	**5,710**	–	–
Provision for compensation to distributors (a)	**8,569**	8,569	21,850	**8,569**	8,569	21,850
Provision for minimum guaranteed royalty (b)	**5,347**	5,347	6,038	**5,347**	5,347	6,038
	40,087	29,100	36,548	**32,178**	25,885	33,856

Non-trade amount due to a subsidiary, comprising mainly advances, is unsecured, interest free and repayable on demand in cash.

(a) Provision for compensation to distributors relate to maximum amount of compensation payments under the terms of the distributorship agreement entered into by the Company with certain distributors for the retailing of the Goodyear Products following the termination of the trademark agreement with Goodyear (Note 4). During the previous year the distributors have agreed to a reduced amount of compensation pursuant to the revised settlement agreements entered into with the distributors. The movement of the provision is as follows:

	The Company			The Group	
	31 December 2014	31 December 2013	1 January 2013	**31 December 2014**	31 December 2013
	RMB'000	RMB'000	RMB'000	**RMB'000**	RMB'000
At beginning of year	**8,569**	21,850	–	**8,569**	21,850
Provision made during the year	**–**	–	21,850	**–**	–
Payments	**–**	(1,719)	–	**–**	(1,719)
Reversal	**–**	(11,562)	–	**–**	(11,562)
At end of year	**8,569**	8,569	21,850	**8,569**	8,569

16 Accruals and other payables (Cont'd)

(b) Provision for minimum guaranteed royalty relates to minimum guaranteed royalty fees payable by the Group (Note 4). There is no movement of the provision during the year other than unrealised exchange difference.

	The Company			The Group	
	31 December 2014	31 December 2013	1 January 2013	**31 December 2014**	31 December 2013
	RMB'000	RMB'000	RMB'000	**RMB'000**	RMB'000
At beginning of year	**5,347**	6,038	–	**5,347**	6,038
Provision made during the year	**–**	–	6,038	**–**	–
Exchange realignment	**–**	(691)	–	**–**	(691)
At end of year	**5,347**	5,347	6,038	**5,347**	5,347

Accruals and other payables are denominated in the following currencies:

	The Company			The Group		
	31 December 2014	31 December 2013	1 January 2013	**31 December 2014**	31 December 2013	1 January 2013
	RMB'000	RMB'000	RMB'000	**RMB'000**	RMB'000	RMB'000
		(Restated)			(Restated)	
Renminbi	**26,049**	21,511	30,510	**16,454**	17,888	27,806
Hong Kong Dollar	**8,691**	2,242	–	**10,377**	2,650	12
United States Dollar	**5,347**	5,347	6,038	**5,347**	5,347	6,038
	40,087	29,100	36,548	**32,178**	25,885	33,856

17 Compensation payables

	31 December 2014	31 December 2013
The Group	**RMB'000**	RMB'000
Due not later than one year	**–**	17,400
Due later than one year and not later than five years	**–**	69,730
	–	87,130

2013

As announced by the Company on 9 June 2013, the Company's wholly-owned subsidiary, Fujian Qianfeng Textile Technology Co., Ltd ("Fujian Qianfeng") has received claims from customers for delivered products that allegedly failed to meet customers' specified requirements. Fujian Qianfeng had on 30 August 2013 entered into settlement agreements with its customers. According to the terms of the settlement agreements, the cash compensation will be RMB 300 million and remaining balance may be utilised by the customers to deduct from future sales. The cash compensation of RMB 300 million had been settled by end of September 2013.

The Group recorded compensation claims amounting to RMB 424.58 million as an expense in profit or loss for the year after several negotiations over the terms of the settlement agreements. These compensation claims had either been paid and/or fully provided for in the financial statements of the Group as at 31 December 2013.

17 Compensation payables (Cont'd)

Subsequent to the financial year ended 31 December 2013, Fujian Qianfeng was served with notices of arbitration on 10 March 2014 by the customers. The dispute between Fujian Qianfeng and the customers arose in relation to the settlement agreements entered into by Fujian Qianfeng with the customers, under which the remaining amount of compensation to the customers will be settled by way of the provision of products by Fujian Qianfeng to the customers. The customers had alleged that Fujian Qianfeng had breached the terms of the settlement agreements by not fulfilling their obligations in the provision of products.

On 13 March 2014, the Fuzhou Arbitration Centre in the PRC confirmed that the terms of the settlement agreements were valid and enforceable, and affirmed that Fujian Qianfeng was required to provide the remaining balance of compensation to the customers by way of the provision of products over the period of sixty months. The company appointed Dacheng Law Offices in the PRC to review the arbitration proceedings and provide advice to the Board of Directors of the Company. On 15 April 2014, Dacheng Law Offices opined that the settlement agreements are legal and enforceable, the Fuzhou Arbitration Centre's confirmation of the settlement agreements is legal and in accordance with the laws in the PRC and that the claimants cannot make any other claims against the Group provided the terms and conditions of the arbitration commission's confirmation have been complied with.

The compensation payable, which is not an extended credit, does not bear interest over the repayment terms of sixty months and is not pledged with any assets of the Group.

The movements in compensation payables were as follows:

The Group	**31 December 2014 RMB'000**	31 December 2013 RMB'000
At beginning of year	**87,130**	–
Provision for compensation to claimants	**–**	424,580
Amounts paid	**–**	(300,000)
	87,130	124,580
Set-off against trade receivables of claimants	**(16,415)**	(37,450)
	70,715	87,130
Reclassified to liabilities of disposal group classified as held-for-sale (Note 28)	**(70,715)**	–
At end of year	**–**	87,130

Reconciliation of compensation payable (1 January 2014 - 13 March 2014):

The Group	RMB'000
At 1 January 2014	87,130
Sales up to 12 March 2014	(630)
At 13 March 2014 (Fuzhou Arbitration Centre's confirmation)	86,500

18 Amount due to former director/shareholder

The amount due to a former director/shareholder, Lin Daoqin, was for payment on behalf by the director/shareholder. The amount due to the former director/shareholder is denominated in Renminbi, unsecured, interest-free and has no repayment terms.

19 Bank loans

The bank loans are denominated in Renminbi and secured over the Group's property, plant and equipment (Note 5) and land use rights (Note 6).

The Group	**31 December 2014 RMB'000**	31 December 2013 RMB'000	1 January 2013 RMB'000
		(Restated)	
Current	**–**	7,766	35,387
Non-current	**–**	1,597	2,378

At the reporting date, the weighted average effective interest rate of the bank loans was 7.8% (2013 - 7.8%) per annum.

