MERCURIUS CAPITAL INVESTMENT LIMITED

READY FOR
THE NEXT PHASE OF **GROWTH**

ANNUAL REPORT **2015**

CONTENTS

This annual report has been prepared by the Company and its contents have been reviewed by the Company's sponsor, R & T Corporate Services Pte. Ltd. ("Sponsor"), for compliance with the relevant rules of the Singapore Exchange Securities Trading Limited (the "SGX-ST"). The Sponsor has not independently verified the contents of the Announcements including the accuracy or completeness of any of the figures used, statements, opinions or other information made or disclosed.

This annual report has not been examined or approved by the SGX-ST. The Sponsor and the SGX-ST assume no responsibility for the contents of this announcement, including the correctness of any of the statements or opinions made or reports contained in this annual report.

The contact person for the Sponsor is Mr. Howard Cheam Heng Haw (Telephone: +65 6232 0685) at R & T Corporate Services Pte. Ltd., 9 Battery Road, #25-01 Straits Trading Building, Singapore 049910.

CORPORATE **PROFILE**

Listed on the SGX Catalist, Mercurius Capital Investment Limited ("Mercurius" or the "Company" and together with its subsidiary corporations, the "Group") is an investment holding company with key interests in the children's fashion, and bedding and bed linen businesses. The children's fashion business, under the original design manufacturing arrangement, manufactures and exports children's wear to regions including its key markets of Europe and United States, as well as emerging markets in Africa, Latin America and Middle East. In respect of the bedding and bed linen business, the Group owned several established brands that cater to different segments of the market of which the "Friven" brand is the most popular label, synonymous with good quality and contemporary designs which are sold by Casa Granduer Pte Ltd through a licensing agreement signed with the Company during financial year ended 31 December 2014.

In April 2013, the Company obtained shareholder's approval to diversify into the resources and energy sector, with a view to add a new revenue stream to the Group's business. The Group's business scope was further expanded to include financial investment activities, fund management activities, financial advisory activities, finance and operating leasing activities, and renewal energy activities after obtaining its shareholders' approval in March 2015. The Group continues to build on its existing businesses and strengthen its investment portfolio by exploring potential investment opportunities, so as to maximise returns to all shareholders.

MESSAGE FROM **CHAIRMAN & CEO**

DEAR SHAREHOLDERS,

2015 was a year that posed many business challenges amidst a subdued global economy, the result of slowing growth from the year before. On the back of the difficult operating environment, the Group's financial results for the financial year ended 31 December 2015 ("FY2015") was affected by declining sales volume contributed by the Original Design Manufacturing (ODM) business segment, as well as absence of earnings generated by the bedding and bed linen retail business; and sourcing and procurement business during the year. As such, revenue from continuing operations reported a year-on-year (yoy) decrease by 40.8% or S$18.5 million to S$26.7 million. Consequently, net position of the Group comprising both continued and discontinued operations recorded a loss of S$20.3 million for FY2015 as compared to a profit of S$3.3 million in FY2014. We would like to draw the attention of the shareholders to the announcement released by the Company on certain material variances between the audited financial statements for the financial year ended 31 December 2015 and the unaudited financial statements for the same period announced by the Company on 29 February 2016.

The global financial and economic challenges continue to extend into 2016. Nevertheless, the Group remains optimistic on our business development as the newly revised China Law on Population and Family Planning, which allows each couple to have two children with effect from 1 January 2016, will have a long-term positive impact on the Group's operating business. In line with the policy shift, we will focus more on the China domestic market to maintain our profitability.

BUSINESS FOCUS IN FY2015

With the Group's operations being based in Shishi City, Fujian Province of China, one of China's biggest textile and garment industry hub, we are constantly facing pricing pressure from our competitors within the industry. Securing new customers and increasing sales volume proved to be a challenge during the financial year.

Against the backdrop of uncertain economic conditions coupled with intense industrial competition, the Group's main business segment, ODM reported a drop in revenue by S$12.2 million or 31.4% from S$38.9 million in FY2014 to S$26.7 million in FY2015 as a result of contracting sales volume from existing customers from the European and South America regions.

The ODM segment remains the major revenue contributor as the bedding and bed linen retail business segment discontinued its retail business in Singapore and Malaysia, while our sourcing and procurement business segment did not contribute any revenue for the reporting year. Nevertheless, the Group had entered into a licensing agreement with Casa Grandeur Pte. Ltd for the right to sell bedding and bed linen products under the Group's proprietary brands. We view this as a positive partnership that can help enhance the Group's proprietary brands as we tap on each other's business synergy.

During the financial year, labour cost weighed significantly on the Group's expenses. Compounded by rising material cost, inflating labour cost in China has been putting the textile and garment companies in a very challenging situation, forcing customers to source for lower cost manufacturers operating in countries such as Cambodia and Myanmar. In view of this situation, we will continue to monitor and manage our labour force to maximise our output, while concurrently enhancing our product quality and delivery punctuality. We are confident of consolidating our customer network as we have been maintaining positive business relationships with our customers, who have been supporting us over the years.

DIVERSIFICATION DEVELOPMENT

As part of our diversification efforts, the Group entered into a conditional sales and purchase agreement (SPA) with Mr. Deng Xinhua, Mr. Lim Yew Seng and Mercury Capital Asset Management Limited to acquire the entire ordinary shares of Mercury Capital Investment Limited (Mercury). Upon signing of the agreement, the Group channeled resources to focus on the restructuring proposal of Mercury during the first half of FY2015. Certain conditions on the SPA were not fulfilled by the due date for fulfillment of such conditions precedent, and the the SPA had accordingly lapse. As a result, the SPA was terminated on 31 May 2015. Subsequent to the termination of the SPA, Mr. Lim Yew Seng and Mr. Deng Xinhua resigned from the board of directors of the Group on 1 June 2015.

FORWARD DIRECTION

Going forward, overall growth in China is evolving broadly as envisaged but with imports and exports experiencing rapid slowdown, reflecting the weaker investment and manufacturing situation. Global risks remain on the downside, affecting the market in general in the form of a series of adverse effects, such as slowdown in emerging market economies, lower commodity prices, China's rebalancing policies and gradual tightening of monetary policies in the United States. Nonetheless, the introduction of two child policy in China beginning 1 January 2016 does bring good news to the Group's ODM business as we enter a challenging year of 2016. Hence, we will continue to focus on sales and cost rationalisation of the business, as well as explore other opportunities for collaboration in the following financial year.

ACKNOWLEDGEMENTS

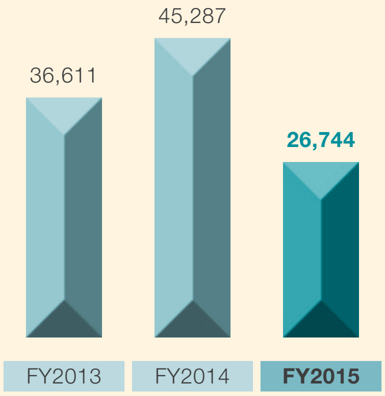
On behalf of the Board of Directors and management, we would like to thank our business partners, customers and shareholders for their unwavering support and staunch faith for the Group over the years. We look forward to growing the Group's business strategically to provide greater value for our shareholders.

Mr Chang Wei Lu
Executive Chairman

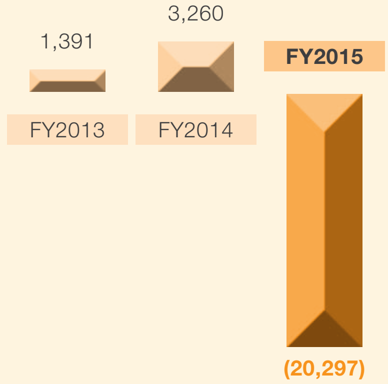
Mr Xu Rongsen
Chief Executive Officer

FINANCIAL **HIGHLIGHTS**

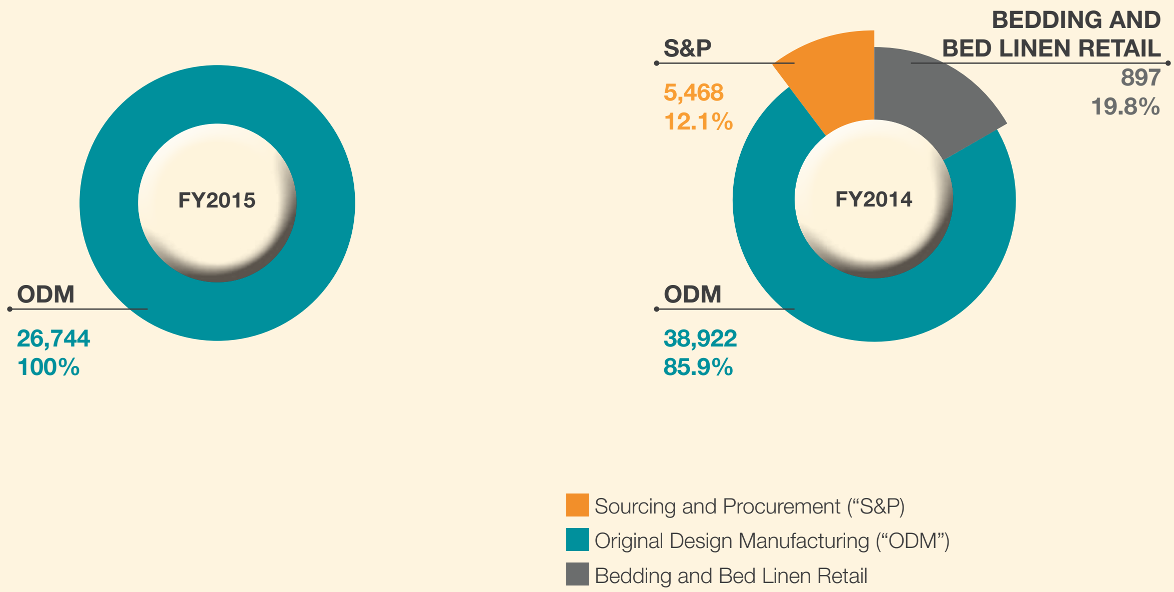
REVENUE (S$'000) (RE-PRESENTED)



NET (LOSS)/PROFIT FOR THE FINANCIAL YEAR (S$'000)



REVENUE BY SEGMENT (S$'000)



FINANCIAL AND OPERATION REVIEW

REVENUE

The Group's revenue for the financial year ended 31 December 2015 ("FY2015") decreased by S$18.6 million to S$26.7 million from S$45.3 million in the financial year ended 31 December 2014 ("FY2014"). This was primarily due to a decrease in revenue from the Original Design Manufacturing ("ODM") business by S$12.2 million as a result of declining sales volume from existing customers from the European and South America region.

Furthermore, there was no revenue generated from the bedding and bed linen retail business due to the discontinuation of the bedding and linen retail in Singapore and Malaysia. However, the Company had entered into a licensing agreement with Casa Granduer Pte Ltd for the right to sell bedding and bed linen products under the Group's proprietary brands, including without limitation, the Friven brand. Income generated from the licensing agreement is categorised under other income.

GROSS PROFIT

Gross profit decreased by S$6.7 million to S$1.4 million in FY2015 from S$8.1 million in FY2014. Gross profit margin decreased from 18.0% in FY2014 to 5.2% in FY2015, mainly affected by lower selling prices and higher cost of sales as a result of the write-down of certain slow moving and obsolete inventories.

OTHER INCOME, NET

Other income increased by S$0.5 million from S$1.9 million in FY2014 to S$2.4 million in FY2015. This was mainly due to an increase from exchange gain as a result of translation of USD denominated trade receivables by S$0.9 million. Offset by loss from strike off of subsidiary corporation in the Group, Smart Easy Corporation, amounting to $0.4 million.

OTHER LOSSES, NET

Significant increase in other losses by S$19.2 million from S$24,000 in FY2014 was mainly due to factors narrated below.

Allowance for impairment of trade receivables

Increase in allowance for impairment by S$10.5 million from S$1.1 million in FY2014 to S$11.6 million in FY2015 in view of the slow recovery from trade receivable. During the financial year, the Company had evaluated the recoverability of its trade recovery, hence allowance for impairment has been partially recognised for long overdue balances of S$4.0 million and customers with slow recovery amounting to S$7.6 million.

In assessing the allowance for impairment, the Company had taken into consideration the works performed in recovering these outstanding balances. On a periodic basis over the last 12 months, the Company had contacted the customers for settlement of the outstanding invoices via telephone calls and issuing company's demand letters to such customers. The Company had yet to resort to legal action as these customers are still active and the Group intends to maintain the business relationship with its customers during this difficult period.

Therefore, in view of the long overdue balances for trade receivables, slowdown in payments from customers and the current challenging business environment in the market, management believe there are indications that customers may default their payments, therefore allowance for impairment is required.

Loss from disposal of raw materials

Loss from disposal of slow moving and obsolete raw materials (Cotton fabric) amounted to approximately S$5.7 million.

Impairment assessment

Increase in allowance for impairment of non-current assets by S$1.9 million as result of an impairment assessment on non-financial assets performed during the financial year. From the impaired value of S$1.9 million, S$1.5 million and S$0.4 million had been allocated to intangible assets and property, plant and equipment respectively.

EXPENSES

Selling and distribution expenses decreased by S$0.7 million from S$1.7 million in FY2014 to S$0.9 million in FY2015. This was primarily due to decrease in exhibitions cost which was in line with the decrease in ODM revenue and closure of bedding and bed linen retail business in Singapore and Malaysia.

Administrative expenses decreased by S$3.3 million to S$2.8 million in FY2015 as compared to S$6.1 million in FY2014. This was primarily due to closure of bedding and bed linen retail business in Singapore and Malaysia which brought down the administrative expenses by $S0.8 million in terms of staff costs (S$0.5 million), professional fees (S$0.2 million), and other expenses (S$0.1 million). The decrease in administrative expenses was also due to decrease in staff cost (S$0.8 million), rental charges (S$0.1 million), and other expenses (S$0.4 million) as a result of lower ODM business activities.

FINANCIAL AND OPERATION REVIEW

The increase in finance cost by 38% from S$0.7 million in FY2014 to S$1.0 million in FY2015 was due to increase in interest expenses resulting from higher borrowing during the financial year.

Overall, the Group reported a net loss of S$20.3 million from continuing operation in FY2015 as compared to a net profit of S$1.2 million in FY2014.

FINANCIAL POSITION

Trade and other receivables decreased by S$4.9 million to S$47.0 million as at 31 December 2015 as compared to S$51.9 million as at 31 December 2014, mainly due to increase in allowance for doubtful debts by S$11.6 million. This was offset by an increase in advances to suppliers by S$3.6 million as a result of lower purchase volume during financial year end to offset the advances initially paid to supplier.

Inventories decreased by S$5.7 million from S$23.2 million as at 31 December 2014 to S$17.5 million as at 31 December 2015. The decrease was mainly due to disposal of slow moving and obsolete raw material amounting to S$7.6 million, and write-down of slow moving and obsolete inventories amounting to S$2.7 million. Further offset by increase in inventories by S$4.6 million via purchases of new inventories.

Non-current assets decreased by S$2.0 million to S$0.3 million as at 31 December 2015 as compared to S$2.3 million as at 31 December 2014. The decrease was mainly due to impairment of non-current assets.

Trade and other payables decreased by S$6.6 million to S$18.5 million as at 31 December 2015 compared to S$25.1 million as at 31 December 2014. This was mainly due to decrease in trade and other payables, deposit received from ODM customers, and accrued expenses by S$3.0 million, S$2.7 million and S$0.9 million respectively.

Total borrowings increased by S$14.5 million from S$13.4 million as at 31 December 2014 to S$27.9 million as at 31 December 2015, mainly attributed by increase in bills payable by S$14.1 million during the second half of FY2015 for purchase of inventories and payment of advances to suppliers.

The Group had a positive working capital of S$21.8 million as at 31 December 2015 as compared to S$39.7 million as at 31 December 2014.

CASH FLOW POSITION

Net cash used in operating activities increased by S$6.2 million to S$16.3 million for FY2015 as compared to S$10.1 million for FY2014. The net cash outflows before working capital changes were S$16.4 million for FY2015. The net cash outflows from changes in working capital were mainly due to increase in advances to suppliers for purchase of goods during the financial year, accompanied by a decrease in trade and other payable by S$6.6 million as a result of advances and deposits from customers.

Net cash provided by financing activities of S$11.5 million for FY2015 was mainly due to proceeds from borrowings amounting to S$58.7 million. It was offset by repayment for borrowings and increase in balances pledged with bank amounting to S$44.5 million and S$1.8 million respectively.

The Group had a net cash outflow of S$1.6 million for FY2015 and S$2.1 million for FY2014.

As at 31 December 2015, cash and cash equivalents of the Group excluding pledged cash in bank stood at S$1.0 million (FY2014: S$2.6 million).

ORIGINAL DESIGN MANUFACTURING

The Group’s Original Design Manufacturing (“ODM”) is located in Shishi City, Fujian Province, China. With its in-house design and production capabilities, the ODM business is known for its capabilities to manufacture high quality children’s wear at competitive prices, to customers from China, Euro Area, Africa, and Middle East. In FY2015, the Group had focused solely on ODM business with the disposal of our retail business and bedding and bed linen business in FY2014. The ODM business continues to stay engaged to the relevant market developments and focus on delivering quality products to our customers.

BOARD OF **DIRECTORS**

MR CHANG WEI LU

Executive Chairman and Executive Director

Dr. Chang is our Executive Chairman and Executive Director and was appointed to the Board on 12 May 2014. He is currently the Executive Chairman of M.W.Group and Managing Director of Golden Intervest Sdn Bhd, the investment group of companies based in Penang, Malaysia. Dr. Chang holds a medical degree from the Taipei Medical University, Taiwan. He is also actively engaged in the associations' community and holds key appointments of the clan associations in Malaysia as the Chairman of Penang Teoh Si Cheng Ho Tong, Deputy Chairman of Penang Chinese Clan Council, Deputy President of The Federation of Zhang Clan Associations Malaysia and Vice President of The World Zhang Clan Association.

MR XU RONGSEN

Chief Executive Officer and Executive Director

Mr Xu is our Chief Executive Officer and Executive Director since 23 April 2012. Mr Xu is responsible for the overall management of the Group's strategy, business, operation and financial matters. He served as Director General of Lingxiu Substation of Shishi City Local Taxation Bureau, Fujian Province of China from January 2002 to May 2009 and Deputy Director General of Quangang Local Taxation Bureau, Fujian Province of China from May 2009 to January 2012.

MR MAH SEONG KUNG

Lead Independent Non-Executive Director

Mr Mah, appointed to the Board on 7 September 2012, is our Lead Independent Non-Executive Director holding the position of Audit Committee Chairman and a member of the Nominating Committee and Remuneration Committee. Mr Mah is a Chartered Accountant (Singapore) who graduated with an accountancy degree from the National University of Singapore, with core competency in corporate finance and investment. He is a partner of Biztrack Consultants, a nominated advisor of the National Stock Exchange of Australia. Mr Mah gained his industries experience by having worked in the management position of entertainment content production company, licensed capital market services advisory firm, listed education provider, and as investment manager of listed private equity fund.

BOARD OF **DIRECTORS**

MS KE LIHONG

Independent Non-Executive Director

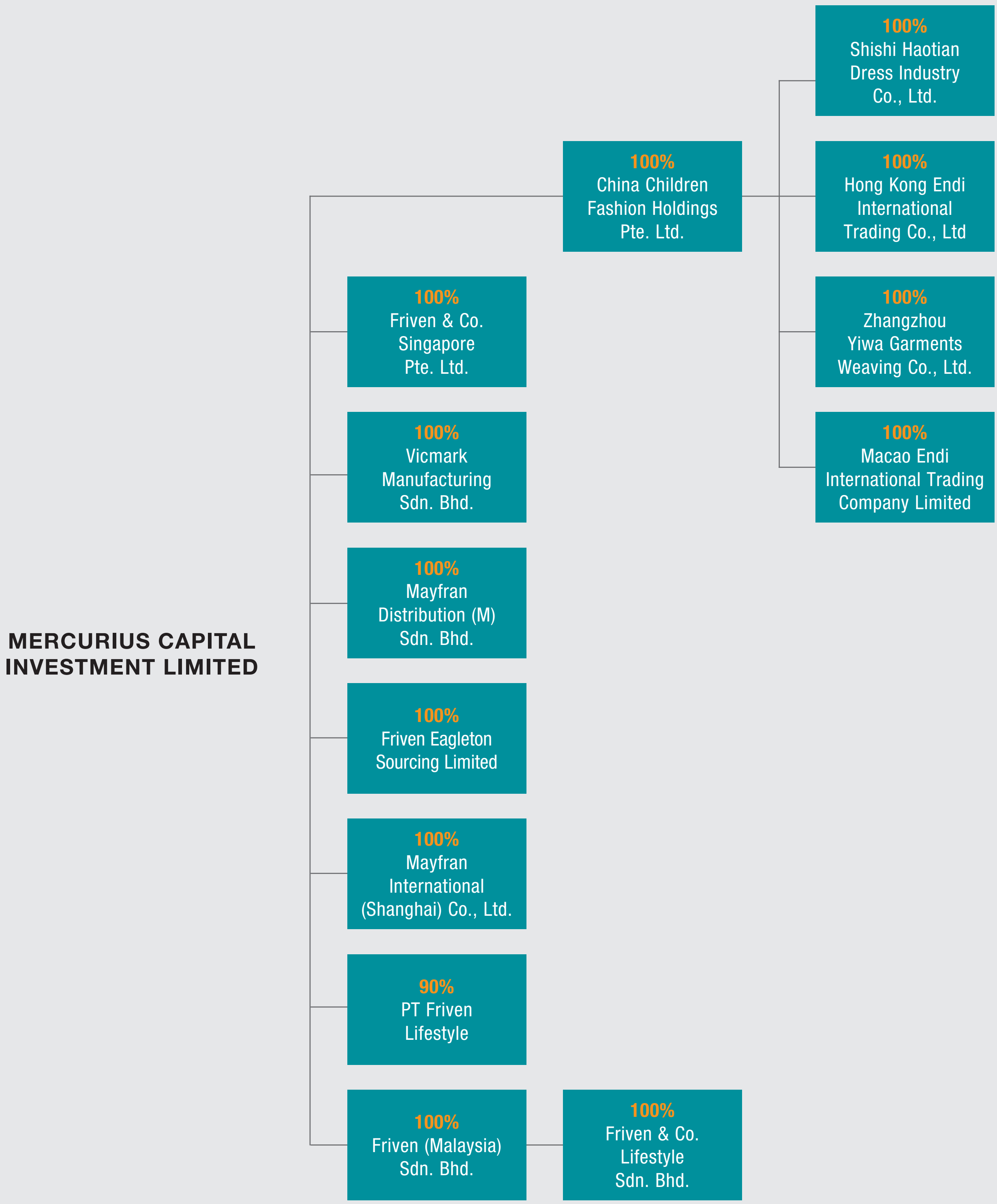
Ms Ke is our Independent Non-Executive Director and was appointed to the Board on 28 March 2011. Ms Ke is the Chairman of the Nominating Committee and Remuneration Committee and member of the Audit Committee. She is currently an Executive Director of Fujian Baideli Textile Trading Co., Ltd and previously the General Manager of Fujian Maolin Industry & Trading Co., Ltd. She holds a degree in business administration from DongHu University (东湖大学) and is currently the Vice President of Fujian Province Shishi City Textile Association (福建石狮市布料同业公会).

