CEFC International Limited

Energising the WORLD

Annual Report 2014


CEFC INTERNATIONAL LIMITED
CEFC

EXPANDING OUR PRESENCE

The Group is collaborating with a subsidiary of Rizhao Port Group Co., Ltd to set up a joint venture company to build and operate oil storage facilities. We take on a multi-pronged approach to expanding our petroleum and petrochemical distribution value chain. With an enlarged presence, we are better positioned to stay at the competitive edge for higher shareholder returns.

CONTENTS

CHAIRMAN'S STATEMENT

Dear Valued Shareholders,

I am pleased to share with you CEFC International Limited's (the "Company" and together with its subsidiaries, the "Group") annual report for the Financial Year 2014 ("FY2014").

BUSINESS AND FINANCIAL HIGHLIGHTS

Over FY2014, we had to contend with global economic uncertainty as major economies continued wrestling with slow growth or sovereign debt issues. We also had to negotiate a volatile oil market, with prices and demand plummeting.

This challenging external economic environment impacted our Group. Revenue decreased by 67% to US$327 million in FY2014 compared to US$977 million in FY2013. Revenue from the fuel oil and petroleum segment decreased by approximately US$739 million or 85% from US$868 million in FY2013 to US$129 million in FY2014. With the challenging business scenario over the year, the Group decided to focus on profitable petrochemical businesses to avoid huge fluctuations in oil demand and prices in the global market.

Gross profit was US$1.4 million and US$4.5 million in 4Q2014 and FY2014 respectively. The Group's overall gross profit margin was approximately 1.4% for FY2014 compared to 0.4% for FY2013. With our change in sales tactics to focus on petrochemicals, the petrochemical segment contributed approximately 88% of total gross profit in FY2014 as compared to approximately 34% for FY2013.

As a result of the higher gross profit resulting from petrochemical trading activities compared to low profit margins from back-to-back oil and petroleum businesses, we managed a 7% increase in net profit to US$715,000 compared to US$671,000 for FY2013. This was a growth of US$44,000.

"On 31 July 2014, we announced teaming up with a subsidiary of Rizhao Port Group Co., Ltd ("RPG"), a state-owned enterprise ("SOE") in the People's Republic of China ("PRC") and a major player in port management and operations"

JOINT-VENTURE

On 31 July 2014, we announced teaming up with a subsidiary of Rizhao Port Group Co., Ltd ("RPG"), a state-owned enterprise ("SOE") in the People's Republic of China ("PRC") and a major player in port management and operations, to build and operate oil storage facilities with a total storage capacity of 600,000 cubic metres in Rizhao port, Shandong Province, PRC.

The joint-venture partners are CEFC's wholly-owned subsidiary Hong Kong CEFC Petrochemical & Energy Pte, Ltd. ("CEFC HK") and Rizhao Port Oil Terminal Co., Ltd. ("JV Partner").The total cost of the project is RMB 700 million. Initial registered capital will be RMB 350 million, with CEFC HK subscribing for a 49% total equity interest at a cash consideration of RMB 171.5 million while the JV Partner will take up the remaining 51% at a cash consideration of RMB 178.5 million, funded through transferral of the land on which the facilities of the joint-venture company will be constructed, and cash for the remaining portion if need be, if the land value is below RMB 178.5 million. The balance RMB 350 million of the project cost will be funded by the joint-venture company through bank borrowings. The name of the joint-venture company has been approved as Rizhao Port Gold Brick Oil Storage and Transportation Corporation Limited and it is currently applying for its business licence.

This proposed joint-venture into owning and operating oil storage facilities is in line with the Group's expansion plans in relation to its core business of trading in petrol and raw materials used for blending gasoline, petrochemicals and fuel oil. Our Group strategy is to adopt a multi-pronged approach to expand vertically and horizontally along the petroleum and petrochemical distribution value chain.

When completed in about two years, we believe the oil storage facilities will have a competitive edge as they will, other than the existing facilities owned and operated by the JV Partner, be the only oil storage facilities within the port area. Rizhao port is Shandong's second largest port with much potential. CEFC will also be able to take advantage of the storage space and leverage on its oil and petrochemical inventory stored there, to increase trade volume and margins. Surplus storage capacity could also be leased out and generate cross-selling opportunities.