20 Bond payable / interest payable

Issuance of bond

The Company and the Group

On 9 June 2014, the Company entered into a bond subscription agreement with Li Yuhuan for the 7% unsecured non-equity-linked bonds due 2016 for S$10 million at the subscription price S$10 million.

	The Company		**The Group**	
The Group	**31 December 2014 RMB'000**	31 December 2013 RMB'000	**31 December 2014 RMB'000**	31 December 2013 RMB'000
Bond payable	**49,159**	–	**49,159**	–
Interest payable	**1,907**	–	**1,907**	–

Bond payable and interest payables are denominated in Singapore Dollar.

Management is of the view that the interest rate represents the fair value of the instrument, and accordingly, the fair value of the bond payable approximates its carrying amounts.

21 Administrative expenses

The Group	**Year ended 31 December 2014 RMB'000**	Year ended 31 December 2013 RMB'000
		(Restated)
Legal and professional fees	**6,448**	3,711
Directors salaries	**1,427**	2,105
Staff salaries	**1,422**	728
Traveling expense	**335**	255
Other expense	**3**	–
	9,635	6,799

22 Finance costs

The Group	Year ended 31 December 2014 RMB'000	Year ended 31 December 2013 RMB'000
Interest on bond payable	**1,907**	–

23 Loss before taxation

The following items have been included in arriving at loss before taxation:

The Group	Year ended 31 December 2014 RMB'000	Year ended 31 December 2013 RMB'000 (Restated)
Staff costs	**2,849**	2,833
Reversal of provision for compensation to distributor	**–**	(11,562)

24 Staff costs

The Group	Year ended 31 December 2014 RMB'000	Year ended 31 December 2013 RMB'000 (Restated)
Key management personnel		
- Directors		
- salaries and related costs	**1,427**	2,105
- employer's contributions to defined contribution plans	**–**	–
- Executive officers		
- salaries and related costs	**1,296**	728
- employer's contributions to defined contribution plans	**–**	–
Other than key management personnel		
- salaries and related costs	**126**	–
- employer's contributions to defined contribution plans	**–**	–
Total staff costs	**2,849**	2,833

25 Income tax expense

The Group	Year ended 31 December 2014 RMB'000	Year ended 31 December 2013 RMB'000
Current tax expense from continuing operations	–	–
Current tax expense from discontinued operations	–	1,228

Reconciliation of effective tax rate

The Group	Year ended 31 December 2014 RMB'000	Year ended 31 December 2013 RMB'000
Profit before taxation from continuing operations	17,663	4,849
Profit / (loss) before taxation from discontinued operations	40	(426,822)
	17,703	(421,973)
Share of profit from associated company	(27,354)	–
Accounting loss before taxation	(9,651)	(421,973)
Tax calculated at tax rate of 25%	(2,413)	(105,493)
Tax effect on non-taxable income	–	(2,816)
Tax effect on non-deductible expenses	–	1,776
Deferred tax asset on losses not recognised	2,413	107,761
Current tax expense from continuing operations	–	–
Current tax expense from discontinued operations	–	1,228

The Company, incorporated in the Bermuda, is exempt from income tax.

The Discontinued Operation, Qianfeng International Limited (formerly known as Asia Fashion Limited), incorporated in Hong Kong, is subject to tax rate of 16.5% (2013 -16.5%). It has no taxable income for the years ended 31 December 2014 and 2013.

The Group's discontinued operating subsidiaries, Fujian Qianfeng Textile Technology Co. Ltd. ("Fujian Qianfeng") and Fujian Jiamei Textile Co., Ltd ("Fujian Jiamei") are located the PRC. Fujian Qianfeng and Fujian Jiamei are subject to a tax rate of 25% (2013: 25%).

The Group has not recognised a deferred tax asset in respect of tax losses of RMB 410.8 million (2013 –RMB 428.8 million) because it is not probable that future profits would be available to utilise the losses. All tax losses will expire after five years from the year of assessment they relate to.

26 Earnings per share

	Continuing operations		Discontinued operations		Total	
	31 December 2014	31 December 2013	**31 December 2014**	31 December 2013	**31 December 2014**	31 December 2013
Net profit/(loss) attributable to equity holders of the Company (RMB'000) (A)	**17,663**	4,849	**40**	(428,050)	**17,703**	(423,201)
Weighted average number of ordinary shares outstanding for basic earnings per share (B)	**548,802,638**	548,802,638	**548,802,638**	548,802,638	**548,802,638**	548,802,638
Weighted average number of ordinary shares outstanding for diluted earnings per share (C)	**548,802,638**	548,802,638	**548,802,638**	548,802,638	**548,802,638**	548,802,638
Basic earnings/(loss) per share (fen per share) (A) / (C)	**3.22**	0.88	**0.01**	(78.00)	**3.23**	(77.11)
Diluted earnings/(loss) per share (fen per share) (A) / (B)	**3.22**	0.88	**0.01**	(78.00)	**3.23**	(77.11)

(a) Discontinued operations

Basic and diluted earnings / (loss) per share from discontinued operations are calculated by dividing the profit / (loss) from discontinued operation, net of tax, attributable to owners of the Company by the weighted average number of ordinary shares outstanding during the year.

(b) Earnings per share from continuing operations

Basic and diluted earnings per share from continuing operations are calculated by dividing the profit for the year from continuing operations attributable to owners of the Company by the weighted average number of ordinary shares outstanding during the year.

27 Operating segments

Business segments

For management purposes in prior year, the Group was organised into the following fabric reportable operating segments as follows:

(1) Manufacturing segment comprises production, dyeing and post-processing treatment of loom-state fabric.

(2) Licenced store segment refers to sales of Goodyear Products under licencing arrangement (Note 4).

(3) Investment holding (formerly known as "Others") segment.

The Chief Executive Officer monitors the operating results of its operating segments for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on net profit or loss.

Group financing and income taxes are managed on a group basis and are not allocated to operating segments.

The Group accounts for intersegment transactions on terms agreed between the parties. Inter-segment transactions are eliminated on consolidation.

However, the fabric business was discontinued in the current financial year.

28 Discontinued operations and disposal group classified as held for sales

Discontinued operations and disposal group classified as held-for-sale

Subsequent to the year end, on 3 February 2015, the Company disposed of its entire interest in its subsidiary, Qianfeng International Limited and its subsidiaries, Fujian Qianfeng Textile Technology Co. Ltd and Fujian Jiamei Textile Company Limited (collectively known as the "Disposal Group").