MR FENG JIANJIA

Independent Non-Executive Director

Mr Feng is our Independent Non-Executive Director and was appointed to the Board on 12 May 2014. He is a member of the Audit Committee, Nominating Committee and Remuneration Committee. Since April 2000, Mr Feng has served in various positions in the Bank of Quanzhou (泉州银行) and is currently a Vice President. Prior to that, he spent 11 years in the Industrial Bank Co. Ltd. (兴业银行) and last served as a Branch General Manager. Mr Feng holds a law degree from the Fujian Normal University (福建师范大学) and a Masters degree in Banking and Finance from the University of Xiamen (厦门大学).

CORPORATE **STRUCTURE**



CORPORATE **INFORMATION**

BOARD OF DIRECTORS

Mr Chang Wei Lu
Executive Chairman and Executive Director

Mr Xu Rongsen
Chief Executive Officer and Executive Director

Mr Mah Seong Kung
Lead Independent Non-Executive Director

Ms Ke Lihong
Independent Non-Executive Director

Mr Feng Jianjia
Independent Non-Executive Director

COMPANY SECRETARY

Ms Loh Lee Eng

REGISTERED OFFICE

Mercurius Capital Investment Limited
33 Ubi Avenue 3, #08-38 Vertex
Singapore 408868
Tel: (65) 6862 2622
Fax: (65) 6862 2322
www.ccfh.com.sg
(Reg. No. 198200473E)

SHARE REGISTRAR

B.A.C.S Private Limited
8 Robinson Road
#03-00 ASO Building
Singapore 048544

INDEPENDENT AUDITOR

Nexia TS Public Accounting Corporation
100 Beach Road
Shaw Tower, #30-00
Singapore 189702

Director-in-charge:
Mr Low See Lien
(Appointed since financial year ended 31 December 2013)

PRINCIPAL BANKERS

Agricultural Bank of China
Bank of China
China Construction Bank
China Merchants Bank
Citibank N.A.
Hua Xia Bank
Industrial Bank Co., Ltd
Malayan Banking Berhad
Overseas-Chinese Banking Corporation Limited
Rural Commercial Bank
The Development Bank of Singapore Ltd
The Export-Import Bank of China

FINANCIAL CONTENTS

CORPORATE GOVERNANCE **REPORT**

INTRODUCTION

The Board of Directors (the "Board" or the "Directors") and the management (the "Management") of Mercurius Capital Investment Limited (the "Company" and together with its subsidiary corporations, the "Group") are committed to maintaining a high standard of corporate governance. Underlying this commitment is the belief that good governance will help to enhance corporate performance and accountability.

This report will help shareholders to better understand the Group's practices which were in place throughout the financial year ended 31 December 2015 ("FY2015") and guided by the Code of Corporate Governance issued by the Monetary Authority of Singapore on 2 May 2012 (the "Code"). The Company has complied, in all material aspects, with the principles and guidelines of the Code.

BOARD MATTERS

The Board's Conduct of 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.

As at the date of this report, the Board comprises the following members:–

Chang Wei Lu	Executive Chairman and Executive Director
Xu Rongsen	Chief Executive Officer and Executive Director
Mah Seong Kung	Lead Independent Non-Executive Director
Ke Lihong	Independent Non-Executive Director
Feng Jianjia	Independent Non-Executive Director

Role of the Board

The Board's primary role is to protect and enhance long-term shareholders' value. To fulfil this role, the Board is responsible for the overall corporate governance of the Group including setting its strategic direction, establishing goals for the Management and monitoring the achievement of these goals. As part of its responsibility in discharging its duty, the Board also:

- oversees the risk management and internal control processes, financial reporting and compliance, including the release of quarterly, half yearly and full year financial results and all other types of announcements and media releases;
- approves major funding investments and divestment proposals;
- approves the nominations to the Board and appointments to the various Board committees; and
- approves the framework of remuneration for the Board and key executives as recommended by the Remuneration Committee.

Board Processes

To assist the Board in discharging its responsibilities and to enhance the Company's corporate governance framework, three (3) Board committees, namely the Audit Committee (the "AC"), the Remuneration Committee (the "RC") and the Nominating Committee (the "NC") have been consulted to assist the board in the discharge of specific responsibilities. These Board committees function within clearly defined terms of reference and operating procedures, which are reviewed by the Board on a regular basis. The effectiveness of each Board committee is also constantly monitored. The attendance of the Board members at the Board and Board committees meetings of the Company and the frequency of such meetings in FY2015 are set out as follows:–

	Board		**Audit Committee**		**Nominating Committee**		**Remuneration Committee**	
Name	No. Held	No. Attended	No. Held	No. Attended	No. Held	No. Attended	No. Held	No. Attended
Chang Wei Lu	4	1	–	–	–	–	–	–
Xu Rongsen	4	4	–	–	–	–	–	–
Mah Seong Kung	4	4	4	4	1	1	1	1
Ke Lihong	4	4	4	4	1	1	1	1
Feng Jianjia	4	3	4	3	1	1	1	1
Lim Yew Seng(1)	4	–	–	–	–	–	–	–
Deng Xinhua(2)	4	–	–	–	–	–	–	–
Zhang Zhize(3)	4	–	–	–	–	–	–	–

Notes:–

(1) Mr Lim Yew Seng appointed as Deputy Executive Chairman and Executive Director on 26 February 2015, resigned on 01 June 2015.

(2) Mr Deng Xinhua appointed as Deputy Chief Executive Officer and Executive Director on 26 February 2015, resigned on 01 June 2015.

(3) Mr Zhang Zhize resigned as Director on 26 February 2015.

The Company's Constitution (the "Constitution") allows a Board meeting to be conducted by way of tele-conference and video-conference.

The Directors are regularly briefed on the Group's activities to keep them updated on the Group's recent developments as well as new and/or updates on relevant rules and regulations. The Directors are free to request sponsorship from the Company, subject to the approval from the Chairman, to attend courses to update their knowledge and better equip themselves to discharge their duties as the Directors of the Company. An orientation program will be conducted for newly appointed Directors to ensure that they are familiar with the Company's business and governance practices.

Matters that requires board's approval extended to the follows:–

- corporate strategy and business plans;
- major funding proposals and investments;
- the appointment/cessation and remuneration packages of the Directors and Executive officers;
- the Group's quarterly, half-year and full-year fi nancial result announcements;
- annual report and accounts for each financial year;
- material acquisitions and disposals of assets;
- share issuances, interim dividends and other returns to shareholders; and
- matters involving a conflict of interest for a substantial shareholder or a Director.

While matters relating to the Group's strategies and policies require the Board's direction and approval, management is responsible for the day to-day operations and administration of the Group.

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.

Currently, the Board comprises five (5) Directors, three (3) of whom are independent, which complies with the Code's guideline on the proportion of independent directors on the Board. The Board is constituted as follows:

Chang Wei Lu	Executive Chairman and Executive Director
Xu Rongsen	Chief Executive Officer and Executive Director
Mah Seong Kung	Lead Independent Non-Executive Director
Ke Lihong	Independent Non-Executive Director
Feng Jianjia	Independent Non-Executive Director

As the independent directors make up half of the Board, there is a strong and independent element on the Board and no individual or small group of individuals dominate the Board's decision-making process.

The size of the Board is reviewed from time to time by the NC and the board to ensure that the size of the Board is conducive to effective discussions and decision making. The NC is of the view that the current Board size of five (5) directors, of which three (3) are independent directors, is appropriate and effective, taking into account the nature and scope of the Company's operations.

The independence of each Director is reviewed annually by the NC. The NC adopts the Code's definition of what constitutes an independent director in its review. The NC has reviewed and determined that the Independent Directors are independent.

The Independent Directors have confirmed that they do not have any relationship with the Company, its related companies or its officers that could interfere, or be reasonably perceived to interfere, with the exercise of the Director's independent business judgment with a view to the best interest of the Company.

The NC notes that under the Code, the independence of any Director who has served on the Board beyond nine (9) years from the date of first appointment should be subject to particularly rigorous review. At present, there are no Independent Directors who has served beyond nine (9) years since the date of his first appointment.

The Board and the NC, having reviewed the composition of the Board, is satisfied that the present size of the Board is effective for decision making and is appropriate for the nature and scope of the Group's operations. The Board's composition is reviewed annually by the NC to ensure that the Board has the appropriate mix of expertise and experience. The NC is satisfied that the Board comprised Directors with a variety of core competencies and expertise necessary to discharge their duties and responsibilities and to provide strategic networking to enhance the business of the Group.

The names and the key information of the Directors in office are set out in the "Board of Directors" section on page 7 to 8 of this Annual Report.

Chairman and Chief Executive Officer

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 Chang Wei Lu serves as the Executive Chairman ("Chairman") of the Board and Mr Xu Rongsen assumes the role of Chief Executive Officer ("CEO") of the Company. There is a separation of roles of the Company's leadership as the Board and the executive responsibilities of the Group are assumed by different persons.

The Chairman bears responsibility for the working of the Board, whilst the CEO bears executive responsibility for the management of the Group's business. The Board is of the view that there are sufficient safeguards and checks to ensure that the process of decision making by the Board is independent and based on collective decisions without any individual or group of individuals exercising any considerable concentration of power or influence. All the Board committees are chaired by the Independent Directors and one-third (1/3) of the Board consists of Independent Directors.

The Board agenda will be prepared in consultation with the Chairman and the CEO. The Chairman will also ensure that the Board members are provided with adequate and timely information prior to Board meetings and also to promote a culture of openness and debate at the Board. The CEO plays an instrumental role in developing the business of the Group and exercising control over the quality and timeliness of information flow between the Board and the Management.

Board Membership

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

Nominating Committee

As at the date of this report, the NC comprises of three (3) members, as set out below. All the NC members are Independent Directors.

Ms Ke Lihong	Chairman	Independent Non-Executive
Mr Mah Seong Kung	Member	Lead Independent Non-Executive
Mr Feng Jianjia	Member	Independent Non-Executive

The NC is scheduled to meet at least once (1) a year and at such other times as may be necessary.

The NC is responsible for:–

- evaluating the effectiveness of the Board as a whole and the contributions of each Director;
- identifying the skills, expertise and capabilities for the effective functioning of the Board;
- reviewing the training and professional development programs for the Board:
- maintaining a formal process for the nomination of new Directors;
- re-nominating the Directors for re-election at the annual general meetings; and
- evaluating and determining the independence of each Director annually.

The Company has put into place a process for selecting and appointing new directors to the Board. Where there is a need to appoint a new director, the NC will evaluate the balance of skills, knowledge and experience on the Board in order to identify the essential and desirable competencies of the candidate. Suitable candidates are sourced through the recommendations of the Directors or the Management or through other external sources. The NC will then meet up with the candidates to assess his or her suitability based on certain objective criteria such as integrity, independent mindedness and the ability to commit time, and make its recommendation to the Board.

The year of initial appointment and last re-election of each Director, are set out below:–

Director	Date of Initial Appointment	Date of re-election
Chang Wei Lu	12 May 2014	27 April 2015
Xu Rongsen	23 April 2012	23 April 2012
Mah Seong Kung	7 September 2012	27 April 2015
Ke Lihong	28 March 2011	29 April 2014
Feng Jianjia	12 May 2014	27 April 2015

The Board has determined the maximum number of listed board representations which any director may hold is not more than five (5) directorships. None of the Directors has any current and/or past directorships in other listed company.

The Constitution of the Company provide that one-third (1/3) of the Directors, except the CEO shall retire from office at every annual general meeting and the Directors appointed during the course of the year will be subject to re-election at the next annual general meeting following his appointment. For the forthcoming annual general meeting, the NC has recommended Ke Lihong be nominated for re-election. In making the recommendation, the NC had considered the Directors' overall contributions and performance. The Board has accepted the NC's recommendation.

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 established processes for evaluating the effectiveness of the Board as a whole and the contribution of each individual Director. All Directors completed a Board Evaluation Questionnaire which sought to assess the effectiveness of the Board and the results were considered by the NC. The performance criteria for the Board evaluation includes an evaluation of the size and composition of the Board, the Board's access to information, communication with the Management and standards of conduct of the Directors. The NC also assesses the contribution of each Director to the effectiveness of the Board as a whole taking into consideration the Director's attendance record, overall participation, expertise, strategic vision, financial savvy, business judgement and sense of accountability. The Company will continue to review and evaluate its appraisal process and consider how best to fine tune the appropriate performance criteria.

The NC is satisfied that sufficient time and attention has been given by the Directors to the Group. The NC has assessed the current Board's and each individual Director's performance to-date and is of the view that the performance of the Board as a whole and each individual Director is satisfactory.

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 members have separate and independent access to the Management and the company secretary.

The company secretary attends all meetings of the Board and Board committees and ensures that board procedures are followed and that applicable rules and regulations of the Companies Act, Chapter 50 of Singapore (the "Act") and the Listing Manual (Section B: Rules of Catalist) of the SGX-ST ("Rules of Catalist") are complied with.

The Management also regularly provides the Board with information on issues requiring the Board's deliberations, so as to enable the Board to make informed decisions. The Board is also informed of all material events and transactions as and when they occur. Requests for additional information from the Board are dealt with promptly by the Management.

Prior to each Board meeting, the Board is provided with the relevant background or explanatory information relating to the business of meeting and information on major operational, financial and corporate issues. In respect of budgets, any material variances between the projections and actual results are disclosed and explained during Board meetings.

Should the Directors, whether as a group or individually, need independent professional advice to enable them to discharge their duties, the Company will appoint a professional adviser selected by the group or individual and approved by the Chairman, at the Company's cost, to render the advice.

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.**

Remuneration Committee

The RC comprises of three (3) members, as set out below. All the RC members are Independent Directors.

Ms Ke Lihong	Chairman	Independent Non-Executive
Mr Mah Seong Kung	Member	Lead Independent Non-Executive
Mr Feng Jianjia	Member	Independent Non-Executive

The RC is scheduled to meet at least once a year and at such other times as may be necessary.

The RC is responsible for:–

- reviewing and approving the structure of the compensation plans and recruitment strategies of the Group so as to align compensation with shareholders' interests; and
- reviewing the Executive Directors' and the senior Management's compensation and determine appropriate adjustments; and
- administering the Friven & Co. Employee Share Option Scheme.

The RC ensures that a formal and transparent procedure is in place for fixing the remuneration packages of individual Directors and the Management. No Director is involved in deciding his own remuneration, except in providing information and documents if specifically requested by the RC to assist in its deliberations.

The RC's review covers all aspects of remuneration, including salaries, fees, allowances, bonuses and benefits-in-kind. The RC's recommendations are submitted for endorsement by the entire Board. If necessary, the RC members may seek expert advice inside and/or outside the Company on the remuneration of all Directors and management.

The RC reviews the fairness and reasonableness of the termination clauses of the service agreements of Executive Directors and key management executives to ensure that such contracts of service contain fair and reasonable termination clauses which are not overly generous, with an aim 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 Company adopts an overall remuneration policy for Executive Directors and employees comprising a fixed component in the form of a base salary, and a variable component in the form of a bonus that is linked to the performance of the Company, the individual, the industry and the economy.

The remuneration of Non-Executive Directors is paid by way of Director's fees. The amount of Directors' fees payable is dependent on the respective Independent Director's level of responsibility and contributions. The payment of Directors' fees is subject to the approval of shareholders of the Company at the annual general meeting.

The RC is of the view that it is currently not necessary to use contractual provisions to allow the Company to reclaim incentive components of remuneration from the Executive Directors and key management executives in exceptional circumstances of misstatement of financial statements, or of misconduct resulting in financial loss to the Company.

Disclosure on Remuneration

Principle 9: **Every company should provide clear disclosure of its remuneration policies, 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.**

The remuneration of the Directors for FY2015 is as follows:–

Director	Director's Fee (%)	Salary** (%)	Bonus (%)	Benefits-in-kind (%)	Total (%)
Below $250,000					
Chang Wei Lu	–	–	–	–	–
Xu Rongsen	–	100	–	–	100
Mah Seong Kung	100	–	–	–	100
Ke Lihong	100	–	–	–	100
Feng Jianjia	100	–	–	–	100
Lim Yew Seng(1)	–	–	–	–	–
Deng Xinhua(1)	–	–	–	–	–
Zhang Zhize(2)	–	–	–	–	–

Notes:–
(1) Mr Lim Yew Seng and Mr Deng Xinhua was appointed to the board on 26 February 2015, subsequently resigned on 01 June 2015.
(2) Mr Zhang Zhize resigned as Director on 26 February 2015.

The remuneration of the key executives (who are not Directors) in the bands of S$250,000 are set out below:–

Key Executive	Salary** (%)	Bonus (%)	Benefits-in-kind (%)	Total (%)
Below $250,000				
Darren Tan Poon Guan	93	7	–	100
Raphael Liew Soon Chee	93	7	–	100

Note:–
(1) Mr Darren Tan Poon Guan resigned as Chief Financial Officer on 14 August 2016.

There are no termination, retirement and post-employment benefits that may be granted to Directors and key management personnel (who are not directors or the CEO).

To preserve confidentially on the remuneration policies of the Company, the Board is of the view that it is in the best interests of the Company not to fully disclose the remuneration of each individual Director and key management executive.

The total remuneration paid to the key management personnel (who are not directors or the CEO) for FY2015 was S$184,000.

There were no employees who are immediate family members of a Director or the CEO whose remuneration exceeded S$50,000 during FY2015.

The Company currently has an employee share option scheme which is administered by the RC, more details of which may be found in the Directors' Statement on pages 26 and 30 of this Annual Report. No share options had been granted to any employees and non-executive directors during the financial year.

ACCOUNTABILITY AND AUDIT

Accountability

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

The Company takes adequate steps to ensure compliance with the legislative and regulatory requirements, including requirements under the Rules of Catalist. During FY2015, the Company released its quarterly results within 45 days from the end of each quarter and full year results within 60 days from the end of financial year.

The shareholders are provided with detailed analysis, explanation and assessment of the Group's financial position and performance via the issue of the quarterly and full year financial results announcements and the annual reports.

Risk Management and Internal Controls

Principle 11: The Board is responsible for the governance of risk. The Board should ensure that Management maintains a sound system of risk management and internal controls to safeguard 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.

Management is responsible to the Board for the design, implementation and monitoring of the Group's risk management and internal control systems and for providing assurance to the Board that it has done so. The Board acknowledges that it is responsible for determining the company's level of risk tolerance and risk policies and reviewing the adequacy and effectiveness of the Group's risk management and internal control systems. The Board recognises that all internal control systems contain inherent limitations and no system of internal controls could provide absolute assurance against the occurrence of material errors, poor judgement in decision-making, human error losses, fraud or other irregularities. Nevertheless, the Board strives to identify key risk areas in every aspect of the Group and improve internal controls to mitigate such risks in order to achieve the overall business objective of the Group and enhance long term shareholders' value.

The Group regularly reviews and improves its business and operational activities to identify areas of significant business risks as well as respond appropriately to control and mitigate these risks. The Group reviews all significant control policies and procedures and highlights all significant matters to the AC and the Board.

Separately, in performing the audit of the financial statements of the Group, the external auditors perform tests over the operating effectiveness of certain controls that they intend to rely on, that are relevant to the preparation of its financial statements. Material non-compliance and internal control weaknesses and recommendations for improvements are noted in their audit report to the AC. The AC has reviewed the effectiveness of the action taken by Management on the recommendations made by the external auditors in this respect.