BUILDING ON OUR STRENGTHS

Demonstrating further faith in our progress, two banks have further extended banking facilities with our Singapore subsidiary, Singapore CEFC Petrochemical & Energy Pte. Ltd. ("Singapore CEFC Petrochemical") over the year in review. DBS has increased its uncommitted banking facility to Singapore CEFC Petrochemical from US$70 million to US$91 million and extended additional trade facilities of US$30 million to CEFC International. Meanwhile, UOB increased its uncommitted banking facility to our Singapore subsidiary from US$100 million to US$150 million.

THE ROAD AHEAD

Amid the changes in our business environment over the year in review, we have navigated our corporate ship well. We have been quick to change sales tactics to adapt to evolving business conditions. We have laid the foundations for a high-potential joint-venture in Rizhao port. And we have expanded our supplier and customer base since entering this business in 2012. Now these networks stretch beyond the PRC and Hong Kong to Southeast Asia and other countries. Going forward, we must continue to draw on our flexibility, drive and business networks.

BOARD CHANGES

We are pleased to have appointed Mr Lu Dachuan as Executive Director and the Chief Executive Officer on 17 February 2015. Following his appointment and on the same date, I have stepped down as the Chief Executive Officer of the Company but remain as the Executive Chairman and Executive Director of the Company. As the Executive Chairman, my responsibility continues to lead and set strategic directions for the Group. Our Chief Executive Officer will be responsible for the implementation of strategic plans and the development of the Group's business.

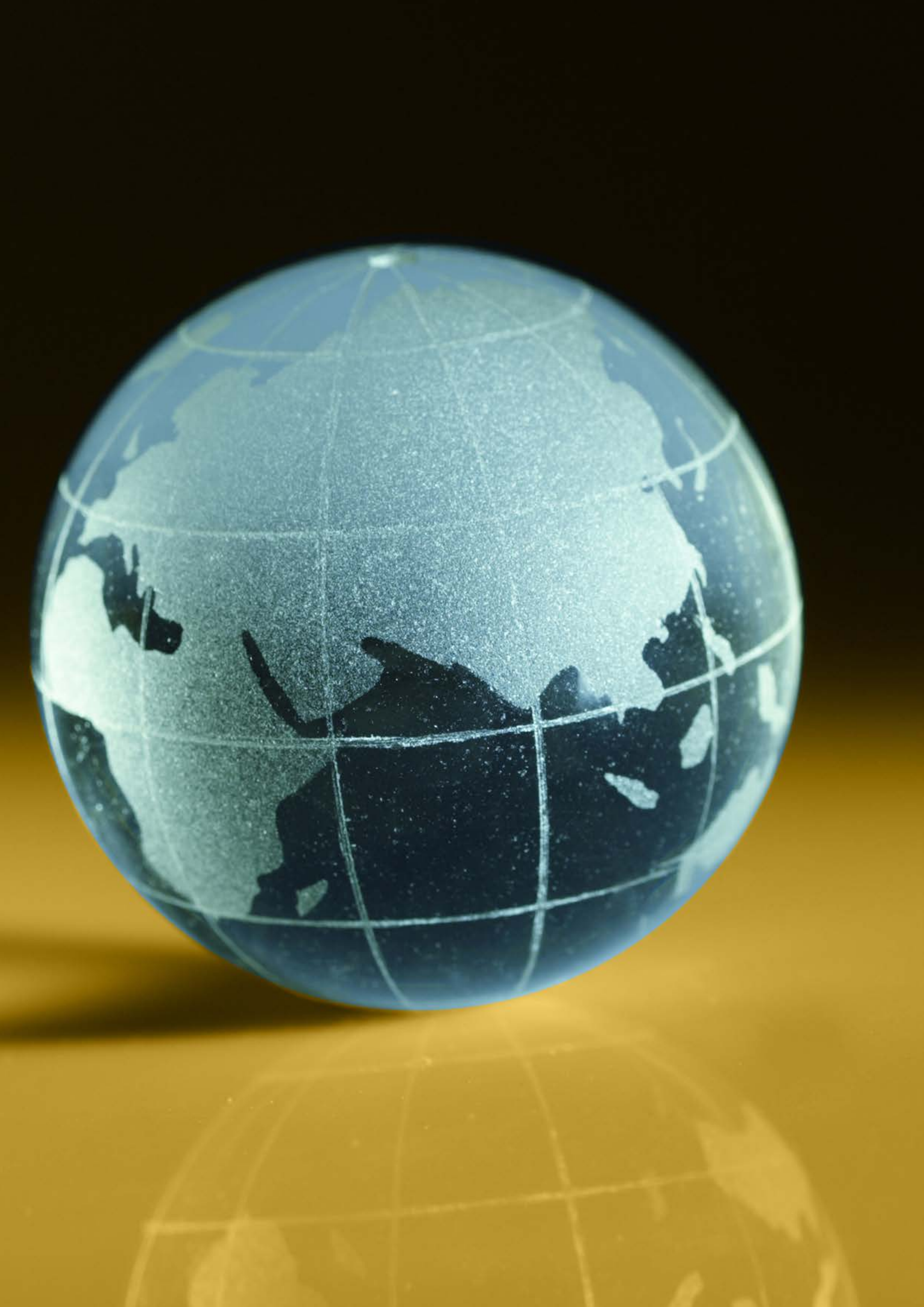
On 3 December 2014, Mr Wen Jie was appointed as Executive Director and on the same date, Ms Ju Jia has stepped down as Executive Director but remained as Chief Financial Officer.