The Company has entered into a sale and purchase agreement (the "SPA") between the Company as vendor, Chengde Industrial Co., Limited ("Chengde") as purchaser and Lin Daoqin ("LDQ") as obligor on 18 September 2014 in connection with the disposal of 10,000 fully paid up ordinary shares in the share capital of Qianfeng International Limited ("QIL"), which represents 100% of the share capital of QIL. QIL is the legal and beneficial owner of 100% of Fujian Qianfeng Textile Technology Co. Ltd and Fujian Jiamei Textile Company Limited.

The carrying amount of assets and liabilities of the Disposal Group as at 31 December 2014 and the net results for the year then ended that were included in the consolidated financial statements of the Group and the Company were as follows:

	Company	**Group**
	31 December 2014	31 December 2014
	RMB'000	RMB'000
Profit or (loss) from discontinued operations		
Discontinued operations from the Disposal Group	**–**	40

28 Discontinued operations and disposal group classified as held for sales (Cont'd)

	31 December 2014 **Company** **RMB'000**	31 December 2014 Group RMB'000
Assets		
Assets of Disposal Group classified as held-for-sale	**3,251**	153,002
Liabilities		
Liabilities of Disposal Group classified as held-for-sale	**–**	132,644

In connection with the sale and purchase of Qianfeng International Limited by Asia Fashion Holdings Limited to Chengde Industrial Co., Limited "诚德商贸有限公司". Lin Daoqin has provided an indemnity as follows:

- LDQ undertakes to keep Chengde fully and effectively indemnified against any and all losses, costs, damages, claims, demands, actions, proceedings, liabilities and expenses whatsoever (including but not limited to all legal costs or attorney's fees both before and after judgment on a full indemnity basis) that Chengde may incur or suffer in connection with or arising from (a) any breach (actual or alleged) or inaccuracies of any of the Warranties and/or any default by the Company and/or LDQ of any of his obligations under the SPA and/or (b) any proceeding against Chengde brought by any third party arising out of any such breach or default referred to in paragraph (a) above.

- LDQ hereby undertakes to keep the Company fully and effectively indemnified against any and all losses, costs, damages, claims, demands, actions, proceedings, liabilities and expenses whatsoever (including but not limited to all legal cots or attorney's fees both before and after judgement on a full indemnity basis) that Chengde may incur or suffer in connection with or arising with or arising from (a) any default by LDQ of any of his obligations under the SPA and/or (b) any proceeding against the Company brought by Chengde and/or any third party arising out of the SPA or any such breach or default referred to in paragraph (a) above. Any payment to be made by LDQ pursuant to the foregoing shall be paid within 10 business days of receipt of written notice from the Company requiring such party or parties to do so.

(a) The results of the discontinued operations and the re-measurement of the disposal group are as follows:

The Group	**Year ended 31 December 2014 RMB'000**	Year ended 31 December 2013 RMB'000
Revenue	**127,798**	155,468
Expenses	**(127,758)**	(582,290)
Profit / (loss) before tax from discontinued operations	**40**	(426,822)
Tax	**–**	(1,228)
Profit / (loss) after tax from discontinued operations	**40**	(428,050)
Profit / (loss) attributable to equity holders of the Company relates to:		
- Profit / (loss) from continuing operations	**17,663**	4,849
- Profit / (loss) from discontinued operations	**40**	(428,050)
Total	**17,703**	(423,201)

28 Discontinued operations and disposal group classified as held for sales (Cont'd)

(b) The impact of the discontinued operations on the cash flows of the Group was as follows:

The Group	31 December 2014 RMB'000	31 December 2013 RMB'000
Operating cash inflows	(5,933)	(359,809)
Investing cash outflows	–	18,853
Financing cash outflows	637	(28,402)
Total cash (outflows)/inflows	(5,296)	(369,358)

(c) Details of the assets in disposal group classified as held-for-sale are as follows:

The Group	31 December 2014 RMB'000
Property, plant and equipment	37,633
Intangible assets	7,649
Inventories	11,043
Trade receivables	88,016
Prepayments & other receivables	4,107
Cash and cash equivalents	4,554
	153,002

(d) Details of the liabilities directly associated with disposal group classified as held-for-sale are as follows:

The Group	31 December 2014 RMB'000
Trade payables	42,024
other payables and accruals	9,905
Compensation payables – current portion	17,400
Bank loans	10,000
Compensation payables	53,315
	132,644

(e) Cumulative income/ (expense) recognised in other comprehensive income relating to disposal group classified as held-for-sale are as follows:

The Group	31 December 2014 RMB'000	31 December 2013 RMB'000
Nil	–	–

28 Discontinued operations and disposal group classified as held for sales (Cont'd)

(f) Details of assets in non-current asset classified as held-for-sale are as follows:

The Company	**31 December 2014** **RMB'000**	31 December 2013 RMB'000
Investment in subsidiary	3,251	–

On 15 May 2015, the Company announced that the Group has recorded a loss of RMB19.024 million on the disposal of the Disposal Group.

29 Financial risk management objectives and policies

The Group's overall financial risk management programme seeks to minimise potential adverse effects of financial performance of the Group. Management does not have written procedure to monitor the Group's risk exposures but it monitors the costs associated with such monitoring and management against the costs of risk occurrence. The Group's risk management policies are reviewed periodically for changes in market conditions and the Group's operations.

The Group is exposed to financial risks arising from its operations and the use of financial instruments. The key financial risks include credit risk, liquidity risk and market risk.

The Group does not hold or issue derivative financial instruments for trading purposes or to hedge against fluctuations, if any, in interest rates and foreign exchange.

There has been no change to the Group's exposure to these financial risks or the manner in which it manages and measures the risk.

(i) Credit risk

Credit risk refers to the risk that counterparties may default on their contractual obligations resulting in financial loss to the Group. The Group's exposure to credit risk arises primarily from trade and other receivables and bank balances.

The maximum exposure to credit risk is the carrying amount of financial assets which are mainly trade and other receivables and bank balances.

<u>Bank balances</u>

The Group's bank balances are placed with reputable banks that meet appropriate credit criteria.

<u>Trade receivables</u>

The Group's objective is to seek continual growth while minimising losses incurred due to increased credit risk exposure.

There was no concentration of credit risk at year end.

(ii) Liquidity risk

Liquidity or funding risk is the risk that an enterprise will encounter difficulty in meeting financial obligations due to shortage of funds. Liquidity risk may result from an inability to sell a financial asset quickly at close to its fair value.