The Board, with concurrence from the AC, are satisfied with the Group' internal controls system and is of the opinion that the internal controls system maintained by the Group throughout FY2015 in addressing financial, operational and compliance risks are adequate and effective as at 31 December 2015. The Board believes that the Group's internal controls provide reasonable, but not absolute assurance against material financial misstatements or losses.

The CEO and Executive Officer have provided a letter of confirmation that as at the end of FY2015:

(a) The financial records have been properly maintained and the financial statements give a true and fair view of the Company's operations and finances; and

(b) The Company's risk management and internal control systems are effective.

Audit Committee

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

Audit Committee

The AC comprises three (3) members, as set out below. All the AC members are Independent Directors.

Mr Mah Seong Kung	Chairman	Lead Independent Non-Executive
Ms Ke Lihong	Member	Independent Non-Executive
Mr Feng Jianjia	Member	Independent Non-Executive

The Board has reviewed and is satisfied that the members of the AC are appropriately qualified to discharge their responsibilities. The members of the AC are scheduled to meet at least four (4) times a year and have the following principal functions:–

- review the scope and results of the audit undertaken by the independent auditor, including non-audit services performed by the independent auditor to ensure that there is a balance between maintenance of their objectivity and cost effectiveness;
- review the internal audit plans, the scope and results of internal audit procedures;
- review with the internal auditors the effectiveness of the Group's material internal controls, including financial, operational, compliance and information technology controls;
- review the financial statements and other announcements to shareholders and the SGX-ST, prior to submission to the Board;
- conduct investigation into any matter within the AC's scope of responsibility and review any significant findings of investigations;
- assess the independence and objectivity of the independent auditor;
- recommend to the Board on the appointment or re-appointment of independent auditor;
- review the assistance given by the Company's officers to the independent auditor; and
- review interested person transactions falling within the scope of Chapter 9 of the Rules of Catalist.

The AC has been given full access to and is provided with the cooperation of the Management. In addition, the AC has independent access to the independent auditor. The AC meets with the independent auditor without the presence of the Management at least once every financial year to review matters that might be raised privately. The AC has reasonable resources to enable it to discharge its functions properly.

The AC has met with the independent auditor of the Company, Nexia TS Public Accounting Corporation, without the presence of the Management for FY2015.

The AC will review the independence of the Independent Auditor annually. The AC has reviewed the volume of non-audit services to the Group provided by the Independent Auditor (see details on page 25 and 75) during FY2015 in relation to tax advisory services, and being satisfied that the nature of such non-audit services will not prejudice the independence and objectivity of the Independent Auditor and is pleased to recommend their re-appointment.

The Company is in compliance with Rule 712 and Rule 715 of the Rules of Catalist in relation to its external auditors.

Whistle-Blowing Policy

The Company has put in place a whistle-blowing policy. The policy encourages employees to raise concerns, in confidence, about possible irregularities to the whistle-blowing committee. It seeks to provide an avenue for employees and external parties to raise concerns and offer reassurance that they will be protected from reprisals for whistle-blowing in good faith within the limits of the law.

The AC oversees the administration of the policy. Periodic reports will be submitted to the AC stating the number and the nature of complaints received, the results of the investigations, follow-up actions and unresolved complaints.

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 size of the operations of the Group does not warrant the Group having an in-house internal audit function. The Group has outsourced its internal audit functions to a professional firm, Xiamen Hong Zheng Accounting Firm (厦门泓正会计师事务所有限公司), which reports directly to the AC, to conduct a full review of the Group's internal control and risk management system for FY2015.

The internal auditors support the AC in its role to assess the effectiveness of the Group's overall system of internal controls. The assistance provided by the internal auditors is primarily accomplished through their appraisals of the financial and operational controls, policies and procedures established by Management and their reviews for compliance by the Group's operating entities with these established controls, policies and procedures.

The internal auditors have unfettered access to all company's documents, records, properties and personnel, including access to the AC.

The AC has met and reviewed with the internal auditors their audit plans and their evaluation of the systems of internal controls, their audit findings and Management's processes to those findings, in relation to the effectiveness of internal controls and overall risk management of the Group for FY2015. The AC is satisfied that the internal audit is adequate and effective and has the appropriate standing within the Group.

SHAREHOLDER RIGHTS AND RESPONSIBILITIES

Shareholder Rights

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

All shareholders are treated fairly and equitably to facilitate their ownership rights. In line with the continuing disclosure obligations of the Company pursuant to the Catalist Rules and the Companies Act, Chapter 50 of Singapore, the Board's policy is that all shareholders should be informed in a comprehensive manner and on a timely basis of all material developments that impact the Group.

Shareholders can vote in person or appoint not more than two (2) proxies to attend and vote on their behalf at general meetings of shareholders. There is no provision in the Company's Constitution that limits the number of proxies for nominee companies.

Communications 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 takes a serious view of maintaining full and adequate disclosure, in a timely manner, of material events and matters concerning its business. All the necessary disclosures are made in public announcements, press releases and annual reports to shareholders.

The Company maintains an updated corporate website to keep shareholders abreast with the Company's developments and to serve as a platform to gather shareholders' feedback. The Company may conduct media interviews or briefings sessions to engage shareholders when opportunities present themselves.

The Company does not practise selective disclosure. Price-sensitive information is first publicly released via SGXNET before the Company meets with any group of investors or analysts.

The Company does not have a fixed dividend policy. The payment of dividends will be contingent on the Company's earnings, business and economic prospects, working capital requirements and other factors deem appropriate by the Directors. For FY2015, the Company will not be declaring dividends due to the poor financial performance in FY2015 and working capital requirements for the ODM business.

Conduct of Shareholder Meetings

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

The annual general meeting of the Company provides a principal forum for dialogue and interaction with shareholders. Members of the Board are present to address questions raised by shareholders at annual general meetings.

The Chairman of the AC, the RC and the NC as well as the Company's Independent Auditor will also be present and on hand to address any issues raised at the annual general meetings.

The Constitution of the Company allows members of the Company to appoint not more than two proxies to attend and vote at the annual general meetings of the Company.

Issues or matters requiring shareholders' approval are tabled in the form of separate and distinct resolutions.

The Company will make available minutes of general meetings to shareholders upon their request. Resolutions are passed at the general meetings by poll. As the number of shareholders who attend the general meetings are generally not large, it is not cost effective to have voting by electronic polling. The results of the general meeting are released on SGXNET on the same day.

DEALINGS IN SECURITIES

The Company has adopted an internal code on dealings in securities to govern dealings in its shares by the Directors, the Management and officers of the Group. This internal code is modelled on the Code relating to dealings in securities and has been disseminated to the Directors, the Management and officers of the Group. The Directors, the Management and officers of the Group who have access to price-sensitive, financial or confidential information are not permitted to deal in the Company's shares during the periods commencing two weeks before the announcement of the of the Group's quarterly financial results for the first three (3) quarters and one (1) month before the announcement of the Group's full year financial results and ending on the date of announcement of such financial results, or when they are in possession of unpublished price-sensitive information on the Group. In addition, the Directors, the Management and officers of the Group are discouraged from dealing in the Company's shares on short term considerations. The Directors, the management and officers are expected to observe insider trading laws at all times even when dealing in securities within the permitted trading period.

INTERESTED PERSON TRANSACTIONS ("IPT")

The Company has established procedures to ensure that all transactions with interested persons are reported in a timely manner to the AC and that the transactions are conducted at arm's length basis and will not be prejudicial to the interests of the Company and its minority shareholders.

The aggregate value of IPT entered into during the financial year, disclosed in accordance with Rule 907 of the Rules of Catalist, is as follows:

Name of Interested Person	Aggregate value of all interested person transactions during the financial year under review (excluding transactions less than $100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920)	Aggregate value of all interested person transactions conducted under shareholders' mandate pursuant to Rule 920 (excluding transactions less than $100,000)
	S$'000	S$'000
Shishi Jijile Garments Weaving Co., Ltd. ("Jijile")(1)	364	–
Four Seasons Capital Pte Ltd(2)	29	–

(1) Jijile is wholly owned by Wu Shidai, father of Wu Lianhua and she is the wife of Xu Rongsen, Chief Executive Officer and Executive Director of the Company. Shishi Haotian Dress Industry Co., Ltd, the wholly-owned subsidiary of the Company has entered into an annual lease arrangement with Jijile for the office and production facilities on 1 Jan 2015.

(2) Four Seasons Capital Pte Ltd is wholly owned by Wu Lianhua. She is the wife of Xu Rongsen, Chief Executive Officer and Executive Director of the Company. Mercurius Capital Investment Limited had entered into a 2 years lease agreement with Four Seasons Capital Pte Ltd for their office space on 01 June 2014.

The AC and the Board have reviewed the transactions and were satisfied that the terms were fair and reasonable and were not prejudicial to the interests of the Company and its minority shareholders.

The Group does not have a general mandate pursuant to Rule 920 of the Rules of Catalist from shareholders for IPTs.

MATERIAL CONTRACTS

There were no material contracts of the Company or its subsidiaries involving the interest of the CEO, any Director or controlling shareholder of the Company, either still subsisting at the end of the financial year or if not then subsisting, entered into since the end of the previous financial year.

NON-SPONSOR FEES

The Company is currently under the SGX-ST Catalist sponsor-supervised regime. The continuing sponsor of the Company is R&T Corporate Services Pte. Ltd. (the "Sponsor"). There was no non-sponsor fee paid by the Company to the Sponsor during the financial year ended 31 December 2015.

The amount of fees paid to Rajah & Tann Singapore LLP, an affiliate of the Sponsor, for work done in FY2015 was S$82,000.

AUDIT AND NON-AUDIT FEES

The aggregate amount of fees paid to the independent auditor of the Company, broken down into audit and non-audit services during FY2015 are as follows:

Audit Fees	:	S$90,000
Non-audit fees in relation to tax services	:	S$11,000

DIRECTORS' **STATEMENT**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

The directors present their statement to the members together with the audited financial statements of the Group for the financial year ended 31 December 2015 and the balance sheet of the Company as at 31 December 2015.

In the opinion of the directors,

(a) the consolidated financial statements of the Group and the balance sheet of the Company as set out on pages 33 to 99 are drawn up so as to give a true and fair view of the financial position of the Company and of the Group as at 31 December 2015 and of the financial performance of the business, changes in equity and cash flows of the Group for the financial year then ended; and

(b) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

Directors

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

Chang Wei Lu
Xu Rongsen
Mah Seong Kung
Ke Lihong
Feng Jianjia
Zhang Zhize (resigned on 26 February 2015)
Lim Yew Seng (appointed on 26 February 2015, resigned on 1 June 2015)
Deng Xinhua (appointed on 26 February 2015, resigned on 1 June 2015)

Arrangements to enable directors to acquire shares and debentures

Neither at the end of nor at any time during the financial year was the Company a party to any arrangement whose object was to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

Directors' interests in shares or debentures

According to the register of directors' shareholdings, none of the directors holding office at the end of the financial year had any interests in the shares or debentures of the Company or its related corporation, except as follows:

	Holdings registered in name of director or nominee		
	At 21.1.2016	At 31.12.2015	At 1.1.2015 or date of appointment if later
Company			
(No. of ordinary shares)			
Chang Wei Lu	263,041,534	263,041,534	5,000,000
Zhang Zhize (resigned on 26 February 2015)	–	–	255,041,534

Directors' interests in shares or debentures (Continued)

By virtue of Section 7 of the Singapore Companies Act Cap.50, Mr Zhang Zhize was deemed to have an interest in the shares of the subsidiary corporations held by the Company at beginning of the financial year.

Directors' contractual benefits

Since the end of the previous financial year, no director has received or become entitled to receive a benefit by reason of a contract made by the Company or a related corporation with the director or with a firm of which he is a member or with a company in which he has a substantial financial interest, except as disclosed in the accompanying financial statements and in this statement.

Share options

Friven & Co. Employee Share Option Scheme (the "Scheme") was approved and adopted by the members of the Company at an Extraordinary General Meeting on 21 September 2007 and administered by the Remuneration Committee comprising Ke Lihong (Chairman), Mah Seong Kung and Feng Jianjia. The Scheme continues to remain in force after the completion of the Reverse Takeover Offer ("RTO") on 3 August 2010, and may continue in force with the approval of shareholders by ordinary resolution in general meeting.

Employees (including executive directors and employees of the Company's subsidiaries) and non-executive directors, subject to certain conditions, are eligible to participate in the Scheme. The Scheme provides means to recruit, retain, and give recognition to employees, and to give recognition to non-executive directors, who have contributed to the success and development of the Company and/or the Group.

The principal terms of the Scheme are as follows:

- The exercise price of the granted options is equal to the average of the last dealt prices for the share on the Singapore Exchange Securities Trading Limited ("SGX-ST") for the three (3) consecutive trading days immediately prior to the relevant date of grant of the options.

- The value of share options is determined using the Black Scholes option pricing model (taking into account relevant assumptions).

- Granted options shall be exercisable, in whole or in part, during the exercise period applicable to the options and in accordance with the vesting schedule applicable to the options or other condition (if any) that may be imposed by the Remuneration Committee in relation to the options. Options may be exercised, in whole or in part in respect of 1,000 shares or any multiple thereof, by a participant giving notice in writing, accompanied by a remittance for the aggregate subscription cost in respect of the shares for which the options are exercised. The method of settlement could be in cheque, cashier's order, banker's draft or postal order made out in favour of the Company or such other mode of payment as may be acceptable to the Company. There are no restrictions on the eligibility of the persons to whom the options have been granted to participate in any other share options or share incentive scheme, whether or not implemented by any of the other companies within the Group or any other company. The Group has no legal or constructive obligation to repurchase or settle the options in cash.

Share options (Continued)

– The vesting schedule for the share options (market price option) granted to eligible employees (including executive directors) and non-executive directors is as follows:

Vesting period	**Proportion of total share options that are exercisable**
Before the first anniversary of the Date of Grant	Nil
Between the first anniversary and the second anniversary of the Date of Grant	25%
Between the second anniversary and the third anniversary of the Date of Grant	25%
Between the third anniversary and the fourth anniversary of the Date of Grant	25%
Between the fourth anniversary and the fifth anniversary of the Date of Grant	25%

– The vesting schedule for the share options (discounted options) granted to eligible employees (including executive directors) and non-executive directors is as follows:

Vesting period	**Proportion of total share options that are exercisable**
Before the second anniversary of the Date of Grant	Nil
Between the second anniversary and the third anniversary of the Date of Grant	30%
Between the third anniversary and the fourth anniversary of the Date of Grant	30%
Between the fourth anniversary and the fifth anniversary of the Date of Grant	40%

Share options granted to eligible employees (including executive directors) and non-executive directors vest after one year from the date of grant and are exercisable for a period of five years.

The total number of shares over which options may be granted under the Scheme on any date, when added to the nominal amount of shares issued and issuable and in respect of all options granted under the Scheme, shall not exceed 15 per cent of the issued share capital of the Company on the day preceding that date.

No share options were outstanding as at end of the financial year.

No share options had been granted to any employees and non-executive directors during the financial year.

No participant under the Scheme has received 5% or more of the total number of shares under options available under the Scheme.

Audit committee

The members of the Audit Committee at the end of the financial year were as follows:

- Mah Seong Kung (Chairman)
- Ke Lihong
- Feng Jianjia

Audit committee (Continued)

All members of the Audit Committee were non-executive independent directors.

The Audit Committee carried out its functions in accordance with Section 201B(5) of the Singapore Companies Act and Code of Corporate Governance. In performing those functions, the Audit Committee carried out the following:

- Review the scope and the results of internal audit procedures with the internal auditor;

- Review the audit plan of the Company's independent auditor and any recommendations on internal accounting controls arising from the statutory audit;

- Review the assistance given by the Company's management to the independent auditor;

- Review the balance sheet of the Company and the consolidated financial statements of the Group for the financial year ended 31 December 2015 before their submission to the Board of Directors, as well as the independent auditor's report on the balance sheet of the Company and the consolidated financial statements of the Group;

- Review transactions failing within the scope of Chapter 9 of the SGX-ST Listing Manual Section B: Rules of Catalist ("Catalist Rules");

- Review the quarterly and half yearly financial results and annual financial statements, results announcements and media releases before submission to the Board of Directors for approval, focusing on changes in accounting policies and practices, major risk areas, significant adjustments resulting from the audit, compliance with accounting standards and compliance with the Catalist Rules and any other relevant statutory or regulatory requirements;

- Review the independence and objectivity of the independent auditor; and

- Make recommendations to the Board of Directors on the appointment, re-appointment and removal of independent auditor, and approve the remuneration and terms of engagement of the independent auditor.

The Audit Committee has met the independent auditor without the presence of the Company's management at least once a year.

The Audit Committee has recommended to the Board of Directors that the independent auditor, Nexia TS Public Accounting Corporation, be nominated for re-appointment at the forthcoming Annual General Meeting of the Company.

Independent auditor

The independent auditor, Nexia TS Public Accounting Corporation, has expressed its willingness to accept re-appointment.

On behalf of the Directors

....

Chang Wei Lu
Director

....

Xu Rongsen
Director

04 April 2016

INDEPENDENT **AUDITOR'S REPORT**

TO THE MEMBERS OF MERCURIUS CAPITAL INVESTMENT LIMITED

Report on the Financial Statements

We have audited the accompanying financial statements of Mercurius Capital Investment Limited (the "Company") and its subsidiary corporations (the "Group") set out on pages 33 to 99, which comprise the consolidated balance sheet of the Group and balance sheet of the Company as at 31 December 2015, the consolidated statement of comprehensive income, statement of changes in equity and statement of cash flows of the Group for the financial 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 the provisions of the Singapore Companies Act (the "Act") and Singapore Financial Reporting Standards, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair financial statements and to maintain accountability of assets.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the consolidated financial statements of the Group and the balance sheet of the Company are properly drawn up in accordance with the provisions of the Act and Singapore Financial Reporting Standards so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2015, and of the financial performance, changes in equity and cash flows of the Group for the financial year ended on that date.

Report on Other Legal and Regulatory Requirements

In our opinion, the accounting and other records required by the Act to be kept by the Company and by those subsidiary corporations incorporated in Singapore, of which we are the auditors, have been properly kept in accordance with the provisions of the Act.

Nexia TS Public Accounting Corporation
Public Accountants and Chartered Accountants

Director-in-charge: Low See Lien
Appointed since financial year ended 31 December 2013

Singapore

04 April 2016

BALANCE **SHEETS**

AS AT 31 DECEMBER 2015

		Group		Company	
		2015	**2014**	**2015**	**2014**
	Note	**$'000**	**$'000**	**$'000**	**$'000**
ASSETS					
Current assets					
Cash and cash equivalents	4	**3,805**	3,548	**20**	96
Trade and other receivables	5	**47,008**	51,919	**33,107**	42,156
Income tax recoverable	21(b)	**18**	35	**–**	–
Inventories	6	**17,552**	23,159	**–**	–
		68,383	78,661	**33,127**	42,252
Non-current assets					
Investments in subsidiary corporations	7	**–**	–	**20,429**	45,571
Property, plant and equipment	8	**320**	914	**13**	16
Intangible assets	9	**–**	1,432	**–**	–
		320	2,346	**20,442**	45,587
TOTAL ASSETS		**68,703**	81,007	**53,569**	87,839
LIABILITIES					
Current liabilities					
Trade and other payables	10	**18,536**	25,142	**32,879**	32,130
Borrowings	11	**27,959**	13,370	**–**	–
Current income tax liabilities	21(b)	**78**	407	**–**	–
		46,573	38,919	**32,879**	32,130
TOTAL LIABILITIES		**46,573**	38,919	**32,879**	32,130
NET ASSETS		**22,130**	42,088	**20,690**	55,709
EQUITY					
Capital and reserves attributable to equity holders of the Company					
Share capital	13	**49,074**	49,074	**132,732**	132,732
Other reserves	14	**8,950**	8,611	**–**	–
Accumulated losses	15	**(35,673)**	(15,376)	**(112,042)**	(77,023)
		22,351	42,309	**20,690**	55,709
Non-controlling interests	7	**(221)**	(221)	**–**	–
TOTAL EQUITY		**22,130**	42,088	**20,690**	55,709

The accompanying notes form an integral part of the financial statements.

CONSOLIDATED STATEMENT OF **COMPREHENSIVE INCOME**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

	Note	2015 $'000	2014 $'000
Continuing operations			
Revenue	16	**26,744**	45,287
Cost of sales		**(25,370)**	(37,145)
Gross profit		**1,374**	8,142
Other income, net	17	**2,417**	1,898
Other losses, net		**(19,227)**	(24)
Selling and distribution expenses		**(948)**	(1,678)
Administrative expenses		**(2,764)**	(6,110)
Finance costs	18	**(996)**	(723)
(Loss)/profit before income tax		**(20,144)**	1,505
Income tax expense	21(a)	**(153)**	(340)
Net (loss)/profit from continuing operations		**(20,297)**	1,165
Discontinued operations			
Net profit from discontinued operations, net of tax	26	**–**	2,095
Total (loss)/profit		**(20,297)**	3,260
Other comprehensive income:			
Items that may be reclassified subsequently to profit or loss:			
Currency translation differences arising from consolidation			
– (Losses)/Gains	14(c)	**(20)**	748
– Reclassification	14(c)	**359**	(49)
Other comprehensive income, net of tax		**339**	699
Total comprehensive (loss)/income		**(19,958)**	3,959
Net (loss)/profit attributable to:			
Equity holders of the Company – Continuing operations		**(20,297)**	1,165
Equity holders of the Company – Discontinued operations		**–**	2,095
Non-controlling interests		**–**	–
		(20,297)	3,260
Total comprehensive (loss)/income attributable to:			
Equity holders of the Company – Continuing operations		**(19,958)**	1,864
Equity holders of the Company – Discontinued operations		**–**	2,095
Non-controlling interests		**–**	–
		(19,958)	3,959
(Losses)/earnings per share for (loss)/profit from continuing and discontinued operations attributable to equity holders of the Company (cents per share)	22		
– Basic (losses)/earnings per share – Continuing operations		**(1.94)**	0.11
– Basic earnings per share – Discontinued operations		**–**	0.20
– Diluted (losses)/earnings per share – Continuing operations		**(1.94)**	0.11
– Diluted earnings per share – Discontinued operations		**–**	0.20

The accompanying notes form an integral part of the financial statements.