29 Financial risk management objectives and policies (Cont'd)

(ii) Liquidity risk (cont'd)

The Group's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities. The Group ensures that there are adequate funds to meet all its obligations in a timely and cost-effective manner. The Group maintains sufficient level of cash and cash equivalents and has available adequate amount of committed credit facilities from financial institutions to meet its working capital requirements.

The Company and the Group are dependent on the ability to obtain adequate funding and to generate sufficient cash flows from its operating activities. Refer to Note 2 (a) on going concern for further details of liquidity requirements.

The table below analyses the maturity profile of the Company's and the Group's financial liabilities based on contractual undiscounted cash flows.

	Contractual cash flows			
The Group	Total RMB'000	Less than 1 year RMB'000	Between 2 and 5 years RMB'000	Over 5 years RMB'000
At 31 December 2014				
Accruals and other payables	32,178	32,178	–	–
Compensation payables	–	–	–	–
Amount due to former director/ shareholder	1,221	1,221	–	–
Bank loans	–	–	–	–
Bond payables	49,159	–	49,159	–
Interest payable	6,882	–	6,882	–
	89,440	**33,399**	**56,041**	**–**

	Contractual cash flows			
The Group	Total RMB'000	Less than 1 year RMB'000	Between 2 and 5 years RMB'000	Over 5 years RMB'000
At 31 December 2013 (restated)				
Trade payables	24,496	24,496	–	–
Accruals and other payables	25,885	25,885	–	–
Compensation payables	87,130	17,400	69,730	–
Amount due to former director/ shareholder	2,709	2,709	–	–
Bank loans	9,363	7,766	1,597	–
	149,583	**78,256**	**71,327**	**–**

29 Financial risk management objectives and policies (Cont'd)

(ii) Liquidity risk (Cont'd)

The Company	Contractual cash flows Total RMB'000	Less than 1 year RMB'000	Between 2 and 5 years RMB'000	Over 5 years RMB'000
At 31 December 2014				
Trade payables	–	–	–	–
Accruals and other payables	40,087	40,087	–	–
Compensation payables	–	–	–	–
Amount due to former director/ shareholder	1,221	1,221	–	–
Bank loans	–	–	–	–
Bond payables	49,159	–	49,159	–
Interest payable	6,882	–	6,882	–
	97,349	**41,308**	**56,041**	**–**

The Company	Contractual cash flows Total RMB'000	Less than 1 year RMB'000	Between 2 and 5 years RMB'000	Over 5 years RMB'000
At 31 December 2013				
Accruals and other payables	29,100	29,100	–	–
Compensation payables	–	–	–	–
Amount due to former director/ shareholder	2,709	2,709	–	–
Bank loans	–	–	–	–
Bond payables	–	–	–	–
Interest payable	–	–	–	–
	31,809	**31,809**	**–**	**–**

(iii) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of the Group's and the Company's financial instruments will fluctuate because of changes in market interest rates.

The Group's exposure to interest rate risk arises from its fixed rate bond payable amounting to RMB 49.185 million (2013 - Nil).

The Group does not account for any fixed rate financial assets and liabilities at fair value through profit or loss. Therefore a change in interest rate at the reporting date would not affect profit or loss.

(iv) Foreign currency risk

Foreign currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates.

Foreign currency risk arises when transactions are denominated in currencies other than the respective functional currencies of group entities, namely Renminbi and Hong Kong dollar.

At the end of the reporting period, the Group is exposed to foreign currency movements in the Singapore dollar and United States dollar.

29 Financial risk management objectives and policies (Cont'd)

(iv) Foreign currency risk (Cont'd)

Sensitivity analysis for foreign currency risk

A 5% strengthening/weakening of the Singapore dollar (SGD), Hong Kong dollar (HKD) and United States dollar (USD) against the respective functional currencies of the group entities at 31 December would have increased (decreased) equity and (loss)/profit before tax by the amounts shown below. This analysis is based on foreign currency exchange rate variances that the Group considered to be reasonably possible at the end of the reporting period. This analysis has not taken into account the associated tax effects and assumes that all other variables, in particular foreign currency rates, remain constant.

	The Group		The Company	
	Loss before tax Increase/ (decrease) RMB'000	Equity Increase/ (decrease) RMB'000	Loss before tax Increase/ (decrease) RMB'000	Equity Increase/ (decrease) RMB'000
31 December 2014				
SGD against RMB				
- strengthened	7	7	7	7
- weakened	(7)	(7)	(7)	(7)
HKD against RMB				
- strengthened	(435)	(435)	(435)	(435)
- weakened	435	435	435	435
USD against RMB				
- strengthened	(267)	(267)	(267)	(267)
- weakened	267	267	267	267
31 December 2013 (restated)				
SGD against RMB				
- strengthened	7	7	7	7
- weakened	(7)	(7)	(7)	(7)
HKD against RMB				
- strengthened	(79)	(79)	(112)	(112)
- weakened	79	79	112	112
USD against RMB				
- strengthened	(239)	(239)	(267)	(267)
- weakened	239	239	267	267

(v) Market price risk

Price risk is the risk that the value of a financial instrument will fluctuate due to changes in market prices.

The Group does not hold any quoted or marketable financial instruments, hence, is not exposed to any movement in market prices.

29 Financial risk management objectives and policies (Cont'd)

(vi) Fair values of financial instruments

The carrying amounts of financial assets and liabilities with a maturity of less than one year (including trade and other receivables, cash and cash equivalents, current bank loans, and trade payables, accruals and other payables, compensation payables and amount due to director/shareholder) approximate their fair values because of the short period to maturity.

It is not practicable to estimate the fair value of non-current amount due from subsidiary, due to the absence of agreed repayment terms and this amount is regarded as extension of capital contribution to the subsidiary without incurring excessive costs.

The fair values of loans to subsidiaries that in substance form part of net investments in the subsidiaries with indeterminable repayments are deemed to be zero.