CONSOLIDATED STATEMENT OF **CHANGES IN EQUITY**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

	Note	Share capital	Statutory surplus reserve	Capital reserve	Currency translation reserve	Accumulated losses	Total equity attributable to owners of the Company	Non-controlling interests	Total equity
		$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Group									
2015									
Beginning of financial year		49,074	1,911	6,992	(292)	(15,376)	42,309	(221)	42,088
Total comprehensive income/(loss) for the financial year		–	–	–	339	(20,297)	(19,958)	–	(19,958)
End of financial year		49,074	1,911	6,992	47	(35,673)	22,351	(221)	22,130
2014									
Beginning of financial year		41,022	1,905	6,992	(991)	(18,630)	30,298	(221)	30,077
Issue of shares via placement	13	8,052	–	–	–	–	8,052	–	8,052
Total comprehensive income for the financial year		–	–	–	699	3,260	3,959	–	3,959
Transfer to statutory reserve	14(b)	–	6	–	–	(6)	–	–	–
End of financial year		49,074	1,911	6,992	(292)	(15,376)	42,309	(221)	42,088

The accompanying notes form an integral part of the financial statements.

CONSOLIDATED STATEMENT OF **CASH FLOWS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

	Note	2015 $'000	2014 $'000
Cash flows from operating activities			
Total (loss)/profit		**(20,297)**	3,260
Adjustments for:			
– Income tax expense	21(a)	**153**	1,072
– Amortisation of intangible assets	19	**1**	1,392
– Depreciation of property, plant and equipment	19	**248**	389
– Impairment loss on property, plant and equipment	19	**444**	55
– Impairment loss on intangible assets	19	**1,468**	–
– Interest expense	18	**996**	1,045
– Interest income – bank deposits		**(12)**	(30)
– Property, plant and equipment written-off	19	**–**	3
– Loss/(gain) on disposal/liquidation/strike off of subsidiary corporations	17	**401**	(250)
– Loss on disposal of property, plant and equipment	19	**–**	22
– Unrealised currency translation losses		**193**	1,348
		(16,405)	8,306
Change in working capital, net of effects from disposal/ liquidation/strike off of subsidiary corporations:			
– Trade and other receivables		**1,566**	(28,525)
– Inventories		**5,607**	(6,264)
– Trade and other payables		**(6,579)**	16,834
Cash used in operations		**(15,811)**	(9,649)
Interest received		**12**	30
Income tax paid	21(b)	**(474)**	(527)
Net cash used in operating activities		**(16,273)**	(10,146)
Cash flows from investing activities			
Additions of intangible assets	9	**–**	(109)
Additions of property, plant and equipment	8	**(74)**	(1,390)
Proceeds from disposal of property, plant and equipment		**–**	15
Proceeds from disposal of asset held-for-sale		**–**	1,347
Deferred consideration from disposal of subsidiary corporations		**3,332**	–
Disposal/liquidation/strike off of subsidiary corporations, net of cash disposed of	4	**(61)**	(2,304)
Net cash provided by/(used in) investing activities		**3,197**	(2,441)
Cash flows from financing activities			
Proceeds from placement of ordinary shares	13	**–**	8,052
Proceeds from borrowings		**58,723**	35,010
Repayment of borrowings		**(44,482)**	(37,290)
Interest paid		**(996)**	(1,045)
(Increase)/decrease in bank deposits and bank balances pledged		**(1,774)**	5,795
Net cash provided by financing activities		**11,471**	10,522
Net decrease in cash and cash equivalents		**(1,605)**	(2,065)
Cash and cash equivalents			
Beginning of financial year		**2,557**	4,570
Effects of currency translation on cash and cash equivalents		**88**	52
End of financial year	4	**1,040**	2,557

The accompanying notes form an integral part of the financial statements.

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

1 GENERAL INFORMATION

Mercurius Capital Investment Limited. (the "Company") is a listed company on the SGX-ST Catalist and incorporated and domiciled in Singapore. The address of its registered office is 33 Ubi Avenue 3, #08-38, Vertex, Singapore 408868.

The principal activities of the Company are the manufacturing and sale of cushions, bed linen, pillows, bolsters, household textiles, household products and wholesale of children and infant wear. The principal activities of the subsidiary corporations are described in Note 7 to the financial statements.

2 SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

These financial statements have been prepared in accordance with Singapore Financial Reporting Standards ("FRS") under the historical cost convention, except as disclosed in the accounting policies below.

The preparation of financial statements in conformity with FRS requires management to exercise its judgement in the process of applying the Group's accounting policies. It also requires the use of certain critical accounting estimates and assumptions. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 3.

Interpretations and amendments to published standards effective in 2015

On 1 January 2015, the Group adopted the new or amended FRS and Interpretations of FRS ("INT FRS") that are mandatory for application for the financial year. Changes to the Group's accounting policies have been made as required, in accordance with the transitional provisions in the respective FRS and INT FRS.

The adoption of these new or amended FRS and INT FRS did not result in substantial changes to the accounting policies of the Group and the Company and had no material effect on the amounts reported for the current or prior financial years.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Group accounting

(a) Subsidiary corporations

(i) Consolidation

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

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

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

(ii) Acquisitions

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

The consideration transferred for the acquisition of a subsidiary corporation or business comprises of the fair value of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred also includes the fair value of any contingent consideration arrangement.

2 **SIGNIFICANT ACCOUNTING POLICIES** (CONTINUED)

2.2 **Group accounting** (Continued)

(a) **Subsidiary corporations** (Continued)

(ii) Acquisitions (Continued)

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquire is re-measured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognised in profit or loss.

Acquisition-related costs are expensed as incurred.

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

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

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

(iii) Disposals

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

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

Please refer to the paragraph "Investments in subsidiary corporations" for the accounting policy on investments in subsidiary corporations in the separate financial statements of the Company.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Group accounting (Continued)

(b) Transactions with non-controlling interests

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

(c) Reverse acquisition

The acquisition of the China Children Fashion Holdings Pte Ltd and its subsidiary corporations ("the Acquired Group") on 3 August 2010 has been accounted for as a reverse acquisition and the legal subsidiary corporation (the Acquired Group) is considered the acquirer for accounting purposes. Accordingly, the consolidated financial statements are prepared and presented as a continuation of the Acquired Group's financial statements.

(i) the assets and liabilities of the Acquired Group are recognised and measured in the statement of financial position of the Group at their pre-acquisition carrying amounts;

(ii) the accumulated profits and other equity balances recognised in the consolidated financial statements are the accumulated profits and other equity balances of the Acquired Group immediately before the business combination; and

(iii) the amount recognised as issued equity instruments in the consolidated financial statements is determined by adding to the issued equity of the Acquired Group immediately before the business combination the costs of the reverse acquisition. However, the equity structure appearing in the consolidated financial statements (i.e. the number and type of equity instruments issued) reflect the equity structure of the legal parent, including the equity instruments issued by the Company to reflect the reverse acquisition.

Consolidated financial statements prepared following a reverse acquisition shall reflect the fair values of the assets, liabilities and contingent liabilities of the legal parent. Therefore, the cost of the reverse acquisition for the acquisition is allocated to the identifiable assets, liabilities and contingent liabilities of the legal parent that satisfy the recognition criteria at their fair values as at 3 August 2010. The excess of the cost of the reverse acquisition over the Acquired Group's interest in the net fair value of those items is recognised as goodwill.

Reverse acquisition accounting applies only in the consolidated financial statements. In the Company's separate financial statements, the investment in the legal subsidiary corporation (the Acquired Group) is accounted for at cost less accumulated impairment losses in the Company's balance sheet.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Investments in subsidiary corporations

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

2.4 Property, plant and equipment

(a) Measurement

Property, plant and equipment are initially recognised at cost and subsequently carried at cost less accumulated depreciation and accumulated impairment losses.

The cost of an item of property, plant and equipment initially recognised includes its purchase price and any cost that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Cost also includes borrowing costs (refer to Note 2.24 on borrowing costs).

(b) Depreciation

Depreciation is calculated using the straight-line method to allocate their depreciable amounts over their estimated useful lives as follows:

	Useful lives
Leasehold improvements	5 years
Furniture and fittings	3 – 10 years
Office equipment	5 – 10 years
Motor vehicles	5 – 10 years
Machinery and equipment	5 – 10 years

The residual values, estimated useful lives and depreciation method of property, plant and equipment are reviewed, and adjusted as appropriate, at each balance sheet date. The effects of any revision are recognised in profit or loss when the changes arise.

Assets under construction included in property, plant and equipment are not depreciated as these assets are not yet available for use.

Fully depreciated property, plant and equipment are retained in the financial statements until they are no longer in use.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 Property, plant and equipment (Continued)

(c) Subsequent expenditure

Subsequent expenditure relating to property, plant and equipment that has already been recognised is added to the carrying amount of the asset only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repair and maintenance expense are recognised in profit or loss when incurred.

(d) Disposal

On disposal of an item of property, plant and equipment, the difference between the disposal proceeds and its carrying amount is recognised in profit or loss within "other (losses)/gains, net", if any.

2.5 Intangible assets

(a) Goodwill on acquisitions

Goodwill on acquisitions of subsidiary corporations and businesses on or after 1 January 2010 represents the excess of (i) the aggregate of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over (ii) the fair value of the identifiable net assets acquired net of the fair values of the liabilities and any contingent liabilities assumed.

Goodwill on acquisition of subsidiary corporations and business prior to 1 January 2010 represents the excess of the cost of the acquisition over the fair value of the Group's share of the identifiable net assets acquired.

Goodwill on subsidiary corporations is recognised separately as intangible assets and carried at cost less accumulated impairment losses.

Gains and losses on the disposal of subsidiary corporations include the carrying amount of goodwill relating to the entity sold, except for goodwill arising from acquisitions prior to 1 January 2001. Such goodwill was adjusted against retained profits in the year of acquisition and is not recognised in profit or loss on disposal.

(b) Acquired computer software licenses

Acquired computer software licences are initially capitalised at cost which includes the purchase prices (net of any discounts and rebates) and other directly attributable costs of preparing the asset for its intended use. Direct expenditures including employee costs, which enhances or extends the performance of computer software beyond its specifications and which can be reliably measured, are added to the original cost of the software. Costs associated with maintaining the computer software are recognised as an expense when incurred.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.5 Intangible assets (Continued)

(b) Acquired computer software licenses (Continued)

Computer software licences are subsequently carried at cost less accumulated amortisation and accumulated impairment losses. These costs are amortised to profit or loss using the straight-line method over their estimated useful lives of three years.

(c) Customer relationship, brand names, trademarks and license agreement

Customer relationship, brand names, trademarks and license agreement acquired in business combination are initially recognised at cost, represent fair value at the date of acquisition and are subsequently carried at cost less accumulated amortisation and accumulated impairment losses. These costs are amortised to profit or loss on a straight-line method over their estimated useful lives as follows:

	Useful lives
Customer relationship	6 years
Brand names	20 years
Trademarks	5 – 11 years
License agreement	2.5 years

The amortisation period and amortisation method of intangible assets other than goodwill are reviewed at least at each balance sheet date. The effects of any revision are recognised in profit or loss when the changes arise.

2.6 Impairment of non-financial assets

(a) Goodwill

Goodwill recognised separately as an intangible asset is tested for impairment annually and whenever there is indication the goodwill may be impaired.

For the purpose of impairment testing of goodwill, goodwill is allocated to each of the Group's cash-generating units ("CGU") expected to benefits from synergies arising from the business combination.

An impairment loss is recognised when the carrying amount of a CGU, including the goodwill, exceeds the recoverable amount of the CGU. The recoverable amount of a CGU is the higher of the CGU's fair value less cost to sell and value-in-use.

The total impairment loss of a CGU is allocated first to reduce the carrying amount of goodwill allocated to the CGU and then to other assets of the CGU pro-rata on the basis of the carrying amount of each asset in the CGU.

An impairment loss on goodwill is recognised as an expense and is not reversed in a subsequent period.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.6 Impairment of non-financial assets (Continued)

(b) Intangible assets
Property, plant and equipment
Investments in subsidiary corporations

Intangible assets, property, plant and equipment and investments in subsidiary corporations are tested for impairment whenever there is any objective evidence or indication that these assets may be impaired.

For the purpose of impairment testing, the recoverable amount (i.e. the higher of the fair value less cost to sell and the value-in-use) is determined on an individual asset basis unless the asset does not generate cash inflows that are largely independent of those from other assets. If this is the case, the recoverable amount is determined for CGU to which the asset belongs.

If the recoverable amount of the asset (or CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or CGU) is reduced to its recoverable amount.

The difference between the carrying amount and recoverable amount is recognised as an impairment loss in profit or loss.

An impairment loss for an asset other than goodwill is reversed only if, there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of this asset is increased to its revised recoverable amount, provided that this amount does not exceed the carrying amount that would have been determined (net of any accumulated amortisation or depreciation) had no impairment loss been recognised for the asset in prior years.

A reversal of impairment loss for an asset other than goodwill is recognised in profit or loss. However, to the extent that an impairment loss on the same revalued asset was previously recognised as an expense, a reversal of that impairment is also recognised in profit or loss.

2.7 Financial assets

(a) Classification

The Group classifies its financial assets in loans and receivables. The classification depends on the nature of the asset and the purpose for which the assets were acquired. Management determines the classification of its financial assets at initial recognition.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are presented as current assets, except for those expected to be realised later than 12 months after the balance sheet date which are presented as non-current assets. Loans and receivables are presented as "Trade and other receivables" (Note 5) and "Cash and cash equivalents" (Note 4) on the balance sheet.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.7 Financial assets (Continued)

(b) Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade date – the date on which the Group commits to purchase or sell the asset.

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. On disposal of a financial asset, the difference between the carrying amount and the sale proceeds is recognised in profit or loss. Any amount previously recognised in other comprehensive income relating to that asset is reclassified to profit or loss.

Trade receivables that are factored out to banks and other financial institutions with recourse to the Group are not derecognised until the recourse period has expired and the risks and rewards of the receivables have been fully transferred. The corresponding cash received from financial institutions is recorded as borrowings.

(c) Measurement

Loans and receivables are initially recognised at fair value plus transaction costs, and subsequently carried at amortised cost using the effective interest method.

(d) Impairment

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired and recognises an allowance for impairment when such evidence exists.

Loans and receivables

Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy and default or significant delay in payments are objective evidence that these financial assets are impaired.

The carrying amount of these assets is reduced through the use of an impairment allowance account which is calculated as the difference between the carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. When the asset becomes uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are recognised against the same line item in profit or loss.

The impairment allowance is reduced through profit or loss in a subsequent period when the amount of impairment loss decreases and the related decrease can be objectively measured. The carrying amount of the asset previously impaired is increased to the extent that the new carrying amount does not exceed the amortised cost had no impairment been recognised in prior periods.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.8 Offsetting of financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

2.9 Financial guarantees

The Company has issued corporate guarantees to banks for bank borrowings of its subsidiary corporations. These guarantees are financial guarantees as they require the Company to reimburse the banks if the subsidiary corporations fail to make principal or interest payments when due in accordance with the terms of their borrowings.

Financial guarantees are initially recognised at their fair values plus transaction costs in the Company's balance sheet.

Financial guarantees are subsequently amortised to profit or loss over the period of the subsidiary corporations' borrowings, unless it is probable that the Company will reimburse the banks for an amount higher than the unamortised amount. In this case, the financial guarantees shall be carried at the expected amount payable to the banks in the Company's balance sheet.

Intra-group transactions are eliminated on consolidation.

2.10 Inventories

Inventories are carried at the lower of cost and net realisable value. Cost is determined using the weighted average method for original design manufacturing segment. The cost of finished goods and work-in-progress comprises raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity) but excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and applicable variable selling expenses.

2.11 Cash and cash equivalents

For the purpose of presentation in the consolidated statement of cash flows, cash and cash equivalents include cash on hand and deposits with financial institutions which are subject to an insignificant risk of change in value.

For cash subjected to restriction, assessment is made on the economic substance of the restriction and whether they meet the definition of cash and cash equivalents.

2.12 Trade and other payables

Trade and other payables represent liabilities for goods and services provided to the Group prior to the end of financial year which are unpaid. They are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). Otherwise, they are presented as non-current liabilities.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.12 Trade and other payables (Continued)

Trade and other payables are initially recognised at fair value, and subsequently carried at amortised costs using effective interest method.

2.13 Leases

When the Group is the lessee:

The Group leases premises under operating leases from related parties and non-related parties.

(a) Lessee – Finance leases

Leases where the Group assumes substantially all risks and rewards incidental to ownership of the leased assets are classified as finance leases.

The leased assets and the corresponding lease liabilities (net of finance charges) under finance leases are recognised on the balance sheet as plant and equipment and finance lease liabilities respectively, at the inception of the leases based on the lower of the fair value of the leased assets and the present value of the minimum lease payments.

Each lease payment is apportioned between the finance expense and the reduction of the outstanding lease liability. The finance expense is recognised in profit or loss on a basis that reflects a constant periodic rate of interest on the finance lease liability.

(b) Lessee – Operating leases

Leases where substantially all risks and rewards incidental to ownership are retained by the lessors are classified as operating leases. Payments made under operating lease (net of any incentives received from the lessors) are recognised in profit or loss on a straight-line basis over the period of the lease.

2.14 Revenue recognition

Sales comprise the fair value of the consideration received or receivable for the sale of goods in the ordinary course of the Group's activities. Sales are presented, net of value-added tax, rebates and discounts, and after eliminating sales within the Group.

The Group assesses its role as an agent or principal for each transaction and in an agency arrangement the amounts collected on behalf of the principal are excluded from revenue. The Group recognises revenue when the amount of revenue and related cost can be reliably measured, it is probable that the collectability of the related receivables is reasonably assured and when the specific criteria for each of the Group's activities are met as follows:

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.14 Revenue recognition (Continued)

(a) Sale of goods

Revenue from sale of goods is recognised upon passage of title to the customer which coincides with the delivery and acceptance.

(b) Interest income

Interest income is recognised using the effective interest rate method.

(c) Dividend income

Dividend income is recognised when the right to receive payment is established.

2.15 Income taxes

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

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 goodwill or an asset or liability in a transaction that is not a business combination and affects neither accounting nor taxable profit or loss at the time of the transaction.

A deferred income tax liability is recognised on temporary differences arising on investment on investment in subsidiary corporations, 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:

(i) 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 balance sheet date; and

(ii) based on the tax consequence that will follow from the manner in which the Group expects, at the balance sheet date, to recover or settle the carrying amounts of its assets and liabilities.

Current and deferred income taxes are recognised as income or expense in profit or loss, except to the extent that the tax arises from a business combination or a transaction which is recognised directly in equity. Deferred income tax arising from a business combination is adjusted against goodwill on acquisition.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.16 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is more likely than not that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated.

Provisions are measured at the present value of the expenditure expected to be required to settle the obligation using a pre-tax discount rate that reflects the current market assessment of the time value of money and the risks specific to the obligation. The increase in the provision due to the passage of time is recognised in profit or loss as finance costs.

Changes in the estimated timing or amount of the expenditure or discount rate are recognised in profit or loss when the changes arise.

2.17 Borrowings

Borrowings are presented as current liabilities unless the Group has an unconditional right to defer settlement for at least 12 months after the balance sheet date, in which case they are presented as non-current liabilities.

Borrowings are initially recognised at fair value (net of transaction costs) and subsequently carried at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.18 Employee compensation

Employee benefits are recognised as an expense, unless the cost qualifies to be capitalised as an asset.

(a) Defined contribution plans

Defined contribution plans are post-employment benefit plans under which the Group pays fixed contributions into separate entities such as Central Provident Fund on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid.

(b) Share-based compensation

The Group operates an equity-settled, shared-based compensation plan. The value of the employee services received in exchange for the grant of options is recognised as an expense with a corresponding increase in the share option reserve over the vesting period. The total amount to be recognised over the vesting period is determined by reference to the fair value of the options granted on the date of the grant. Non-market vesting conditions are included in the estimation of the number of shares under options that are expected to become exercisable on the vesting date. At each balance sheet date, the Group revises its estimates of the number of shares under options that are expected to become exercisable on the vesting date and recognises the impact of the revision of the estimates in profit or loss, with a corresponding adjustment to the share option reserve over the remaining vesting period.

When the options are exercised, the proceeds received (net of transaction costs) and the related balances previously recognised in the share option reserve are credited to share capital account, when new ordinary shares are issued.

(c) Employee leave entitlement

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the balance sheet date.

(d) Defined contribution benefits

The Group is required to provide certain staff pension benefits to their employees under existing regulations of the People's Republic of China ("PRC"). Pension contributions are provided at rates stipulated by PRC regulations and are contributed to a pension fund managed by government agencies, which are responsible for administering these amounts for the subsidiary corporations' employees. The Group has no further payment obligations once the contributions have been paid. Pension contributions are recognised as expense in the period in which the related services are performed.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.19 Currency translation

(a) Functional and presentation currency

Items included in the financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates ("functional currency"). The financial statements are presented in Singapore Dollar ("$"), which is the functional currency of the Company and have been rounded to the nearest thousand.

(b) Transactions and balances

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

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

Foreign exchange gains and losses that relate to borrowings are presented in the profit or loss within "Finance costs". All other foreign exchange losses impacting profit or loss are presented in profit or loss within "Other losses, net".

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.

(c) Translation of Group entities' financial statements

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(i) assets and liabilities are translated at the closing exchange rates at the reporting date;

(ii) income and expenses are translated at average exchange rates (unless the 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 using the exchange rates at the dates of the transactions); and

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.19 Currency translation (Continued)

(c) Translation of Group entities' financial statements (Continued)

(iii) all resulting currency translation differences are recognised in other comprehensive income and accumulated in the currency translation reserve. These currency translation differences are reclassified to profit or loss on disposal or partial disposal of the entity giving rise to such reserve.

Goodwill and fair value adjustments arising on the acquisition of foreign operations are treated as assets and liabilities of the foreign operations and translated at the closing rates at the reporting date.

2.20 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the executive committee whose members are responsible for allocating resources and assessing performance of the operating segments.

2.21 Share capital

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

2.22 Dividends to Company's shareholders

Dividends to the Company's shareholders are recognised when the dividends are approved for payment.

2.23 Government grants

Grants from the government are recognised as a receivable at their fair value when there is reasonable assurance that the grants will be received and the Group will comply with all the attached conditions.

Government grants receivable are recognised as income over the periods necessary to match them with the related costs which they are intended to compensate, on a systematic basis. Government grants relating to expenses are shown separately as other income, net.

Government grants relating to assets are deducted against the carrying amount of the assets.

2.24 Borrowing costs

Borrowing costs are recognised in profit or loss using the effective interest method except for those costs that are directly attributable to the construction or development of properties and assets under construction. This includes those costs on borrowings acquired specifically for the construction or development of properties and assets under construction, as well as those in relation to general borrowings used to finance the construction or development of properties and assets under construction.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.25 Fair value estimation

The fair values of current financial assets and liabilities carried at amortised cost approximate their carrying amount.

2.26 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 corporation acquired exclusively with a view to resale.

3. CRITICAL ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGEMENTS

Estimates, assumptions and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

(a) Estimated impairment of non-financial assets

Goodwill is tested for impairment at least annually and whenever there is indication that the goodwill may be impaired. Intangible assets, property, plant and equipment and investments in subsidiary corporations are tested for impairment whenever there is any objective evidence or indication that these assets may be impaired.

The recoverable amounts of these assets and, where applicable, cash-generating units, have been determined based on the higher of value-in-use calculations or fair value less costs to sell. These calculations require the use of estimates (Note 9(a)).

For the purpose of impairment assessment, the recoverable amounts of the Group's intangible assets and property, plant and equipment and the Company's investments in subsidiary corporations have been determined based on the value-in-use calculations of the Group's Original design manufacturing business segment in the People's Republic of China, the only business segment that the Group derived revenue from.

3. CRITICAL ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGEMENTS (CONTINUED)

(a) Estimated impairment of non-financial assets (Continued)

The Group has recognised impairment charges of $1,468,000 (2014: Nil) and $444,000 (2014: $55,000) for its goodwill and property, plant and equipment respectively. The Company has also recognised impairment charge of $25,142,000 (2014: $3,620,000) for its investments in subsidiary corporations.

If the management's estimated growth rate used in the value-in-use calculation for this CGU has been lowered by 1% (2014: 1%), or the estimated pre-tax discount rate applied to the discounted cash flows for this CGU had been raised by 1% (2014: 1%), the value-in-use calculation at 31 December 2015 would have decreased by $2,242,000 (2014: $3,170,000) and $2,082,000 (2014: $3,168,000) respectively.

(b) Impairment of trade receivables

Management reviews its trade receivables for objective evidence of impairment at least quarterly. Significant financial difficulties of the debtor, the probability that the debtor will enter bankruptcy, and default or significant delay in payments are considered objective evidence that a receivable is impaired. In determining this, management has made judgements as to whether there is observable data indicating that there has been a significant change in the payment ability of the debtor, or whether there have been significant changes with adverse effect in the technological, market, economic or legal environment in which the debtor operates in.

Where there is objective evidence of impairment, management has made judgements as to whether an impairment loss should be recorded as an expense. In determining this, management has used estimates based on historical loss experience for assets with similar credit risk characteristics. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between the estimated loss and actual loss experience. The carrying amount of trade receivables is disclosed in Note 5.

If the net present values of estimated cash flows had been higher/lower by 10% (2014: 10%) from management's estimates for all past due trade receivables, the allowance for impairment of the Group and the Company would have been lower/higher by $1,673,000/2,691,000 (2014: $480,000/$3,718,000) and $1,303,000/2,614,000 (2014: $110,000/$3,679,000) respectively.

(c) Net realisable value of inventories

A review is made periodically on inventories for excess inventory, obsolescence and declines in net realisable value below cost. These require management to estimate future demand for products and their selling prices. In any case, the realisable value represents the best estimate of the recoverable amount and is based on the most reliable evidence available at the end of the reporting year and inherently involves estimates regarding the future expected realisable value. The usual considerations for determining the amount to write-down includes ageing analysis, utilisation of inventories, the purpose of the inventories held, category and conditions of inventories and subsequent events.

3. CRITICAL ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGEMENTS (CONTINUED)

(c) Net realisable value of inventories (Continued)

In general, such an evaluation process requires significant judgement which may materially affects the carrying amount of inventories at the end of the financial year. Possible changes in these estimates could result in revisions to the valuation of inventories. The carrying amount of the inventories at the balance sheet date is disclosed in Note 6.

Net write down of inventories of $2,669,000 (2014: 2,188,000) was recognised in the financial year ended 31 December 2015 based on management's estimates. If the management's estimate on the realisable value of inventories had been lower by 5%, the Group would have reduced the carrying value of inventories by $878,000 (2014: $1,158,000).

4 CASH AND CASH EQUIVALENTS

	Group		Company	
	2015	**2014**	**2015**	**2014**
	$'000	**$'000**	**$'000**	**$'000**
Cash at bank and on hand	**3,805**	3,548	**20**	96

As at 31 December 2015, the bank balances of the Group amounting to approximately $2,765,000 (2014: $991,000) are pledged to banks as securities for bills payables granted to certain subsidiary corporation as disclosed in Note 11 to the financial statements.

For the purpose of presenting the consolidated statement of cash flows, cash and cash equivalents comprise the following:

	Group	
	2015	**2014**
	$'000	**$'000**
Cash and bank balances (as above)	**3,805**	3,548
Less: Bank balances pledged with banks	**(2,765)**	(991)
Cash and cash equivalents per consolidated statement of cash flows	**1,040**	2,557

<u>Disposal/liquidation/strike-off of subsidiary corporations</u>

On 15 October 2014, the Group entered into a sale and purchase agreement with non-related parties to dispose of the children's fashion retail business, comprising of Jijile Clothing International Commerce Private Limited ("Jijile") and Eagleton (Xiamen) Import & Export Co., Ltd ("Eagleton") for a cash consideration of US$3,250,000 (approximately S$4,165,000). The Group has deconsolidated Jijile and Eagleton upon signing of the sale and purchase agreement as management has assessed that the Group has lost control over both Jijile and Eagleton based on the Group's exposure and rights to variable returns which were effectively transferred to the purchasers on the date of the agreement.

4 CASH AND CASH EQUIVALENTS (CONTINUED)

During the current financial year, the Group struck-off its subsidiary corporation, Smart Easy Corporation and its subsidiary corporation, Eagleton Houseware (Shenzhen) Limited.

The effects of the disposal, liquidation and strike-off of the subsidiary corporations on the cash flows of the Group were:

	Group	
	2015	**2014**
	$'000	**$'000**
Carrying amounts of assets and liabilities disposed of/liquidated/struck-off		
Cash and cash equivalents	**61**	3,137
Trade and other receivables	**13**	9,837
Inventories	**–**	4,190
Investments in subsidiaries	**–**	1,557
Property, plant and equipment	**–**	2,763
Intangible assets (Note 9)	**–**	206
Total assets	**74**	21,690
Trade and other payables	**(32)**	(10,081)
Borrowings	**–**	(6,972)
Current income tax liabilities [Note 21(b)]	**–**	(673)
Total liabilities	**(32)**	(17,726)
Net assets derecognised	**42**	3,964
Less: Non-controlling interests	**–**	–
Net assets disposed of/liquidated/struck off	**42**	3,964

The aggregate cash outflows arising from the disposal/liquidation/strike-off of subsidiary corporations were:

	Group	
	2015	**2014**
	$'000	**$'000**
Net assets disposed of/liquidated/struck-off (as above)	**42**	3,964
– Reclassification of currency translation reserve [Note 14(c)]	**359**	(49)
	401	3,915
(Loss)/Gain on disposal/liquidation/strike-off of subsidiary corporations (Note 17)	**(401)**	250
Proceeds from disposal of subsidiary corporations	**–**	4,165
Less: Deferred proceeds from disposal of subsidiary corporations	**–**	(3,332)
Net cash proceeds from disposal of subsidiary corporations	**–**	833
Less: Cash and cash equivalents in subsidiary corporations disposed of/liquidated/struck-off	**(61)**	(3,137)
Net cash outflow on disposal/liquidation/strike-off of subsidiary corporations	**(61)**	(2,304)

5 TRADE AND OTHER RECEIVABLES

	Group		Company	
	2015	**2014**	**2015**	**2014**
	$'000	**$'000**	**$'000**	**$'000**
Trade receivables				
– Non-related parties	**47,028**	45,185	**39,980**	37,113
– Subsidiary corporations	**–**	–	**2,211**	2,211
	47,028	45,185	**42,191**	39,324
Less: Allowance for impairment of trade receivables [Note 27(b)(ii)]				
– Non-related parties	**(16,728)**	(4,804)	**(11,944)**	(20)
– Subsidiary corporations	**–**	–	**(1,082)**	(1,082)
	(16,728)	(4,804)	**(13,026)**	(1,102)
Trade receivables – net	**30,300**	40,381	**29,165**	38,222
Non-trade receivables				
– Non-related parties	**7,199**	5,587	**796**	824
– Subsidiary corporations	**–**	–	**5,724**	5,707
	7,199	5,587	**6,520**	6,531
Less: Allowance for impairment of non-trade receivables [Note 27(b)(ii)]				
– Non-related parties	**(788)**	(816)	**(785)**	(812)
– Subsidiary corporations	**–**	–	**(2,774)**	(2,774)
	(788)	(816)	**(3,559)**	(3,586)
Non-trade receivables – net	**6,411**	4,771	**2,961**	2,945
Advances to suppliers – non-related parties	**10,227**	6,670	**–**	–
Deposits	**29**	40	**6**	11
Prepayments	**41**	57	**975**	978
	47,008	51,919	**33,107**	42,156

The Group has factored/discounted certain trade receivables with carrying amount of $2,400,000 (2014: $2,100,000) to banks in exchange for cash during the financial year ended 31 December 2015. The transaction has been accounted for as collateralised borrowings as the banks have full recourse to the Group in the event of default by the debtors.

Included in the Group's non-trade receivables for the financial year ended 31 December 2014 are deferred consideration of $3,332,000 related to the sale of the children fashion retail business which has been received in full during the current financial year.

Included in the Group's advances to suppliers are refundable advances to non-related parties of approximately $7,443,000 (2014: $4,432,000). The refundable advances to non-related parties are unsecured, interest free and refundable on demand.

The non-trade receivables from subsidiary corporations are unsecured, interest-free and are receivable on demand.

6 INVENTORIES

	Group	
	2015	**2014**
	$'000	**$'000**
Finished goods	**3,850**	247
Work-in-progress	**4,890**	11,001
Raw materials	**8,812**	11,911
	17,552	23,159

The cost of inventories recognised as an expense and included in "cost of sales" amounts to $19,813,000 (2014: $45,382,000).

The Group recognised a write-down in inventories amounting to $2,669,000 (2014: $3,350,000). In previous financial year, there was a reversal of previously written-down inventories amounting to $1,162,000 as the goods were sold during the previous financial year. The write-down and reversal of write-down were included within "cost of sales" in the consolidated statement of comprehensive income (Note 19).

During the financial year ended 31 December 2015, the Group had disposed off slow-moving and obsolete inventories amounting to $7,627,000. As result of the disposal, the Group had incurred loss on disposal of inventories amounting to $5,684,000 which is included within "other losses, net" in the consolidated statement of comprehensive income (Note 19).

7 INVESTMENTS IN SUBSIDIARY CORPORATIONS

	Company	
	2015	**2014**
	$'000	**$'000**
Equity investments at cost		
Beginning of financial year	**64,075**	64,075
Less: Impairment loss	**(43,646)**	(18,504)
End of financial year	**20,429**	45,571

Movements in impairment loss of investments in subsidiary corporations are as follows:

Beginning of financial year	**18,504**	14,884
Impairment loss	**25,142**	3,620
End of financial year	**43,646**	18,504

As at 31 December 2015, the Company carried out a review on the recoverable amount of its investments in subsidiary corporations and recognised an impairment loss of approximately $25,142,000 (2014: $3,620,000). The recoverable amounts of the subsidiary corporations were derived based on value-in-use calculation. The calculation requires the use of estimates and key assumptions that are disclosed in Note 9.

7 INVESTMENTS IN SUBSIDIARY CORPORATIONS (CONTINUED)

Details of the subsidiary corporations are as follows:

Name of companies	Principal activities	Country of business/ incorporation	Equity holding	
			2015	**2014**
			%	**%**
Held by the Company:				
Friven Eagleton Sourcing Limited [g]	Trading and sundry merchandise (Dormant)	Hong Kong	**100**	100
Smart Easy Corporation [e]	Provision of sourcing and inspection services and investment holding (Dormant)	British Virgin Islands	**–**	100
China Children Fashion Holdings Pte. Ltd. [a]	Investment holding	Singapore	**100**	100
Friven (Malaysia) Sdn. Bhd. [c]	Manufacture and sale of bedlinen and household textile products (Dormant)	Malaysia	**100**	100
Vicmark Manufacturing Sdn. Bhd. [c]	Property holding (Dormant)	Malaysia	**100**	100
Mayfran International (Shanghai) Co., Ltd [g]	Manufacture and sale of household textile products (Dormant)	China	**100**	100
Mayfran Distribution (M) Sdn. Bhd. [f]	Retailing of menswear products (Dormant)	Malaysia	**100**	100
PT Friven Lifestyle [g]	Retailing of bedroom linen and household products (Dormant)	Indonesia	**90**	90
Friven & Co. Singapore Pte. Ltd. [a]	Retailing of bedroom linen and household products (Dormant)	Singapore	**100**	100
Held by Friven (Malaysia) Sdn. Bhd.:				
Friven & Co. Lifestyle Sdn. Bhd. [c]	Trading in bedding and bedroom linen products (Dormant)	Malaysia	**100**	100

7 INVESTMENTS IN SUBSIDIARY CORPORATIONS (CONTINUED)

Details of the subsidiary corporations are as follows: (Continued)

Name of companies	Principal activities	Country of business/ incorporation	Equity holding	
			2015	**2014**
			%	**%**
Held by Smart Easy Corporation:				
Eagleton Houseware (Shenzhen) Limited [(e)]	Provision of kitchenware consumable products design and consultancy services (Dormant)	China	**–**	100
Held by China Children Fashion Holdings Pte. Ltd.:				
Shishi Haotian Dress Industry Co., Ltd. (石狮市好田服饰实业有限公司) [(b)]	Manufacture, retail and wholesale of children and infants wear and retail sale of children wear	China	**100**	100
Hong Kong Endi International Trading Co., Ltd. [(d)]	Wholesale of children and infants wear (Dormant)	Hong Kong	**100**	100
Zhangzhou Yiwa Garments Weaving Co., Ltd. (漳州市艺娃服饰织造有限公司) [(d)]	Wholesale of children and infants wear (Dormant)	China	**100**	100
Macao Endi International Trading Company Limited [(g)]	Wholesale of children and infants wear	Macau	**100**	100

The English names of certain subsidiary corporations represent the best effort by the management in translating their Chinese names as they do not have official English names.

(a) Audited by Nexia TS Public Accounting Corporation, Singapore.
(b) Audited by Shanghai Nexia TS Certified Public Accountant, for consolidation purpose.
(c) Audited by SSY Partners, Chartered Accountants, Malaysia, member of Nexia International.
(d) Currently dormant and does not have significant impact on the Group's consolidated financial statements.
(e) Not required to be audited and struck-off during the current financial year.
(f) In the process of striking off and deconsolidated from the Group as at 31 December 2015 as the Group is deemed to have lost control over the subsidiary corporation.
(g) Not required to be audited as the companies are presently dormant.

In accordance to Rule 716 of the Singapore Exchange Securities Trading Limited-Listing Rules, the Audit Committee and the Board of Directors of the Company confirmed that they are satisfied that the appointment of different auditors for its subsidiary corporations would not compromise the standard and effectiveness of the audit of the Group.

7 INVESTMENTS IN SUBSIDIARIES (CONTINUED)

Significant restrictions

Cash and short-term deposits of $3,897,000 (2014: $3,310,000) are held in the People's Republic of China and are subject to local exchange control regulations. Those local exchange control regulations places restrictions on exporting capital from the country, other than through normal dividends.

Non-controlling interests

The carrying amount of non-controlling interests of $221,000 (2014: $221,000) relates to 10% interest held by non-controlling interests of PT Friven Lifestyle. The summarised financial information of PT Friven Lifestyle is not disclosed as it is insignificant to the Group.

8 PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements $'000	Office equipment $'000	Motor vehicles $'000	Machinery and equipment $'000	Total $'000
Group					
2015					
Cost					
Beginning of financial year	41	491	95	2,741	3,368
Additions	–	–	–	74	74
Currency translation differences	1	11	3	65	80
End of financial year	42	502	98	2,880	3,522
Accumulated depreciation and impairment losses					
Beginning of financial year	10	360	56	2,028	2,454
Depreciation charge (Note 19)	2	42	9	195	248
Impairment loss (Note 19)	–	–	–	444	444
Currency translation differences	–	8	1	47	56
End of financial year	12	410	66	2,714	3,202
Net book value					
End of financial year	30	92	32	166	320

8 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Leasehold improvements $'000	Furniture and fittings $'000	Office equipment $'000	Motor vehicles $'000	Machinery and equipment $'000	Total $'000
Group						
2014						
Cost						
Beginning of financial year	154	1,403	635	99	2,562	4,853
Additions	–	1,245	70	23	52	1,390
Disposals	(114)	(2,637)	(228)	(31)	–	(3,010)
Currency translation differences	1	(11)	14	4	127	135
End of financial year	41	–	491	95	2,741	3,368
Accumulated depreciation and impairment losses						
Beginning of financial year	37	62	340	48	1,614	2,101
Depreciation charge						
– Continuing operations (Note 19)	7	7	45	13	258	330
– Discontinued operations	12	21	24	2	–	59
Disposals	(47)	(93)	(61)	(9)	–	(210)
Impairment loss (Note 19)	–	–	–	–	55	55
Currency translation differences	1	3	12	2	101	119
End of financial year	10	–	360	56	2,028	2,454
Net book value						
End of financial year	31	–	131	39	713	914

8 **PROPERTY, PLANT AND EQUIPMENT** (CONTINUED)

	Furniture and fittings $'000	**Office equipment $'000**	**Motor vehicles $'000**	**Total $'000**
Company				
2015				
Cost				
Beginning and end of financial year	–	64	–	64
Accumulated depreciation				
Beginning of financial year	–	48	–	48
Depreciation charge	–	3	–	3
End of financial year	–	51	–	51
Net book value				
End of financial year	–	13	–	13
2014				
Cost				
Beginning of financial year	26	46	25	97
Additions	–	18	–	18
Disposals	(26)	–	(25)	(51)
End of financial year	–	64	–	64
Accumulated depreciation				
Beginning of financial year	17	45	10	72
Depreciation charge	3	3	1	7
Disposals	(20)	–	(11)	(31)
End of financial year	–	48	–	48
Net book value				
End of financial year	–	16	–	16

During the current financial year, the Group carried out a review of the recoverable amount of its property, plant and equipment following an impairment loss recognised for the goodwill allocated to the cash-generating units ("CGU") to which the property, plant and equipment belong. The recoverable amount of the property, plant and equipment was based on the value-in-use calculation. The calculation requires the use of estimates and key assumptions that are disclosed in Note 9.

An impairment loss of $444,000 (2014: $55,000) is recognised during the financial year ended 31 December 2015 and is included within "Administrative expenses" in the consolidated statement of comprehensive income.