(vii) Classification of financial assets and liabilities

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

	The Company		The Group	
	31 December 2014 RMB'000	31 December 2013 RMB'000 (Restated)	**31 December 2014 RMB'000**	31 December 2013 RMB'000 (Restated)
Financial assets:				
Cash and cash equivalents	**131**	137	**182**	10,614
Trade receivables	**–**	–	**–**	67,637
Other receivables	**–**	–	**–**	3,707
Amount due from associated companies			**1,634**	–
Loan to associate company	**49,000**	–	**49,000**	–
Interest receivable	**1,851**	–	**1,851**	–
	50,982	137	**52,667**	81,958
Financial liabilities:				
Trade payables	**–**	–	**–**	24,496
Accruals and other payables	**40,087**	29,100	**32,178**	25,885
Compensation payables	**–**	–	**–**	87,130
Amount due to former director/ shareholder	**1,221**	2,709	**1,221**	2,709
Bank loans	**–**	–	**–**	9,363
Bond payable	**49,159**	–	**49,159**	–
Interest payable	**1,907**	–	**1,907**	–
	92,374	31,809	**84,465**	149,583

30 Capital management

The Group's objectives when managing capital are:

(a) To safeguard the Group's ability to continue as a going concern;

(b) To support the Group's stability and growth;

(c) To provide capital for the purpose of strengthening the Group's risk management capability; and

(d) To provide an adequate return to shareholders.

The Group regularly reviews and manages its capital structure to ensure optimal capital structure and shareholder returns, taking into consideration the future capital requirements of the Group and capital efficiency, prevailing and projected profitability, projected operating cash flows, projected capital expenditures and projected strategic investment opportunities. The Group currently does not adopt any formal dividend policy.

The Board of Directors monitors capital based on the net debt to adjusted capital ratio. Net debt comprises total borrowings less cash and cash equivalents. Adjusted capital comprises total equity and total borrowings

There were no changes in the Group's approach to capital management during the year.

The Company and its subsidiaries are not subject to externally imposed capital requirements.

The Group	**31 December 2014 RMB'000**	31 December 2013 RMB'000 (Restated)
Total borrowings	**49,159**	9,363
Less: Cash and cash equivalents	**(182)**	(10,614)
Net debt/(cash)	**48,977**	(1,251)
Total equity	**15,944**	(1,759)
Add: net debt/(cash)	**48,977**	(1,251)
Adjusted capital	**64,921**	(3,010)
Net debt-to-adjusted-capital ratio	**75.44%**	NA#

Not applicable as the Group is in a net cash position.

31 Significant related party transactions

Other than the related party information disclosed elsewhere in the financial statements, the following is the significant related party transactions entered into by the Company and its related parties at mutually agreed amounts:

The Group	31 December 2014 RMB'000	31 December 2013 RMB'000
Loan to associated company	**49,000**	–
- Rich Circles Enterprise Limited		
Interest charged on loan to associated company	**1,851**	–
- Rich Circles Enterprise Limited		
Financial support provided by a former director / shareholder of the Company		
- Lin Daoqin	**–**	100,000

As announced on 25 September 2013, Mr. Lin Daoqin has provided an undertaking to the Company to provide, on demand by the Company, loan of up to RMB100 million to support the financial position of the Company.

Save for the above, the joint and several guarantees provided by our former Executive Director Mr. Lin Daoqin to our Group, there are no any other interested person transactions.

32 Auditors' fees

The Group	31 December 2014 RMB'000	31 December 2013 RMB'000
Auditor's remuneration paid/payable to:		
- Auditor of the Company	**1,362**	1,292
Other fees paid/payable to:		
- Auditor of the Company	**–**	–

33 Prior year adjustment

During the financial year ended 31 December 2013, transactions of the company's subsidiary, Qianfeng Energy Co., Limited were omitted erroneously. The effect of the prior year adjustments on the Company and the Group is as follows:

		Company		Group	
	Note	As previously reported 31 December 2013 RMB'000	As restated 31 December 2013 RMB'000	As previously reported 31 December 2013 RMB'000	As restated 31 December 2013 RMB'000
Statement of Financial Position					
Assets					
Current					
Prepayments & other receivables	11	–	–	3,663	3,707
Cash and bank balances	12	–	–	9,986	10,614

33 Prior year adjustment (Cont'd)

	Note	Company		Group	
		As previously reported 31 December 2013 RMB'000	As restated 31 December 2013 RMB'000	As previously reported 31 December 2013 RMB'000	As restated 31 December 2013 RMB'000
Non-current					
Investment in subsidiary	7	3,251	3,259	–	–
Liabilities					
Current					
Accruals & other payables	16	26,858	29,100	22,979	25,885
Amount due to former director / shareholder	18	2,701	2,709	2,701	2,709
Equity					
Profit/(loss) for the year		(203,722)	(205,962)	(420,959)	(423,201)
Statement of profit or loss and comprehensive income					
Administrative expenses	21			(4,557)	(6,799)
Staff cost	23			2,703	2,833
Statement of cash flows					
(Loss)/Profit before taxation from continuing operations		–	–	(419,731)	4,849
(Loss) before taxation from discontinued operations		–	–	–	(426,822)
(Increase) / decrease in prepayments, other receivables and deposits		–	–	(230)	(562)
Increase / (decrease) in accrued liabilities, other payables and advances		–	–	1,016	3,591

34 Subsequent events

(a) On 7 January 2015, the Company announced that it has on 6 January 2015, received the clearance from the SGX-ST that, it has no comments to the draft circular on the Proposed Placement of 100,000,000 ordinary shares to Feng Jia Cheng, Wang Hui, Cai Yi and Guo Wen Qi and the Proposed Disposal of Qianfeng International Limited.

On 2 February 2015, a Special General Meeting was held and the above mentioned proposed placement of ordinary shares as well as proposed disposal had been approved by the shareholders.

The disposal of Qianfeng Group was completed on 3 February 2015. Pursuant to the sales and Purchase Agreement entered between company and Chengde Industrial Co., Limited on 18 September 2014 in connection with the disposal of 10,000 fully paid up ordinary shares in the share capital of Qianfeng International Limited ("QIL"), which represents 100% of the share capital of QIL. The aggregate consideration for the purchase of the Sale Shares is the amount of S$2.4 million.

The proposed placement of 100,000,000 new ordinary shares to Feng Jia Cheng, Wang Hui, Cai Yi and Guo Wen Qi was completed at a price of S$0.029 per Placement Share on 11 February 2015. These shares has been listed and quoted on the Main Board of the SGX-ST with effect from 9.00 am, Thursday, 12 February 2015.

34 Subsequent events (Cont'd)

(b) On 9 February 2015, Mr. Huo Weisheng has been appointed by the board of directors and nominating Committee as Chief Operating Officer of the company.