9 INTANGIBLE ASSETS

	Goodwill arising on consolidation $'000	Computer software $'000	Customer relationship $'000	Brand names $'000	Trademarks $'000	Total $'000
Group						
2015						
Cost						
Beginning of financial year	16,931	59	10,506	3,189	3	30,688
Currency translation differences	37	–	–	–	–	37
End of financial year	16,968	59	10,506	3,189	3	30,725
Accumulated amortisation and impairment						
Beginning of financial year	15,500	59	10,506	3,189	2	29,256
Amortisation charge (Note 19)	–	–	–	–	1	1
Impairment charge (Note 19)	1,468	–	–	–	–	1,468
End of financial year	16,968	59	10,506	3,189	3	30,725
Net book value						
End of financial year	**–**	**–**	**–**	**–**	**–**	**–**

9 INTANGIBLE ASSETS (CONTINUED)

	Goodwill arising on consolidation $'000	Computer software $'000	Customer relationship $'000	Brand names $'000	Trademarks $'000	Total $'000
Group						
2014						
Cost						
Beginning of financial year	16,892	223	10,197	3,189	662	31,163
Additions	–	109	–	–	–	109
Disposal of subsidiary corporations	(94)	(178)	–	–	(654)	(926)
Currency translation differences	133	(95)	309	–	(5)	342
End of financial year	16,931	59	10,506	3,189	3	30,688
Accumulated amortisation and impairment						
Beginning of financial year	15,500	92	9,173	3,189	317	28,271
Amortisation charge						
– Continuing operations (Note 19)	–	–	1,016	–	340	1,356
– Discontinued operations	–	36	–	–	–	36
Disposal of subsidiary corporations	–	(69)	–	–	(651)	(720)
Currency translation differences	–	–	317	–	(4)	313
End of financial year	15,500	59	10,506	3,189	2	29,256
Net book value						
End of financial year	1,431	–	–	–	1	1,432

9 INTANGIBLE ASSETS (CONTINUED)

(a) Goodwill arising on consolidation

Impairment tests for goodwill

Goodwill is allocated to the Group's CGUs identified according to countries of operation and business segments.

A segment-level summary of the goodwill allocation is as follows:

	Group	
	2015	**2014**
	$'000	**$'000**
The People's Republic of China ("PRC")		
– Original design manufacturing ("ODM")	–	1,431

The recoverable amount of a CGU was determined based on value-in-use. Cash flow projections used in the value-in-use calculations were based on financial budgets approved by management covering a three-year period. Cash flows beyond the three-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 component parts business in which CGU operates.

Key assumptions used for value-in-use calculations:

	2015	**2014**
Gross margin[1]	15.5%	26.0%
Growth rate[2]	3.0%	3.0%
Discount rate[3]	15.7%	13.8%

[1] Budgeted gross margin
[2] Weighted average growth rate used to extrapolate cash flows beyond the budget period
[3] Pre-tax discount rate applied to the pre-tax cash flow projections

9 INTANGIBLE ASSETS (CONTINUED)

(a) Goodwill arising on consolidation (Continued)

Impairment tests for goodwill (Continued)

These assumptions were used for the analysis of each CGU within the business segment. Management determined budgeted gross margin based on past performance and its expectations of market developments. The weighted average growth rates used were consistent with forecasts included in industry reports. The discount rates used were pre-tax and reflected specific risks relating to the relevant segments.

Impairment charge of $1,468,000 is recognised as the estimated recoverable amount for the CGU was less than the carrying amounts of the CGU (inclusive of attributable goodwill) and is included within "Administrative expenses" in the consolidated statement of comprehensive income.

No impairment charge was recognised in previous financial year as the estimated recoverable amount for the CGU exceeds the carrying amounts of the CGU (inclusive of attributable goodwill). Based on the impairment test carried out as at 31 December 2014 for the ODM CGU in PRC, the recoverable amount of the CGU was $464,000 or 1.5% higher than its carrying amount. A further decrease in the growth rate by 0.12% would result in the recoverable amount of the CGU being equal its carrying amount.

(b) Amortisation expense included in the consolidated statement of comprehensive income is analysed as follows:

	Group	
	2015	**2014**
	$'000	**$'000**
Administrative expenses (Note 19)	**1**	1,356

10 TRADE AND OTHER PAYABLES

	Group		Company	
	2015	**2014**	**2015**	**2014**
	$'000	**$'000**	**$'000**	**$'000**
Trade payables				
– Non-related parties	**8,179**	9,498	**–**	–
– Subsidiary corporations	**–**	–	**13,489**	24,403
	8,179	9,498	**13,489**	24,403
Non-trade payables				
– Non-related parties	**690**	2,452	**170**	625
– Related parties	**19**	9	**–**	–
– Subsidiary corporations	**–**	–	**15,194**	4,567
– Directors	**129**	95	**119**	85
	838	2,556	**15,483**	5,277
Advances from customers – Non-related parties	**8,051**	10,703	**3,793**	2,291
Accrued operating expenses				
– Employment compensation	**1,148**	2,029	**12**	11
– Other operating expenses	**320**	356	**102**	148
	1,468	2,385	**114**	159
	18,536	25,142	**32,879**	32,130

The non-trade payables to related parties, subsidiary corporations and directors of the Company are unsecured, interest-free and are payable on demand.

11 BORROWINGS

	Group	
	2015	**2014**
	$'000	**$'000**
Current		
Bills payable	**18,244**	4,114
Bank borrowings	**9,715**	9,256
	27,959	13,370

11 BORROWINGS (CONTINUED)

The exposure of the borrowings of the Group to interest rate changes and the contractual repricing dates at the balance sheet dates are as follows:

	Group	
	2015	**2014**
	$'000	**$'000**
Not later than one year	**9,715**	9,256

All the Group's borrowings are secured liabilities.

Bills payable of the Group are non-interest bearing and secured over certain bank balances (Note 4). Bank borrowings of the Group are secured over a pledge of certain properties, plant and equipment provided by a related company and related party.

Shishi Haotian Dress Industry Co., Ltd. ("Shishi Haotian"), a fully owned subsidiary corporation of the Group, had extended a corporate guarantee to Hua Xia Bank in China for Eagleton (Xiamen) Import & Export Co., Ltd.'s ("Eagleton") banking facilities with the bank. The corporate guarantee is effective from 12 August 2014 to 12 August 2017 and for an amount up to RMB32,000,000. As at 31 December 2015, the outstanding banking facility drawn down by Eagleton was RMB24,000,000 (approximately S$5,294,000) (2014: RMB20,000,000 (approximately S$4,300,000)). Following the completion of the disposal of the Group's interests in Eagleton on the 23 January 2015, the Group is working towards the release of the corporate guarantee. The Group has also obtained an indemnity in the favour of Shishi Haotian for the corporate guarantee from shareholders of Eagleton.

12 DEFERRED INCOME TAXES

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current income tax assets against current income tax liabilities and when the deferred income taxes relate to the same fiscal authority.

12 DEFERRED INCOME TAXES (CONTINUED)

Movement in deferred income tax liabilities (prior to offsetting of balances within the same tax jurisdiction) is as follows:

Group
Deferred income tax liabilities

	Fair value gains on intangible assets $'000
2015	
Beginning and end of financial year	–
2014	
Beginning of financial year	341
Tax credited to profit or loss [Note 21(a)]	(339)
Currency translation differences	(2)
End of financial year	–

Deferred income tax assets are recognised for tax losses and capital allowances carried forward to the extent that realisation of the related tax benefits through future taxable profits is probable. The Group has unrecognised tax losses of approximately $43,832,000 (2014: $27,642,000) and capital allowances of approximately $218,000 (2014: $247,000) at the balance sheet date which can be carried forward and used to offset against future taxable income subject to meeting certain statutory requirements by those companies with unrecognised tax losses and capital allowances in their respective countries of incorporation. The tax losses and capital allowances have no expiry date.

As at 31 December 2015, no deferred income tax liabilities have been recognised for withholding and other taxes that would be payable on unremitted earnings of the Group's subsidiary corporations of $11,962,000 (2014: $20,218,000) established in the PRC as the Group is in a position to control the timing of the remittance of earnings and these unremitted profits are deemed to be permanently reinvested. The deferred tax income liabilities not recognised is approximately $598,000 (2014: $1,011,000).

13 SHARE CAPITAL

	Group		Company	
	Number of ordinary shares '000	Amount $'000	Number of ordinary shares '000	Amount $'000
2015				
Beginning and end of financial year	**1,104,009**	**49,074**	**1,104,009**	**132,732**
2014				
Beginning of financial year	860,009	41,022	860,009	124,680
Issue of shares via placement[1]	244,000	8,052	244,000	8,052
End of financial year	1,104,009	49,074	1,104,009	132,732

All issued ordinary shares are fully paid. There is no par value for these ordinary shares.

Fully paid ordinary shares carry one vote per share and carry a right to dividends as and when declared by the Company.

(1) On 19 March 2014, 244,000,363 placement shares were allotted and issued at $0.033 per share pursuant to the Placement Agreements for a total consideration of $8,052,000.

These newly issued shares rank pari passu in all respects with the existing ordinary shares.

Reverse acquisition

The acquisition of the Acquired Group in 2010 has been accounted for as a reverse acquisition in the consolidated financial statements of the Group. Acquired Group, which is the legal subsidiary corporations, is considered the acquirer for accounting purposes. Accordingly, the consolidated balance sheet, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group have been prepared as a continuation of Acquired Group's financial statements, in accordance with the group accounting policies.

14 OTHER RESERVES

	Group	
	2015 $'000	2014 $'000
Composition:		
Capital reserve [Note (a)]	**6,992**	6,992
Statutory surplus reserve [Note (b)]	**1,911**	1,911
Currency translation reserve [Note (c)]	**47**	(292)
	8,950	8,611

Other reserves are non-distributable.

14 OTHER RESERVES (CONTINUED)

(a) Capital reserve

	Group	
	2015	**2014**
	$'000	**$'000**
Beginning and end of financial year	**6,992**	6,992

Capital reserve comprised:

(i) the paid-up capital of Hong Kong Endi International Trading Co., Ltd. and Shishi Haotian Dress Industry Co., Ltd. prior to the group reorganisation of China Children Fashion Holdings Pte Ltd ("CCFH") and its subsidiary corporations ("CCFH Group") in 2008 ("CCFH Group reorganisation");

(ii) the deemed distribution to a Director of CCFH pursuant to the CCFH Group reorganisation; and

(iii) the difference between the payable waived by the shareholders of CCFH on 19 January 2009 and the consideration for the issue of shares by CCFH and paid-up by the shareholders of ordinary shares in CCFH.

(b) Statutory surplus reserve

	Group	
	2015	**2014**
	$'000	**$'000**
Beginning of financial year	**1,911**	1,905
Transfer from profit or loss	**–**	6
End of financial year	**1,911**	1,911

According to the relevant regulations in the PRC, the subsidiary corporations in the PRC are required to transfer 10% of their profit after income tax to the statutory surplus reserve until the reserve balance reaches 50% of their registered capital. The transfer of this reserve must be made before the distribution of dividends to shareholders. Statutory surplus reserve can be used to make good previous years' losses, if any, and may be converted into paid-in capital in proportion to the existing interests of owners, provided that the balance after conversion is not less than 25% of the registered capital.

14 OTHER RESERVES (CONTINUED)

(c) Currency translation reserve

	Group	
	2015	**2014**
	$'000	**$'000**
Beginning of financial year	**(292)**	(991)
Reclassification on disposal/liquidation/strike-off of subsidiary corporations (Note 4)	**359**	(49)
Net currency translation differences of financial statements of foreign subsidiary corporations	**(20)**	748
End of financial year	**47**	(292)

This represents exchange differences arising from the translation of the financial statements of foreign operations whose functional currencies are different from that of the Group's presentation currency.

15 ACCUMULATED LOSSES

Movement in accumulated losses of the Company is as follows:

	Company	
	2015	**2014**
	$'000	**$'000**
Beginning of financial year	**(77,023)**	(73,630)
Net loss	**(35,019)**	(3,393)
End of financial year	**(112,042)**	(77,023)

16 REVENUE

	Group	
	2015	**2014**
	$'000	**$'000**
Sale of goods		
– Bedding and bed linen retail business	**–**	897
– Sourcing and procurement business	**–**	5,468
– Original design manufacturing	**26,744**	38,922
	26,744	45,287

17 OTHER INCOME, NET

	Group	
	2015	**2014**
	$'000	**$'000**
Interest income – bank deposits	**12**	26
Currency translation gain, net	**2,091**	1,171
Government grants [a]	**161**	238
(Loss)/gain on disposal/liquidation/strike-off of subsidiaries (Note 4)	**(401)**	250
License fee	**92**	97
Revenue guarantee on bedding and bed linen business	**–**	98
Other payables written-back	**493**	–
Other	**(31)**	18
	2,417	1,898

(a) There is no condition attached to government grants.

18 FINANCE COSTS

	Group	
	2015	**2014**
	$'000	**$'000**
Interest expense on bank borrowings	**996**	723

19 EXPENSES BY NATURE

	Group	
	2015	**2014**
	$'000	**$'000**
Amortisation of intangible assets (Note 9)	**1**	1,356
Depreciation of property, plant and equipment (Note 8)	**248**	330
Impairment loss on intangible assets (Note 9)	**1,468**	–
Impairment loss on property, plant and equipment (Note 8)	**444**	55
Total amortisation, depreciation and impairment	**2,161**	1,741
Allowance of impairment of trade and other receivables, net [Note 27 (b)(ii)]	**11,617**	1,115
Bad debt written-off	**13**	–
Employee compensation (Note 20)	**4,042**	10,945
Loss on disposal of property, plant and equipment	**–**	22
Property, plant and equipment written-off	**–**	3
Inventories:		
– Purchases of inventories	**17,335**	30,865
– Write-down of inventories (Note 6)	**2,669**	3,350
– Reversal of write down of inventories (Note 6)	**–**	(1,162)
– Changes in inventories	**2,938**	(4,260)
Loss on sales of inventories (Note 6)	**5,684**	–
Audit fee paid/payable to auditors:		
– auditor of the Company	**90**	145
– other auditors	**23**	–
Non-audit fee paid/payable to auditors of the Company	**11**	8
Advertising expenses	**24**	5
Entertainment expenses	**51**	76
Freight and handling charges	**232**	81
Insurance expenses	**32**	26
Promotional expenses	**59**	525
Office expenses	**50**	76
Professional fee	**249**	170
Rental expense on operating leases	**413**	441
Travelling expenses	**34**	102
Transportation expense	**10**	156
Other taxes and duties	**219**	220
Upkeep, repair and maintenance expenses	**93**	63
Other expenses	**260**	244
Total cost of sales, selling and distribution, administrative expenses and other losses, net	**48,309**	44,957

20 EMPLOYEE COMPENSATION

	Group	
	2015	**2014**
	$'000	**$'000**
Wages, salaries and short-term benefits	**3,952**	11,687
Employer's contribution to defined contribution plans including Central Provident Fund	**90**	75
	4,042	11,762
Less: Amounts attributable to discontinued operations	**–**	(817)
Amounts attributable to continuing operations (Note 19)	**4,042**	10,945

21 INCOME TAXES

(a) Income tax expense

	Group	
	2015	**2014**
	$'000	**$'000**
Tax expense attributable to profit is made up of:		
– Profit from current financial year:		
From continuing operations		
Current income tax	**153**	677
Deferred income tax (Note 12)	**–**	(339)
	153	338
From discontinued operations		
Current income tax	**–**	715
	153	1,053
– Under provision in prior financial years:		
From continuing operations		
Current income tax	**–**	2
From discontinued operations		
Current income tax	**–**	17
	–	19
Tax expense is attributable to:		
– continuing operations	**153**	340
– discontinued operations [Note 26(a)]	**–**	732
	153	1,072

21 INCOME TAXES (CONTINUED)

(a) Income tax expense (Continued)

The tax on the Group's (loss)/profit before income tax differs from the theoretical amount that would arise using the Singapore standard rate of income tax as follows:

	Group	
	2015	**2014**
	$'000	**$'000**
(Loss)/profit before income tax		
– continuing operations	**(20,144)**	1,505
– discontinued operations [Note 26(a)]	**–**	2,827
	(20,144)	4,332
Tax calculated at tax rate of 17% (2014: 17%)	**(3,424)**	736
Effects of:		
Different tax rates in other countries	**(593)**	(83)
Expenses not deductible for tax purposes	**1,816**	895
Income not subject to tax	**(393)**	(531)
Utilisation of previously unrecognised:		
– tax losses	**–**	(80)
Deferred tax assets not recognised	**2,747**	116
	153	1,053

(b) Movement in current income tax liabilities and income tax recoverable:

	Group	
	2015	**2014**
	$'000	**$'000**
Beginning of financial year	**372**	134
Income tax paid	**(474)**	(527)
Income tax expense	**153**	1,392
Under provision in prior financial years	**–**	19
Disposal of subsidiary corporations (Note 4)	**–**	(673)
Currency translation differences	**9**	27
End of financial year	**60**	372
Presented as:		
Income tax recoverable	**18**	35
Current income tax liabilities	**(78)**	(407)
	(60)	(372)

22 (LOSSES)/EARNINGS PER SHARE

Basic and diluted (losses)/earnings per share is calculated by dividing the net (loss)/profit attributable to equity holders of the Company by the weighted average number of ordinary shares outstanding during the financial year.

	2015		**2014**	
	Continuing operations	**Discontinued operations**	**Continuing operations**	**Discontinued operations**
Net (loss)/profit attributable to equity holders of the Company ($'000)	**(20,297)**	**–**	1,165	2,095
Weighted average number of ordinary shares outstanding for basic earnings per share ('000)	**1,045,850**	**–**	1,045,850	1,045,850
Basic and diluted (losses)/earnings per share (cents)	**(1.94)**	**–**	0.11	0.20

There were no potentially dilutive ordinary shares during the financial years ended 31 December 2015 and 2014.

23 RELATED PARTY TRANSACTIONS

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

(a) Sales and purchases of goods and services

	Group	
	2015	**2014**
	$'000	**$'000**
Lease payment to related parties	**(393)**	(461)

Related parties comprise mainly companies which are controlled or significantly influenced by the Group's key management personnel and their close family members.

Outstanding balances as at 31 December 2015, arising from sales/purchases of goods and services, are unsecured and receivable/payable within 12 months from balance sheet date and are disclosed in Notes 5 and 10 respectively.

23 RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Key management personnel compensation

Key management personnel compensation is as follows:

	Group	
	2015	**2014**
	$'000	**$'000**
Salaries and short term benefits	**190**	551
Employer's contribution to defined contribution plans, including Central Provident Fund	**15**	12
Directors' fees	**80**	80
	285	643
Analysed as:		
Directors of the Company	**101**	294
Other key management personnel	**184**	349
	285	643

24 COMMITMENTS

Operating lease commitments – Where the Group and the Company is a lessee

The Group and the Company leases office premises and warehouse from non-related parties under non-cancellable operating lease agreements. The leases have varying terms, escalation clauses and renewal rights.

The future minimum lease payables under non-cancellable operating leases contracted for at the balance sheet date but not recognised as liabilities, are as follows:

	Group		Company	
	2015	**2014**	**2015**	**2014**
	$'000	**$'000**	**$'000**	**$'000**
Not later than one year	**374**	369	**10**	29
Between one and five years	**–**	10	**–**	10
	374	379	**10**	39

25 CONTINGENT LIABILITIES

Group

Shishi Haotian Dress Industry Co., Ltd. ("Shishi Haotian"), a fully owned subsidiary corporation of the Group, had extended a corporate guarantee to Hua Xia Bank in China for Eagleton (Xiamen) Import & Export Co., Ltd.'s ("Eagleton") banking facilities with the bank. The corporate guarantee is effective from 12 August 2014 to 12 August 2017 and for an amount up to RMB32,000,000. As at 31 December 2015, the outstanding banking facility drawn down by Eagleton was RMB24,000,000 (approximately S$5,294,000) (2014: RMB20,000,000, approximately S$4,300,000). Following the completion of the disposal of the Group's interests in Eagleton on the 23 January 2015, the Group is working towards the release of the corporate guarantee.

No liability was recognised in the balance sheet of the Group as it is unlikely that the Group will be held liable as a result of the obligation as the Group has obtained indemnity in favour of Shishi Haotian for the corporate guarantee from the shareholders of Eagleton and the fair value of the corporate guarantee is considered as insignificant at initial recognition.

Company

The Company provides letter of financial support to subsidiary corporations with net liabilities at each financial year end. As at 31 December 2015, the Company has evaluated the fair value of the corporate guarantees and financial support, and is of the view that the consequential benefits desired from its guarantees with regard to the subsidiary corporations is minimal.

26 DISCONTINUED OPERATIONS

Following the disposal of the children's fashion retail business on 15 October 2014, the entire results of the children's fashion retail business are presented separately on the statement of comprehensive income as "Discontinued operations".

(a) The results of the discontinued operations are as follows:

	Group 2014 $'000
Revenue	15,963
Expenses	(13,136)
Profit before tax from discontinued operations	2,827
Income tax expense	(732)
Profit after tax from discontinued operations	2,095

26 DISCONTINUED OPERATIONS (CONTINUED)

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

	Group 2014 $'000
Operating cash outflows	(5,229)
Investing cash outflows	(1,402)
Financing cash inflows	1,630
Total cash outflows	(5,001)

27 FINANCIAL RISK MANAGEMENT

Financial risk factors

The Group's activities expose it to market risk (including interest rate risk and currency risk), credit risk, liquidity risk and capital risk. The Group's overall risk management strategy seeks to minimise adverse effects from the unpredictability of financial markets on the Group's financial performance. The Board of Directors is responsible for setting the objectives and underlying principles of financial risk management for the Group. The Audit Committee provides independent oversight to the effectiveness of the risk management process.