(c) The Company entered into a convertible bonds agreement dated 5 March 2015 with Alternus Capital Holdings Limited, (BVI registration number: 1827854) whereby the Investor has agreed to subscribe for S$2,660,000 of convertible bonds as follows:

- Issue Size: S$2,660,000 in aggregate principal amount of Bonds.
- Issue Price: 100% of the principal amount of the Bonds.
- Interest: The Bonds will bear interest at the rate of 7.0% per annum, payable quarterly in arrears.
- Maturity Date: The date that is two (2) years from the date of the issue of the Bonds.

Early Redemption at the Option of the Company: The Company may, at any time within the period commencing the seventh (7th) month from the issue date up until the Maturity Date, (i at least ten (10) days' prior written notice to the bondholder and (ii) having not received any conversion notice from the bondholder within fifteen (15) days after the date of receipt of the Company's Redemption Notice redeem all (and not some only) of the Bonds then outstanding at 103% of the principal amount, together with all accrued and unpaid interest that was scheduled to be paid to (but excluding) the redemption date.

Conversion Price: S$0.07 for each ordinary share.

The Company has on 27 March 2015, received the approval in-principle from the SGX-ST for the listing and quotation of up to 38,000,000 new ordinary shares in the capital of the Company on the Main Board of the SGX-ST to be issued upon conversion of 7.0% convertible bonds due 2017 of an aggregate amount of S$2,660,000.

On 31 March 2015, the Proposed Issuance was completed and the Bonds were issued to the Investor for S$2,660,000.

(d) On 19 March 2015, the Company disclosed that the net proceeds amounting to approximately S$2.75 million raised from the placement of 100,000,000 new ordinary shares to Feng Jia Cheng, Wang Hui, Cai Yi and Guo Wen Qi, has been fully utilised for the payment of corporate, statutory and administrative expenses.

On 27 March 2015, The Company further disclosed the use of these proceed:

Net Proceeds as follows:

	S$'000	S$'000
Net Proceed Raised		2,750
Application of Proceed for payments of corporate, statutory and administrative expenses:		
Salaries and director's remuneration	285	
Corporate and legal fees	438	
Listings expenses	65	
Office rental and deposit	725	
Pre-acquisition due diligence and audit fees and related expenses	212	
Special review fee and related expenses - PWC	615	
Annual audit fee and related expenses	271	
Other miscellaneous expenses	139	2,750
Balance		–

34 Subsequent events (Cont'd)

The Company annouced that its major subsidiary of the company, Xuzhou Zhongwei New Board Co., Ltd, had on 20 March 2015 entered into a supply contract with Beijing Baota Petrochemical Company Limited supply construction materials for the building of Baota's projects.

The Company has announced on 25 March 2015 that Company had entered placement agreements between The Company and following:

- Forest Education Foundation Limited 2,940,000 placement shares at S$0.06 each
- Group Limited Group Limited-14,700,000 placement shares at S$0.06 each
- Tsang Yuen Wai, Samuel-14,700,000 placement shares at S$0.06 each
- Wong Yu Chiu, Ben-11,760,000 placement shares at S$0.06 each

The Company has on 6 April 2015, received the approval in-principle from the Singapore Exchange Securities Trading Limited ("SGX-ST") for the listing and quotation of up to 58,800,000 Placement Shares on the Main Board of the SGX-ST.

The placements of shares were completed on 15 April 2015.

(g) On 16 April 2015, the Company announced that due to key accounting staff hospitalized during the audit period and on the urgency of the matter, the Company will unlikely to find adequate replacements. Therefore it will not be able to prepare its annual report with the full audited financial results by 16 April 2015. The Company has applied for extension of the time to issue its annual report to shareholders and the SGX-ST by 16 June 2015 (instead of 16 April 2015).

On 28 April 2015, the SGX-ST advised that based on the Company's submissions and representations to the SGX-ST, it has no objections to the Application, subject to following conditions:

- Submission of a written confirmation from the Company that the extension of time does not contravene any laws and regulations governing the Company and the articles of association of the Company.
- The Company convening the annual general meeting of the Company by 30 June 2015 subject to approval of the same from the relevant regulatory authority in Bermuda.

(h) M&C Services Private Limited has been appointed as Share Registrar and Share Transfer Agent of the Company in place of Boardroom Corporate & Advisory Services (Pte) Ltd with effect from 23 April 2015.

(i) The Company released its first quarter of 2015 financial results, which reported RMB 702,000 in total comprehensive income, which includes a loss on disposal of Qianfeng International Group of RMB 19,024,000.

(j) Mr. Neo Chee Beng has resigned as the Executive Chairman and Executive Director of the Company with effect from 22 May 2015.

Mr. Yuan Limin, the Company's Non-Executive Director, has been re-designated as the Non-Executive Chairman of the Company with effect from 22 May 2015.

The composition of the Board and Board Committees of the Company shall be reconstituted as follows with effect from 22 May 2015:

<u>Board of Directors</u>
Mr. Yuan Limin (Non-Executive Chairman)
Mr. Teo Kean Eek (Independent Director)
Mr. Kwok Wei Woon (Independent Director)

34 Subsequent events (Cont'd)

<u>Audit Committee</u>
Mr. Kwok Wei Woon (Chairman)
Mr. Teo Kean Eek
Mr. Yuan Limin

<u>Remuneration Committee</u>
Mr. Teo Kean Eek (Chairman)
Mr. Kwok Wei Woon
Mr. Yuan Limin

<u>Nominating Committee</u>
Mr. Teo Kean Eek (Chairman)
Mr. Kwok Wei Woon
Mr. Yuan Limin

(k) On 25 May 2015, the Company announced the following:

Mr. Mak Tin Sang ("Mr. Mak") has been appointed as the Chief Executive Officer of the Company and an Executive Director of the Board with effect from 25 May 2015.

Mr. Huo Weisheng ("Mr. Huo") has been appointed as an Executive Director of the Board with effect from 25 May 2015.

The composition of the Board and Board Committees of the Company shall be reconstituted as follows with effect from 25 May 2015:

<u>Board of Directors</u>
Mr. Yuan Limin (Non-Executive Chairman)
Mr. Mak Tin Sang (Executive Director and Chief Executive Officer)
Mr. Huo Weisheng (Executive Director and Chief Operating Officer)
Mr. Teo Kean Eek (Independent Director)
Mr. Kwok Wei Woon (Independent Director)

<u>Audit Committee</u>
Mr. Kwok Wei Woon (Chairman)
Mr. Teo Kean Eek
Mr. Yuan Limin

<u>Remuneration Committee</u>
Mr. Teo Kean Eek (Chairman)
Mr. Kwok Wei Woon
Mr. Yuan Limin

<u>Nominating Committee</u>
Mr. Teo Kean Eek (Chairman)
Mr. Kwok Wei Woon
Mr. Yuan Limin

(l) On 27 May 2015, the Company announced that, with effect from 27 May 2015, its shareholding in its subsidiary, Rich Circles Enterprise Limited ("Rich Circles"), has been increased from 49% to 54.46%, or 6,100 shares out of an expanded total number of 11,200 shares.