(a) Market risk

(i) Interest rate risk

Interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rate. Fair value interest rate risk is the risk that the fair value of a financial instrument will fluctuate due to changes in market interest rates.

The Group's exposure to market risk in interest rates primarily to short-term bank deposits and bank borrowings. Interest rate risk is managed by the Group on an on-going basis with the primary objective of limiting the extent to which net interest expense could be affected by an adverse movement in interest rates.

The Group's results are affected by changes in interest rates due to impact of such changes on interest expenses from bank borrowings which are floating interest rates. It is the Group's policy to obtain quotes from banks to ensure that the most favourable rates are made available to the Group.

27 FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Market risk (Continued)

(i) Interest rate risk (Continued)

The following table sets out the carrying amounts as at balance sheet date, by maturity or repricing, whichever is earlier, of the financial instruments of the Group that are exposed to interest rate risk:

	Group	
	2015	**2014**
	$'000	**$'000**
Less than one year		
Financial liabilities		
Fixed rate		
Bank borrowings	**9,715**	9,256

Sensitivity analysis

Fair value sensitivity analysis for fixed rate instruments

The Group has no significant exposure in interest rates as the Group's financial assets and financial liabilities are at fixed rates.

(ii) Currency risk

The Group operates in Asia with dominant operations in Singapore, the PRC and Malaysia. Entities in the Group regularly transact in currencies other than their respective functional currencies ("foreign currencies").

Currency risk arises within entities in the Group when transactions are denominated in foreign currencies such as the United States Dollar ("USD"), Chinese Renminbi ("RMB"), Hong Kong Dollar ("HKD") and Malaysia Ringgit ("MYR").

In addition, the Group is exposed to currency translation risk on the net assets of foreign operations in the PRC and Malaysia.

There is no hedging policy with respect to foreign currency exposure. Exposure to currency risk is monitored on an on-going basis and the Group endeavours to keep the net exposure at an acceptable level. The Group currently relies on the natural hedges between such transactions and will consider enter into currency forward contracts when the need arises.

27 FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Market risk (Continued)

(ii) Currency risk (Continued)

The Group's foreign currency exposure based on the information provided to key management is as follows:

	SGD $'000	USD $'000	RMB $'000	HKD $'000	Others $'000	Total $'000
At 31 December 2015						
Financial assets						
Cash and cash equivalents	23	711	2,857	16	198	3,805
Trade and other receivables	17	28,035	8,640	18	30	36,740
Receivables from subsidiary corporations	10,011	16,591	7,388	3,192	2,124	39,306
	10,051	45,337	18,885	3,226	2,352	79,851
Financial liabilities						
Trade and other payables	(429)	–	(8,019)	(1,982)	(55)	(10,485)
Borrowings	–	–	(27,959)	–	–	(27,959)
Payables to subsidiary corporations	(10,011)	(16,591)	(7,388)	(3,192)	(2,124)	(39,306)
	(10,440)	(16,591)	(43,366)	(5,174)	(2,179)	(77,750)
Net financial (liabilities)/assets	(389)	28,746	(24,481)	(1,948)	173	2,101
Less: Net financial liabilities denominated in functional currencies	(399)	–	(27,245)	(1,950)	(5)	(29,599)
Currency exposure on financial assets net of those denominated in the respective entities' functional currencies	10	28,746	2,764	2	178	31,700

27 FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Market risk (Continued)

(ii) Currency risk (Continued)

	SGD $'000	USD $'000	RMB $'000	HKD $'000	Others $'000	Total $'000
At 31 December 2014						
Financial assets						
Cash and cash equivalents	94	12	2,038	74	1,330	3,548
Trade and other receivables	23	43,434	1,617	17	101	45,192
Receivables from subsidiary corporations	11,711	19,068	7,175	6,317	3,871	48,142
	11,828	62,514	10,830	6,408	5,302	96,882
Financial liabilities						
Trade and other payables	(776)	–	(11,681)	(1,847)	(135)	(14,439)
Borrowings	–	(2,096)	(11,274)	–	–	(13,370)
Payables to subsidiary corporations	(11,711)	(19,068)	(7,175)	(6,317)	(3,871)	(48,142)
	(12,487)	(21,164)	(30,130)	(8,164)	(4,006)	(75,951)
Net financial (liabilities)/assets	(659)	41,350	(19,300)	(1,756)	1,296	20,931
Less: Net financial (liabilities)/assets denominated in functional currencies	(659)	–	(19,152)	3	1,269	(18,539)
Currency exposure on financial assets/(liabilities) net of those denominated in the respective entities' functional currencies	–	41,350	(148)	(1,753)	27	39,470

27 FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Market risk (Continued)

(ii) Currency risk (Continued)

The Company's foreign currency exposure based on the information provided to key management is as follows:

	SGD $'000	USD $'000	RMB $'000	HKD $'000	Others $'000	Total $'000
At 31 December 2015						
Financial assets						
Cash and cash equivalents	13	6	–	1	–	20
Trade and other receivables	626	28,035	–	1,541	1,930	32,132
	639	28,041	–	1,542	1,930	32,152
Financial liabilities						
Trade and other payables	(787)	(16,728)	(1,311)	(3,622)	(6,638)	(29,086)
Net financial (liabilities)/assets	(148)	11,313	(1,311)	(2,080)	(4,708)	3,066
Less: Net financial liabilities denominated in the Company's functional currency	(148)	–	–	–	–	(148)
Currency exposure on financial assets/ (liabilities) net of those denominated in the Company's functional currency	–	11,313	(1,311)	(2,080)	(4,708)	3,214

27 FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Market risk (Continued)

(ii) Currency risk (Continued)

	SGD $'000	USD $'000	RMB $'000	HKD $'000	Others $'000	Total $'000
At 31 December 2014						
Financial assets						
Cash and cash equivalents	83	10	–	3	–	96
Trade and other receivables	2,545	37,092	–	1,541	–	41,178
	2,628	37,102	–	1,544	–	41,274
Financial liabilities						
Trade and other payables	(8,923)	(18,443)	(653)	(775)	(1,045)	(29,839)
Net financial (liabilities)/assets	(6,295)	18,659	(653)	769	(1,045)	11,435
Less: Net financial liabilities denominated in the Company's functional currency	(6,295)	–	–	–	–	(6,295)
Currency exposure on financial assets/(liabilities) net of those denominated in the Company's functional currency	–	18,659	(653)	769	(1,045)	17,730

27 FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Market risk (Continued)

(ii) Currency risk (Continued)

Sensitivity analysis

If the USD, RMB and HKD change against the SGD by 5% (2014: 5%) with all other variables including tax rate being held constant, the effects arising from the net financial liability/asset position to net profit will be as follows:

	Increase/(Decrease)			
	Group		Company	
	2015	2014	2015	2014
	S$'000	S$'000	S$'000	S$'000
USD against SGD				
– Strengthened	**1,193**	1,716	**469**	774
– Weakened	**(1,193)**	(1,716)	**(469)**	(774)
RMB against SGD				
– Strengthened	**115**	(6)	**(54)**	(27)
– Weakened	**(115)**	6	**54**	27
HKD against SGD				
– Strengthened	**–**	(73)	**(86)**	32
– Weakened	**–**	73	**86**	(32)

(b) Credit risk

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Group. The major classes of financial assets of the Group and the Company are bank deposits and trade receivables. For trade receivables, the Group adopts the policy of dealing only with customers of appropriate credit standing and history, and performs ongoing credit evaluation of their counterparties' financial condition and generally do not require collaterals. For other financial assets, the Group adopts the policy of dealing only with high credit quality counterparties.

27 FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Credit risk (Continued)

As the Group and the Company do not hold any collateral, the maximum exposure to credit risk for each class of financial instruments is the carrying amount of that class of financial instruments presented on the balance sheet, including:

	Group	
	2015	**2014**
	$'000	**$'000**
Corporate guarantee provided to banks on non-related party's borrowings (Note 25)	**5,294**	3,171

The trade receivables of the Group and the Company comprise of 1 debtor (2014: 1 debtor) and 1 debtor (2014: 1 debtor) respectively that individually represented >10% (2014: >10%) of trade receivables.

The credit risk for trade receivables based on the information provided to key management is as follows:

	Group		Company	
	2015	**2014**	**2015**	**2014**
	$'000	**$'000**	**$'000**	**$'000**
By geographical areas				
Singapore	**28,035**	37,385	**29,165**	38,222
PRC	**2,263**	2,993	**–**	–
Other countries	**2**	3	**–**	–
	30,300	40,381	**29,165**	38,222
By types of customers				
Non-related parties – individuals	**30,300**	40,381	**28,036**	37,093
Subsidiary corporations	**–**	–	**1,129**	1,129
	30,300	40,381	**29,165**	38,222

(i) Financial assets that are neither past due nor impaired

Bank deposits that are neither past due nor impaired are mainly deposits with banks with high credit-ratings assigned by international credit-rating agencies. Trade receivables that are neither past due nor impaired are substantially companies with a good collection track record with the Group.

27 FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Credit risk (Continued)

(ii) Financial assets that are past due and/or impaired

There is no other class of financial assets that is past due and/or impaired except for trade and other receivables.

The age analysis of trade receivables past due but not impaired is as follows:

	Group		Company	
	2015	**2014**	**2015**	**2014**
	$'000	**$'000**	**$'000**	**$'000**
Past due < 3 months	**3,785**	9,561	**3,785**	9,175
Past due 3 to 6 months	**2,100**	6,189	**2,100**	6,189
Past due > 6 to 12 months	**15,162**	21,431	**14,399**	22,560
	21,047	37,181	**20,284**	37,924

The carrying amount of trade receivables individually determined to be impaired and the movements in the related allowance for impairment are as follows:

	Group		Company	
	2015	**2014**	**2015**	**2014**
	$'000	**$'000**	**$'000**	**$'000**
Past due over 12 months	**22,589**	4,804	**18,885**	1,102
Less: Allowance for impairment	**(16,728)**	(4,804)	**(13,026)**	(1,102)
	5,861	–	**5,859**	–
Beginning of financial year	**4,804**	4,327	**1,102**	1,054
Allowance made (Note 19)	**11,645**	299	**11,924**	48
Allowance utilised	**–**	(5)	**–**	–
Currency translation difference	**279**	183	**–**	–
End of financial year (Note 5)	**16,728**	4,804	**13,026**	1,102

27 FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Credit risk (Continued)

(ii) Financial assets that are past due and/or impaired (Continued)

The impaired trade receivables arise mainly from sales to customers who have suffered significant losses in its operations and/or with long overdue balances.

The carrying amount of non trade receivables individually determined to be impaired and the movements in the related allowance for impairment are as follows:

	Group		**Company**	
	2015	**2014**	**2015**	**2014**
	$'000	**$'000**	**$'000**	**$'000**
Past due over 12 months	**788**	816	**3,559**	3,586
Less: Allowance for impairment	**(788)**	(816)	**(3,559)**	(3,586)
	–	–	**–**	–

	Group		**Company**	
	2015	**2014**	**2015**	**2014**
	$'000	**$'000**	**$'000**	**$'000**
Beginning of financial year	**816**	850	**3,586**	3,375
Allowance made (Note 19)	**–**	816	**–**	1,061
Allowance utilised	**–**	(850)	**–**	(850)
Allowance written-back (Note 19)	**(28)**	–	**(27)**	–
End of financial year (Note 5)	**788**	816	**3,559**	3,586

The impaired non-trade receivables arise mainly from amounts owing from a long overdue non-trade debtor who has difficulty in repaying the amounts owed.

(c) Liquidity risk

Prudent liquidity risk management includes maintaining sufficient cash and marketable securities, the availability of funding through on adequate amount of committed credit facilities, and the ability to close out market positions as a short notice. At the balance sheet date, assets held by the Group and the Company for managing liquidity risk included cash and short term deposits as disclosed in Note 4.

The Group constantly monitors its liquidity risk and maintains a level of cash and cash equivalents deemed adequate by management to finance the Group's operations and to mitigate the effects of fluctuation in cash flows.

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

27 FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Liquidity risk (Continued)

	Group		Company	
	2015	**2014**	**2015**	**2014**
	$'000	**$'000**	**$'000**	**$'000**
Less than one year				
Trade and other payables	**10,485**	14,439	**29,086**	29,839
Borrowings	**27,959**	13,370	**–**	–
Financial guarantee contract	**5,294**	3,171	**–**	–
	43,738	30,980	**29,086**	29,839

(d) Capital risk

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern and to maintain an optimal capital structure so as to maximise shareholder value. In order to maintain or achieve an optimal capital structure, the Group may adjust the amount of dividend payment, return capital to shareholders, issue new shares, buy back issued shares, obtain new borrowings or sell assets to reduce borrowings.

The management constantly reviews the capital structure to ensure the Group and the Company are able to service any debt obligations (include principal repayment and interests) based on their operating cash flows.

The subsidiary corporations of the Group in the PRC are required by the relevant regulations in PRC to contribute and to maintain a non-distributable statutory reserve fund whose utilisation is subject to approval by the relevant the PRC authorities. This externally imposed capital requirement has been complied with by these subsidiary corporations in the PRC for the financial years ended 31 December 2015 and 2014 respectively.

The management monitors capital based on gearing ratio. The gearing ratio is calculated as net debt divided by total capital. Net debt is calculated as borrowings plus trade and other payables less cash and cash equivalents. Total capital is calculated as total equity attributable to equity holders of the Company plus net debt. In view of the increase in working capital requirement, the Group and the Company change their strategies for gearing ratio from below 50% to 80%. The change is not expected to have adverse impact on the Group and the Company's capital structure and their ability to remain as going concern in view of the positive working capital position.

	Group		Company	
	2015	**2014**	**2015**	**2014**
	$'000	**$'000**	**$'000**	**$'000**
Net debt	**42,768**	34,964	**32,859**	32,034
Total equity	**22,351**	42,309	**20,690**	55,709
Total capital	**65,119**	77,273	**53,549**	87,743
Gearing ratio	**65.7%**	45.2%	**61.4%**	36.5%

The Group and the Company are in compliance with all externally imposed capital requirements for the financial years ended 31 December 2015 and 2014.

27 FINANCIAL RISK MANAGEMENT (CONTINUED)

(e) Fair value measurements

The carrying amounts of the Group's and the Company's trade and other receivables, cash and cash equivalents, trade and other payables, and bank borrowings approximate their respective fair values due to the short term maturities of these financial instruments.

(f) Financial instruments by category

The carrying amounts of the different categories of financial instruments are as follows:

	Group		Company	
	2015	2014	2015	2014
	$'000	$'000	$'000	$'000
Financial liabilities at amortised cost	**38,444**	27,809	**29,086**	29,839
Loans and receivables	**40,545**	48,740	**32,152**	41,274

28 SEGMENT INFORMATION

Management has determined the operating segments based on the reports reviewed by the chief operating decision maker. The chief operating decision maker comprises the Chief Executive Officer and the heads of each business within each primary geographic segment.

Management considers the business from a business segment perspective. Management manages and monitors the business in these business segments.

During the financial year ended 31 December 2014, the Group restructured certain business segment through the licensing of the bedding and bed linen business and disposal of the children's fashion retail business. For better management and monitoring of the performance of the Group's business, management has reclassified the business segments as follow:

(i) Original design manufacturing ("ODM") business;
(ii) Bedding and bed linen retail business; and
(iii) Sourcing and procurement ("S&P") business.

28 SEGMENT INFORMATION (CONTINUED)

Following the cessation of the bedding and bed linen business, disposal of the children's fashion retail business and as the S&P business did not have any business activity, the Group derived revenue solely from its ODM business for the financial year ended 31 December 2015.

The ODM business segment related to the contract manufacturing of children's and infants' apparel in PRC.

The bedding and bed linen retail business segment provides bedding and bedroom linen products to retail customers in the Singapore and Malaysia.

The S&P business segment related to sourcing for raw materials in the PRC.

The Group's reportable segments are strategic business units that are organised based on their function and targeted customer groups. They are managed separately because each business unit requires different skill sets and marketing strategies.

Management monitors the operating results of the segments separately for the purpose of making decisions about resources to be allocated and of assessing performance. Segment performance is evaluated based on operating profit or loss which is similar to the accounting profit or loss.

Income taxes are managed by the management teams of the respective entities within the Group.

The accounting policies of the operating segments are the same for those described in the summary of significant accounting policies. Management evaluates performance on the basis of profit or loss from operation before tax expense not including non-recurring gains and losses and foreign exchange gains or losses.

There is no change from prior periods in the measurement methods used to determine reported segment profit or loss.

The Group accounts for intersegment sales and transfer as if the sales or transfers were to third parties, which approximate market prices. These intersegment transactions are eliminated on consolidation.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items mainly comprise corporate assets and expenses.

Segment assets consist primarily of property, plant and equipment, inventories, receivables and operating cash, and exclude income tax recoverable and deferred tax assets. Segment liabilities comprise operating liabilities and exclude items such as current income tax payable and deferred tax liabilities.

Segment capital expenditure is the total cost incurred during the financial year to acquire segment assets that are expected to be used for more than one financial year.

28 SEGMENT INFORMATION (CONTINUED)

	ODM $'000	Elimination $'000	Total for continuing operations $'000
2015			
Revenue			
– External sales	26,744	–	26,744
– Inter-segment sales	12,548	(12,548)	–
	39,292	(12,548)	26,744
Results			
Segment results	(19,160)	–	(19,160)
Unallocated income			–
Operating loss	(19,160)	–	(19,160)
Interest income	12	–	12
Interest expense	(996)	–	(996)
Loss before income tax			(20,144)
Income tax expense			(153)
Net loss			(20,297)
Assets and liabilities			
Segment assets	88,275	(20,640)	67,635
Unallocated assets			1,068
Consolidated total assets			68,703
Segment liabilities	68,282	(21,781)	46,501
Unallocated liabilities			72
Consolidated total liabilities			46,573
Capital expenditure	74	–	74
Depreciation and amortisation	249	–	249
Allowance for impairment of property, plant and equipment	444	–	444
Allowance for impairment of intangible assets	1,468	–	1,468
Allowance for impairment of trade receivables	11,645	–	11,645
Write-down of inventories	2,669	–	2,669

28 SEGMENT INFORMATION (CONTINUED)

	ODM $'000	Bedding and bed linen retail $'000	S&P $'000	Elimination $'000	Total for continuing operations $'000
2014					
Revenue					
– External sales	38,922	897	5,468	–	45,287
– Inter-segment sales	34,239	43	–	(34,282)	–
	73,161	940	5,468	(34,282)	45,287
Results					
Segment results	2,838	(1,252)	(162)	202	1,626
Unallocated income					576
Operating profit	2,838	(1,252)	(162)	202	2,202
Interest income	24	(1)	3	–	26
Interest expense	(622)	(14)	(87)	–	(723)
Profit before income tax					1,505
Income tax expense					(340)
Profit from continuing operations					1,165
Profit from discontinued operations					2,095
Net profit					3,260
Assets and liabilities					
Segment assets	72,257	4,011	22,820	(22,501)	76,587
Unallocated assets					4,420
Consolidated total assets					81,007
Segment liabilities	49,778	3,628	7,973	(22,513)	38,866
Unallocated liabilities					53
Consolidated total liabilities					38,919
Capital expenditure	95	2	–	–	97
Depreciation and amortisation	1,685	12	–	–	1,697
Allowance for impairment of trade receivables	299	816	–	–	1,115
Write-down of inventories	3,350	–	–	–	3,350
Reversal of inventories write-down	(1,162)	–	–	–	(1,162)
Impairment loss on property, plant and equipment	55	–	–	–	55

28 SEGMENT INFORMATION (CONTINUED)

(a) Reconciliations

(i) Segment profits

The chief operating decision maker assesses the performance of the operating segments based on a measure of segment results. Segment results represent the profit earned by each segment including allocation of selling and distribution, administrative and other operating expenses. This measurement basis excludes administrative expenses incurred by investment holding and dormant entities, interest income, interest expense and income tax credit. The reconciliation of segment results to net (loss)/profit is shown as above.

(ii) Segment assets

The amounts provided to the chief operating decision maker with respect to total assets are measured in a manner consistent with that of the financial statements. These assets are allocated based on the operations of the segment. All assets are allocated to reportable segments other than certain cash and cash equivalents, non-trade receivables and deferred income tax assets.

Segment assets are reconciled to total assets as follows:

	Group	
	2015	**2014**
	$'000	**$'000**
Segments assets for reportable segments	**67,635**	76,587
Unallocated:		
Cash and cash equivalents	**48**	14
Non-trade receivables	**1,020**	4,406
	68,703	81,007

28 SEGMENT INFORMATION (CONTINUED)

(a) Reconciliations (Continued)

(iii) Segment liabilities

The amount provided to the chief operating decision maker with respect to total liabilities are measured in a manner consistent with that of the financial statements. These liabilities are allocated based on the operations of the segment. All liabilities are allocated to reportable segments other than certain non-trade payables, current income tax liabilities and deferred tax income liabilities.