The increase is a result of the subscription ("Subscription") of 1,200 new ordinary shares in the capital of Rich Circles, which have a net tangible asset value of approximately US$10,000, by the Company for a total subscription price of US$1,200 in cash, pursuant to a fund-raising exercise for the Subscriber to provide Rich Circles a new shareholders' loan of RMB 12,000,000 to fund the operational costs of its subsidiary, Xuzhou Zhongwei New Board Co., Ltd. ("Xuzhou Zhongwei"). The Company's joint venture partner, Li Yaxin, had declined Rich Circle's invitation to participate in this Subscription.

34 Subsequent events (Cont'd)

The source of fund for the Company to provide this new shareholders' loan is coming from the proceeds received by the Company in relation to the issue of Convertible Bonds and Placement Shares made in March and April 2015 respectively.

On 23 March 2015, the Company had announced that Xuzhou Zhongwei had on 20 March 2015 entered into a supply contract ("Supply Contract") with Beijing Baota Petrochemical Company Limited ("Baota") to supply construction materials for the building of Baota's two projects – the heavy aromatics and olefins utilization refine factory and economical recycle supporting facilities in Kuitun located within the Dushanzi Economic and Technological Development Zone in Xinjiang, China, as well as Baota's chain of petrol kiosks in Northwest China, for an aggregate amount of approximately RMB 381 million. In connection with the Supply Contract, Rich Circles had undertaken a fund-raising exercise to raise funds for the anticipated operational costs.

The transaction is not expected to have any material financial impact on the earnings per share or the net asset per share of the Company for the financial year ending 31 December 2015.

As at the date of this announcement, none of the directors or substantial shareholders of the Company, save for their respective shareholdings in the Company, has any interest, direct or indirect, in the transaction.

STATISTICS OF SHAREHOLDINGS

As at 31 May 2015

Class of shares	:	Ordinary share
No. of shares	:	707,602,638
Voting rights	:	One vote per share

As at 31 May 2015, the Company did not hold any treasury shares.

DISTRIBUTION OF SHAREHOLDINGS

Size of Shareholdings	No. of Shareholders	%	No. of Shares	%
1 - 99	–	–	–	–
100 – 1,000	62	18.02	60,700	0.01
1,001 - 10,000	71	20.64	359,077	0.05
10,001 - 1,000,000	183	53.20	30,145,800	4.26
1,000,001 and above	28	8.14	677,037,061	95.68
	344	100.00	707,602,638	100.00

TWENTY LARGEST SHAREHOLDERS

No.	Name of Shareholder	No. of Shares	%
1	DBS Vickers Securities (S) Pte Ltd	332,354,003	46.97
2	UOB Kay Hian Pte Ltd	79,422,000	11.22
3	Phillip Securities Pte Ltd	54,065,307	7.64
4	HL Bank Nominees (S) Pte Ltd	33,630,051	4.75
5	Joe Lam Cho Ying	27,000,000	3.82
6	Cai Yi	25,000,000	3.53
7	OCBC Securities Private Ltd	20,370,000	2.88
8	Wong Yu Chiu	14,760,000	2.09
9	Grand Powerful Group Limited	14,700,000	2.08
10	Tsang Yuen Wai	14,700,000	2.08
11	Bank of Singapore Nominees Pte Ltd	10,190,900	1.44
12	Lim Boon Guan	10,000,000	1.41
13	Raffles Nominees (Pte) Ltd	6,936,700	0.98
14	Png Cheng Heng Edwin	5,695,000	0.80
15	Chan Lai Hung Josephine	4,682,000	0.66
16	Zhou Chen	3,555,900	0.50
17	Forest Education Foundation Limited	2,940,000	0.42
18	Citibank Nominees Singapore Pte Ltd	2,353,100	0.33
19	Lee Teck Lim	2,350,000	0.33
20	Guo Shujuan	2,293,100	0.32
	TOTAL	666,998,061	94.26

STATISTICS OF
SHAREHOLDINGS
As at 31 May 2015

SUBSTANTIAL SHAREHOLDERS

	Direct Interest		Deemed Interest	
	No. of shares	%	No. of shares	%
Yong Tai Investment Company Limited	159,152,765	22.49	–	–
Yuan Limin(1)	–	–	159,152,765	22.49%
Link Profits Limited	85,257,148	12.05	–	–
Wang Chunzhi(2)	–	–	85,257,148	12.05%
Asia Brand Capital Pte. Ltd.(3)	–	–	58,800,490	8.31%
Liu Yanlong(4)	–	–	58,800,490	8.31%

(1) Mr. Yuan Limin is deemed to be interested in 159,152,765 shares in the Company held by Yong Tai Investment Company Limited ("Yong Tai"). Mr. Yuan Limin is the sole shareholder of Yong Tai.

(2) Mr. Wang Chunzhi is deemed to be interested in 85,257,148 shares in the Company held by Link Profits Limited ("Link Profits"). Mr. Wang Chunzhi is the sole shareholder of Link Profits.

(3) The shares held by Asia Brand Capital Pte. Ltd. ("Asia Brand") are registered in the name of DBS Vickers Securities Nominees Pte. Ltd.

(4) Mr. Liu Yanlong is deemed to be interested in 58,800,490 shares in the Company held by Asia Brand. Mr. Liu Yanlong is the sole shareholder of Asia Brand.

PERCENTAGE OF SHAREHOLDING IN PUBLIC'S HANDS

As at 31 May 2015, 57.15% of the Company's shares are held in the hands of public. Accordingly, the Company has complied with Rule 723 of the Listing Manual of the SGX-ST which requires 10% of the equity securities (excluding preference shares and convertible equity securities) in a class that is listed to be in the hands of the public.