Segment liabilities are reconciled to total liabilities as follows:

	Group	
	2015	**2014**
	$'000	**$'000**
Segments liabilities for reportable segments	**46,501**	38,866
Unallocated:		
Non-trade payables	**72**	53
	46,573	38,919

(b) Revenue from major products and services

Revenues from external customers are derived mainly from the contract manufacturing of children's and infants' apparel, bedding and bedroom linen products and sourcing for raw materials. Breakdown of the revenue is as follows:

	Group	
	2015	**2014**
	$'000	**$'000**
Wholesale of children's and infants' apparel	**26,744**	38,922
Bedding and bedroom linen products	**–**	897
Sourcing and procurement	**–**	5,468
	26,744	45,287

Revenues of $2,682,000 (2014: $6,255,000) are derived from a single external customer. These revenues are attributable to the ODM business.

28 SEGMENT INFORMATION (CONTINUED)

(c) Geographical information

The Group's three business segments operate in three main geographical areas. Revenue is based on the country in which the Group operates. The non-current assets are based on the location of those assets.

Revenue from external customers

	Singapore $'000	People's Republic of China $'000	Malaysia $'000	Total $'000
2015				
Revenue from external customers	**12,797**	**13,947**	**–**	**26,744**
2014				
Revenue from external customers	37,737	6,774	776	45,287

Location of non-current assets

	Singapore $'000	People's Republic of China $'000	Malaysia $'000	Total $'000
2015				
Non-current assets	**13**	**307**	**–**	**320**
2014				
Non-current assets	17	897	–	914

Non-current assets consist of property, plant and equipment and intangible assets (excluding goodwill) as presented in the balance sheet of the Group.

29 NEW OR REVISED ACCOUNTING STANDARDS AND INTERPRETATIONS

Below are the mandatory standards and amendments and interpretations to existing standards that have been published, and are relevant for the Group's accounting periods beginning on or after 1 January 2016 and which the Group has not early adopted.

Effective for annual periods beginning on or after 1 January 2016

- FRS 114 Regulatory Deferral Accounts
- Amendments to FRS 1 Disclosure Initiative
- Amendments to FRS 27 Equity Method in Separate Financial Statements
- Amendments to FRS 16 and FRS 38 Clarification of Acceptable Methods of Depreciation and Amortisation
- Amendments to FRS 16 and FRS 41 Agriculture: Bearer Plants
- Amendments to FRS 111 Accounting for Acquisitions of Interests in Joint Operations
- Amendments to FRS 110, FRS 112 and FRS 28 Investment Entities: Applying the Consolidation Exception
- Improvements to FRSs (November 2014)
  - – Amendments to FRS 105 Non-current Assets Held for Sale and Discontinued Operations
  - – Amendments to FRS 107 Financial Instruments: Disclosures
  - – Amendment to FRS 19 Employee Benefits
  - – Amendment to FRS 34 Interim Financial Reporting

Effective for annual periods beginning on or after 1 January 2018

- FRS 115 Revenue from Contracts with Customers
- FRS 109 Financial Instruments

Effective date: to be determined*

- Amendments to FRS 110 and FRS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

* The mandatory effective date of this Amendment had been revised from 1 January 2016 to a date to be determined by the Accounting Standards Council Singapore (ASC) in December 2015 via Amendments to Effective Date of Amendments to FRS 110 and FRS 28.

The management anticipates that the adoption of the above FRSs, INT FRSs and amendments to FRS in the future periods will not have a material impact on the financial statements of the Group and of the Company in the period of their initial adoption.

30 AUTHORISATION OF FINANCIAL STATEMENTS

These consolidated financial statements were authorised for issue in accordance with a resolution of the Board of Directors of Mercurius Capital Investment Limited on 4 April 2016.

STATISTICS OF **SHAREHOLDINGS**

AS AT 23 MARCH 2016

Issued and fully paid-up capital	:	$132,732,529
No. of shares issued	:	1,104,008,940
Class of shares	:	Ordinary shares
Voting rights	:	One vote per share

DISTRIBUTION OF SHAREHOLDINGS

Size of Shareholding	Number of Shareholders	%	Number of Shares	%
1 – 99	3	0.17	196	0.00
100 – 1,000	337	19.38	155,338	0.01
1,001 – 10,000	427	24.55	1,658,832	0.15
10,001 – 1,000,000	854	49.11	169,245,708	15.33
1,000,001 and above	118	6.79	932,948,866	84.51
	1,739	100.00	1,104,008,940	100.00

TWENTY LARGEST SHAREHOLDERS

No.	Name of Shareholders	Number of Shares	%
1.	Chang Wei Lu	263,041,534	23.83
2.	Cai Zhixiong	55,000,000	4.98
3.	Chen Bin Hua	55,000,000	4.98
4.	Yang Zhicheng	55,000,000	4.98
5.	Tsoi Cheong Lin	55,000,000	4.98
6.	Maybank Kim Eng Securities Pte Ltd	33,367,000	3.02
7.	Cheah Bee Lin	31,380,007	2.84
8.	OCBC Securities Private Ltd	19,757,100	1.79
9.	Liu Lingyu	15,962,082	1.45
10.	DBS Vickers Securities (S) Pte Ltd	14,525,182	1.32
11.	Tan Lye Seng	13,272,400	1.20
12.	Phillip Securities Pte Ltd	11,427,750	1.03
13.	UOB Kay Hian Pte Ltd	10,344,500	0.94
14.	Chua Ah Kee	10,200,000	0.92
15.	Thie Tjie Hoa @ Cheng Chih Hua	10,143,500	0.92
16.	Stephen Kang Yew Jin	8,900,000	0.81
17.	Ang Ban Liong	8,853,000	0.80
18.	Lin Jianjia	8,750,000	0.79
19.	Gan Seng Chat	8,368,000	0.76
20.	Raffles Nominees (Pte) Ltd	7,454,750	0.68
	Total	695,746,805	63.02

STATISTICS OF **SHAREHOLDINGS**

AS AT 23 MARCH 2016

SHAREHOLDING OF THE SUBSTANTIAL SHAREHOLDERS

	Direct Interest	%	Deemed Interest	%
Chang Wei Lu	263,041,534	23.83	–	–

PERCENTAGE OF SHAREHOLDING IN PUBLIC'S HANDS

As at 23 March 2016, approximately 76.17% of the issued ordinary shares of the Company is held in the hands of the public as defined in the Listing Manual Section B: Rules of Catalist of the Singapore Exchange Securities Trading Limited (the "Catalist Rules"). Accordingly, Rule 723 of the Catalist Rules is complied with.

TREASURY SHARES – RULE 1207(9)(F)

The Company does not hold any Treasury Shares.

NOTICE OF **ANNUAL GENERAL MEETING**

NOTICE IS HEREBY GIVEN that the Annual General Meeting of the Company will be held at Singapore Swimming Club, Fort Room, 45 Tanjong Rhu Road, Singapore 436899 on Tuesday, 26 April 2016 at 10.00 a.m., for the following purposes:

AS ORDINARY BUSINESS

1. To receive and adopt the Directors' Statement and the Audited Financial Statements of the Company for the financial year ended 31 December 2015 together with the Auditors' Report thereon. **(Resolution 1)**

2. To re-elect Ms Ke Lihong, a Director retiring pursuant to Article 95(2) of the Company's Constitution. [See Explanatory Note (i)] **(Resolution 2)**

3. To approve the payment of Directors' Fees of S$80,000.00 for the financial year ending 31 December 2016, to be paid quarterly in arrears. **(Resolution 3)**

4. To re-appoint Messrs Nexia TS Public Accounting Corporation as the Company's Independent Auditor and to authorise the Directors to fix their remuneration. **(Resolution 4)**

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 modifications:

6. GENERAL MANDATE TO ISSUE SHARES OR CONVERTIBLE SECURITIES

"That pursuant to Section 161 of the Companies Act, Cap. 50 and Rule 806 of the Listing Manual (Section B: Rules of Catalist) of the Singapore Exchange Securities Trading Limited ("SGX-ST") ("Rules of Catalist") and notwithstanding the provisions of the Constitution of the Company, authority be and is hereby given to the Directors of the Company (the Directors") to:

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

(ii) make or grant offers, agreements or options (collectively, "instruments") that may or would require shares to be issued, including but not limited to the creation and issue of 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 may in their absolute discretion deem fit; and

(b) (notwithstanding that 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 while this Resolution was in force, provided that:

(i) the aggregate number of shares to be issued pursuant to this Resolution (including shares to be issued in pursuance of instruments made or granted pursuant to this Resolution) does not exceed one hundred per cent. (100%) of the total number of issued shares excluding treasury shares of the Company (as calculated in accordance with sub-paragraph (ii) below), of which the aggregate number of shares to be granted other than on a pro-rata basis to shareholders of the Company with registered addresses in Singapore (including shares to be issued in pursuance of instruments made or granted pursuant to this Resolution) does not exceed fifty per cent. (50%) of the total number of issued shares excluding treasury shares of the Company (as calculated in accordance with sub-paragraph (ii) below):

(ii) for the purpose of determining the aggregate number of shares that may be issued under sub-paragraph (i) above, the percentage of the total number of issued shares excluding treasury shares of the Company shall be calculated based on the total number of issued shares excluding treasury shares of the Company at the time of the passing of this Resolution, after adjusting for:

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

(2) new shares arising from exercise of share options or vesting of share awards outstanding or subsisting at the time of the passing of this Resolution, provided the options or awards were granted in compliance with Part VIII of Chapter 8 of the Rules of Catalist of the SGX-ST; and

(3) any subsequent bonus issue, consolidation or subdivision of shares;

(iii) in exercising the authority conferred by this Resolution, the Company shall comply with the provisions of the Rules of Catalist of the SGX-ST for the time being in force (unless such compliance has been waived by the SGX-ST) and the Constitution for the time being of the Company; and

(iv) unless revoked or varied by the Company in general meeting, the authority conferred by this Resolution shall continue in force until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is the earlier." [See Explanatory Note (ii)] **(Resolution 5)**

7. FRIVEN & CO. EMPLOYEE SHARE OPTION SCHEME

"That the Directors of the Company be and are hereby authorised to offer and grant options in accordance with the provisions of the Friven & Co. Employee Share Option Scheme (the "ESOS Scheme") and to allot and issue from time to time such number of shares in the capital of the Company ("Shares") as may be required to be issued pursuant to the exercise of the options under the ESOS Scheme provided always that the aggregate number of Shares to be issued pursuant to the ESOS Scheme and any other share-based incentive schemes of the Company shall not exceed fifteen per cent. (15%) of the total number of issued shares excluding treasury shares of the Company from time to time." [See Explanatory Note (iii)] **(Resolution 6)**

By Order of the Board

Loh Lee Eng
Company Secretary

Date: 11 April 2016
Singapore

Explanatory Notes:

(i) Ms Ke Lihong, upon re-election as a Director of the Company, will remain as the Chairman of the Nominating and Remuneration Committees and members of the Audit Committee. Ms Ke Lihong is an Independent Non-Executive Director. Ms Ke Lihong will be considered independent for the purposes of Rule 704(7) of the Listing Manual (Section B: Rules of Catalist) of the Singapore Exchange Securities Trading Limited.

(ii) The Ordinary Resolution 5 proposed in item 6. above, if passed, is to empower the Directors to issue shares in the capital of the Company and/or instruments (as defined above). The aggregate number of shares to be issued pursuant to Resolution 5 (including shares to be issued in pursuance of instruments made or granted) shall not exceed one hundred per cent. (100%) of the total number of issued shares excluding treasury shares of the Company, with a sub-limit of fifty per cent. (50%) for shares issued other than on a pro-rata basis (including shares to be issued in pursuance of instruments made or granted pursuant to this Resolution) to shareholders with registered addresses in Singapore. For the purpose of determining the aggregate number of shares that may be issued, the percentage of the total number of issued shares excluding treasury shares of the Company will be calculated based on the total number of issued shares excluding treasury shares of the Company at the time of the passing of Resolution 5, after adjusting for (i) new shares arising from the conversion or exercise of any convertible securities; (ii) new shares arising from exercise of share options or vesting of share awards outstanding or subsisting at the time of the passing of Resolution 5, provided the options or awards were granted in compliance with Part VIII of Chapter 8 of the Rules of Catalist of the SGX-ST; and (iii) any subsequent bonus issue, consolidation or subdivision of shares.

(iii) The Ordinary Resolution 6 proposed in item 7. above, if passed, is to authorise the Directors to offer and grant options in accordance with the provisions of the Friven & Co. Employee Share Option Scheme and to allot and issue shares thereunder.

NOTES:

1. Save as provided in the Constitution, a member (other than a Relevant Intermediary*) entitled to attend and vote at the Annual General Meeting is entitled to appoint not more than two proxies to attend and vote on his/her behalf. A proxy need not be a member of the Company.

2. A Relevant Intermediary may appoint more than two proxies, but each proxy must be appointed to exercise the rights attached to a different share or shares held by him (which number and class of shares shall be specified).

3. A member of the Company which is a corporation is entitled to appoint its authorised representatives or proxies to vote on its behalf.

4. The instrument appointing the proxy must be deposited at the registered office of the Company at 33 Ubi Avenue 3, #08-38 Vertex Singapore 408868 not less than 48 hours before the time appointed for holding the Annual General Meeting or any adjournment thereof.

   *A Relevant Intermediary is:

   (a) *a banking corporation licensed under the Banking Act (Cap. 19) or a wholly-owned subsidiary of such a banking corporation, whose business includes the provision of nominee services and who holds shares in that capacity; or*

   (b) *a person holding a capital markets services licence to provide custodial services for securities under the Securities and Futures Act (Cap. 289) and who holds shares in that capacity; or*

   (c) *the Central Provident Fund Board established by the Central Provident Fund Act (Cap. 36), in respect of shares purchased under the subsidiary legislation made under that Act providing for the making of investments from the contributions and interest standing to the credit of members of the Central Provident Fund, if the Board holds those shares in the capacity of an intermediary pursuant to or in accordance with that subsidiary legislation.*

Personal data privacy:

By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the Annual General Meeting 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) of proxies and representatives appointed for the Annual General Meeting (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the Annual General Meeting (including any adjournment thereof), and in order for the Company (or its agents) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the "Purposes"), (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.

This page has been intentionally left blank

MERCURIUS CAPITAL INVESTMENT LIMITED

(Incorporated in Singapore)

(Registration No. 198200473E)

PROXY FORM –

ANNUAL GENERAL MEETING

(Please see notes overleaf before completing)

IMPORTANT:

1. An investor who holds shares under the Central Provident Fund Investment Scheme ("CPF Investor") and/or the Supplementary Retirement Scheme ("SRS Investors") (as may be applicable) may attend and cast his vote(s) at the Meeting in person. CPF and SRS Investors who are unable to attend the Meeting but would like to vote, may inform their CPF and/or SRS Approved Nominees to appoint the Chairman of the Meeting to act as their proxy, in which case, the CPF and SRS Investors shall be precluded from attending the Meeting.
2. This Proxy Form is not valid for use by CPF and SRS investors and shall be ineffective for all intents and purposes if used or purported to be used by them.

I/We, ______________________________ (Name)

of ______________________________ (Address)

being a member/members of MERCURIUS CAPITAL INVESTMENT LIMITED (the "Company"), hereby appoint:

Name	Address	NRIC or Passport No.	Percentage of Shareholdings (%)

and/or failing him/her (delete as appropriate)

Name	Address	NRIC or Passport No.	Percentage of Shareholdings (%)

or failing him/her the Chairman of the Annual General Meeting of the Company ("AGM") as my/our proxy/proxies to attend and vote for me/us on my/our behalf and, if necessary, to demand a poll, at the AGM to be held at Singapore Swimming Club, Fort Room, 45 Tanjong Rhu Road, Singapore 436899, on Tuesday, 26 April 2016 at 10.00 a.m., and at any adjournment thereof.

I/We direct my/our proxy/proxies to vote for or against the Resolutions to be proposed at the AGM as indicated hereunder. If no specific direction as to voting is given, the proxy/proxies will vote or abstain from voting at his/their discretion, as he/they will on any other matter arising at the AGM.

No.	Resolutions	For	Against
	ORDINARY BUSINESS		
1.	Adoption of Directors' Statement and Audited Financial Statements of the Company for the financial year ended 31 December 2015 **(Resolution 1)**		
2.	Re-election of Ms Ke Lihong as a Director of the Company **(Resolution 2)**		
3.	Payment of Directors' Fees of $S80,000.00 for the financial year ending 31 December 2016, to be paid quarterly in arrears **(Resolution 3)**		
4.	Re-appointment of Messrs Nexia TS Public Accounting Corporation as Independent Auditor of the Company **(Resolution 4)**		
5.	Any other ordinary business		
	SPECIAL BUSINESS		
6.	Authority for Directors to allot and issue new shares **(Resolution 5)**		
7.	Authority for Directors to offer, grant options and allot and issue shares in accordance with the provisions of the Friven & Co. Employee Share Option Scheme **(Resolution 6)**		

* Please indicate your vote "For" or "Against" with a tick (√) within the box provided.

Dated this ____________ day of ____________ 2016

Total Number of Shares held	

____

Signature(s) of member(s)
or Common Seal of Corporate Shareholder

* If no person is named in the space above, the Chairman of the AGM shall be my/our proxy to vote, for or against the Resolutions to be proposed at the AGM as indicated below, for me/us and on my/our behalf at the AGM and at any adjournment thereof.

IMPORTANT (PLEASE READ THE NOTES)

Notes:

1. Please insert the total number of shares held by you. If you have shares entered against your name in the Depository Register (as defined in Section 81SF of the Securities and Futures Act, Chapter 289 of Singapore), you should insert that number of shares. If you have shares registered in your name in the Register of Members of the Company, you should insert that number of shares. If you have shares entered against your name in the Depository Register and shares registered in your name in the Register of Members, you should insert the aggregate number of shares. If no number is inserted, this form of proxy will be deemed to relate to all the shares held by you.

2. A member of the Company (other than a Relevant Intermediary*), entitled to attend and vote at a meeting of the Company is entitled to appoint up to two proxies to attend and vote in his stead. A proxy need not be a member of the Company.

3. The instrument appointing a proxy or proxies must be deposited at the Company's Registered Office at 33 Ubi Avenue 3, #08-38 Vertex Singapore 408868 not less than 48 hours before the time set for the AGM.

4. Where a member (other than a Relevant Intermediary*) appoints two proxies, the appointments shall be invalid unless he specifies the proportion of his shareholding (expressed as a percentage of the whole) to be represented by each proxy.

5. A Relevant Intermediary may appoint more than two proxies, but each proxy must be appointed to exercise the rights attached to a different share or shares held by him (which number or class of shares shall be specified).

6. Subject to note 9, completion and return of this instrument appointing a proxy shall not preclude a member from attending and voting at the Meeting. Any appointment of a proxy or proxies shall be deemed to be revoked if a member attends the meeting in person, and in such event, the Company reserves the right to refuse to admit any person or persons appointed under the instrument of proxy to the Meeting.

7. The instrument appointing a proxy or proxies must be under the hand of the appointor or of his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed under its common seal or under the hand of its officer or attorney duly authorised. Where an instrument appointing a proxy or proxies is signed on behalf of the appointor by an attorney, the power of attorney (or other authority) or a duly certified copy thereof must (failing previous registration with the Company) be lodged with the instrument of proxy, failing which the instrument may be treated as invalid.

8. A corporation which is a member may authorise by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the meeting, in accordance with Section 179 of the Companies Act, Cap. 50 and the person so authorised shall upon production of a copy of such resolution certified by a director of the corporation to be a true copy, be entitled to exercise the powers on behalf of the corporation so represented as the corporation could exercise in person if it were an individual.

9. An investor who holds shares under the Central Provident Fund Investment Scheme ("CPF Investor") and/or the Supplementary Retirement Scheme ("SRS Investors") (as may be applicable) may attend and cast his vote(s) at the Meeting in person. CPF and SRS Investors who are unable to attend the Meeting but would like to vote, may inform their CPF and/or SRS Approved Nominees to appoint the Chairman of the Meeting to act as their proxy, in which case, the CPF and SRS Investors shall be precluded from attending the Meeting.

* A Relevant Intermediary is:

(a) a banking corporation licensed under the Banking Act (Cap. 19) or a wholly-owned subsidiary of such a banking corporation, whose business includes the provision of nominee services and who holds shares in that capacity; or

(b) a person holding a capital markets services licence to provide custodial services for securities under the Securities and Futures Act (Cap. 289) and who holds shares in that capacity; or

(c) the Central Provident Fund Board established by the Central Provident Fund Act (Cap. 36), in respect of shares purchased under the subsidiary legislation made under that Act providing for the making of investments from the contributions and interest standing to the credit of members of the Central Provident Fund, if the Board holds those shares in the capacity of an intermediary pursuant to or in accordance with that subsidiary legislation.

General:

The Company shall be entitled to reject the instrument appointing a proxy or proxies if it is incomplete, improperly completed or illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the instrument appointing a proxy or proxies. In addition, in the case of shares entered in the Depository Register, the Company may reject any instrument appointing a proxy or proxies lodged if the member, being the appointor, is not shown to have shares entered against his name in the Depository Register as at 72 hours before the time appointed for holding the AGM, as certified by The Central Depository (Pte) Limited to the Company.

Personal data privacy

By submitting an instrument appointing a proxy(ies) and/or representative(s), the member accepts and agrees to the personal data privacy terms set out in the Notice of Annual General Meeting dated 11 April 2016.

This page has been intentionally left blank

This page has been intentionally left blank

MERCURIUS CAPITAL INVESTMENT LIMITED

33 Ubi Avenue 3 | #08-38 Vertex | Singapore 408868
Tel: (65) 6862 2622 | Fax: (65) 6862 2322
Email: enquiry@ccfh.com.sg
www.ccfh.com.sg