NOTICE IS HEREBY GIVEN that the Annual General Meeting of Asia Fashion Holdings Limited ("the Company") will be held at Maxwell Chambers Pte Ltd, Room 301, Level 3, 32 Maxwell Road, #03-01, Singapore 069115 on Tuesday, 30 June 2015 at 2:00 p.m. for the following purposes:

AS ORDINARY BUSINESS

1. To receive and adopt the Directors' Report and the Audited Accounts of the Company and the Group for the year ended 31 December 2014 together with the Auditors' Report thereon. **(Resolution 1)**

2. To re-elect the following Directors of the Company who is retiring pursuant to Bye-law 85(6) of the Bye-Laws of the Company:

   Mr. Mak Tin Sang **(Resolution 2)**
   Mr. Huo Weisheng **(Resolution 3)**

3. To approve the payment of Directors' fees of S$150,000, for the financial year ending 31 December 2015, to be paid quarterly in arrears. (2014: S$150,000) **(Resolution 4)**

4. To re-appoint Messrs Foo Kon Tan LLP, Public Accountants and Certified Public Accountants as the Auditors of the Company and to authorise the Directors of the Company to fix their remuneration. **(Resolution 5)**

5. To transact any other ordinary business which may properly be transacted at an Annual General Meeting.

AS SPECIAL BUSINESS

To consider and if thought fit, to pass the following resolutions as Ordinary Resolutions, with or without any modifications:

6. **Authority to issue shares in the capital of the Company pursuant to Rule 806 of the Listing Manual of the Singapore Exchange Securities Trading Limited**

   That pursuant to Rule 806 of the Listing Manual of the Singapore Exchange Securities Trading Limited ("SGX-ST"), the Directors of the Company be authorised and empowered to:

   (a) (i) issue shares in the Company ("Shares") whether by way of rights, bonus or otherwise; and/or

   (ii) make or grant offers, agreements or options (collectively, "Instruments") that might or would require shares to be issued, including but not limited to the creation and issue of (as well as adjustments to) options, warrants, debentures or other instruments convertible into shares,

   at any time and upon such terms and conditions and for such purposes and to such persons as the Directors of the Company may in their absolute discretion deem fit; and

   (b) (notwithstanding the authority conferred by this Resolution may have ceased to be in force) issue shares in pursuance of any Instrument made or granted by the Directors of the Company while this Resolution was in force,

   (the "***Share Issue Mandate***")

   provided that:

   (1) the aggregate number of shares (including shares to be issued in pursuance of the Instruments, made or granted pursuant to this Resolution) and Instruments to be issued pursuant to this Resolution shall not exceed 50% of the total number of issued shares (excluding treasury shares) in the capital of the Company (as calculated in accordance with sub-paragraph (2) below), of which the aggregate number of shares and Instruments to be issued other than on a pro rata basis to existing shareholders of the Company shall not exceed 20% of the total number of issued shares (excluding treasury shares) in the capital of the Company (as calculated in accordance with sub-paragraph (2) below);

(2) (subject to such calculation as may be prescribed by the SGX-ST) for the purpose of determining the aggregate number of shares and Instruments that may be issued under sub-paragraph (1) above, the percentage of issued shares and Instruments shall be based on the number of issued shares (excluding treasury shares) in the capital of the Company at the time of the passing of this Resolution, after adjusting for:

(a) new shares arising from the conversion or exercise of the Instruments or any convertible securities;

(b) new shares arising from exercising share options or vesting of share awards outstanding and subsisting at the time of the passing of this Resolution; and

(c) any subsequent consolidation or subdivision of shares;

(3) in exercising the Share Issue Mandate conferred by this Resolution, the Company shall comply with the provisions of the Listing Manual of the SGX-ST for the time being in force (unless such compliance has been waived by the SGX-ST) and the Bye-Laws of the Company; and

(4) unless revoked or varied by the Company in a general meeting, the Share Issue Mandate shall continue in force (i) until the conclusion of the next Annual General Meeting ("AGM") of the Company or the date by which the next AGM of the Company is required by law to be held, whichever is earlier or (ii) in the case of shares to be issued in pursuance of the Instruments, made or granted pursuant to this Resolution, until the issuance of such shares in accordance with the terms of the Instruments.

[See Explanatory Note (i)] **(Resolution 6)**

By Order of the Board

Ng Poh Khoon
Company Secretary
Singapore, 15 June 2015

Explanatory Notes:

(i) Resolution 6, if passed, will empower the Directors of the Company from the date of this AGM until the date of the next AGM of the Company, or the date by which the next AGM of the Company is required by law to be held or such authority is varied or revoked by the Company in a general meeting, whichever is the earlier, to issue shares, make or grant instruments convertible into shares and to issue shares pursuant to such instruments, up to a number not exceeding, in total, 50% of the total number of issued shares (excluding treasury shares) in the capital of the Company, of which up to 20% may be issued other than on a pro-rata basis to existing shareholders of the Company.

For determining the aggregate number of shares that may be issued, the percentage of issued shares in the capital of the Company will be calculated based on the total number of issued shares (excluding treasury shares) in the capital of the Company at the time this Resolution is passed after adjusting for new shares arising from the conversion or exercise of the Instruments or any convertible securities, the exercise of share options or the vesting of share awards outstanding or subsisting at the time when this Resolution is passed and any subsequent consolidation or subdivision of shares.

Notes:

1. A registered Shareholder is entitled to attend and vote at the AGM is entitled to appoint not more than 2 proxies to attend and vote in his stead by completing the Shareholder Proxy Form. A proxy needs not be a member of the Company.

2. A Depositor who is a natural person need not submit the Depository Proxy Form if he is attending the AGM in person. A Depositor(s) may nominate not more than two appointees, who shall be natural persons, to attend and vote in his/her place as proxy by completing the Depository Proxy Form.

3. Where a Depositor(s) is a corporation and wishes to be represented at the AGM, it must nominate an Appointee/Appointees to attend and vote as proxy at the AGM by completing the Depository Proxy Form.

4. The duly completed Shareholder Proxy Form and Depository Proxy Form must be deposited at the office of the Singapore Share Transfer Agent, M & C Services Private Limited at 112 Robinson Road #05-01, Singapore 068902, not less than forty-eight (48) hours before the time of the AGM.

Personal Data Privacy

Where a member of the Company submits an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the AGM and/or any adjournment thereof, a member of the Company (i) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents) for the purpose of the processing and administration by the Company (or its agents) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the "Purpose"), (ii) warrants that where the member discloses the personal data of the member's proxy(ies) and/or representative(s) to the Company (or its agents), the member has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents) of the personal data of such proxy(ies) and/or representative(s) for the Purposes, and (iii) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member's breach of warranty.

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