On 17 February 2015, Ms Chen Xiaoyin resigned from her position as the Executive Director and Vice President for Human Resources and Administration. To replace her, Ms Wang Shali has been appointed as Vice President for Human Resources and Administration.

ZANG JIAN JUN
Executive Chairman

EXPLORING OPPORTUNITIES

To propel the Group to greater heights, we continue to keep our eye on the horizon and seize new opportunities that arise. The group continues to focus on our core oil and petrochemical trading business and is exploring other opportunities along the distribution chain for petroleum and petrochemical products to diversify the revenue stream.



BOARD OF DIRECTORS

MR. ZANG JIAN JUN

Mr. Zang Jian Jun was appointed to the Board as Executive Director on 4 January 2012. Mr. Zang was further appointed as Chief Executive Officer on 3 December 2012 and as Executive Chairman on 2 December 2013. Mr. Zang has over ten years of experience in petrochemical industry and has a very wide network. From August 2006 to March 2011, Mr. Zang was the general manager of Hua Xin Energy Holdings Ltd, in charge of establishing corporate strategy and general operating strategy. From October 2003 to July 2006, Mr. Zang was deputy general manager in DaGang Petro Chemical Co. Ltd. From June 1999 to September 2003, Mr. Zang was the Chemical Business Unit General Manager in DaGang Petro Chemical Co. Ltd. At the same time, he was also the international trading manager and was responsible for the company's importing project which involved both the upstream and the downstream sectors. From October 1996 to May 1999, he was the international trading manager in Hebei Lixiang Corporation. From June 1995 to September 1996, Mr. Zang was the business manager in Hebei Baoding International Trading Company.

MR. LU DA CHUAN

Mr. Lu Da Chuan was appointed to Board as Executive Director and the Chief Executive Officer of the Company on 17 February 2015. Mr. Lu is responsible for carrying out the strategic plan agreed by the Board and the day-to-day running of the Group's business. Mr. Lu has over ten years of experience in corporate finance in the petroleum industry. From September 2008 to January 2015, Mr. Lu was Manager of the budget analysis department and the treasury department of Petro China International Co., Ltd and was responsible for the Company's finance functions, including investment assessment, restructure and corporate finance. From September 2008 to April 2006, Mr. Lu was Finance Manager of China Oil (Hong Kong) Corporation Limited, was responsible for overseeing the finance functions and led a team which completed the acquisition of a Hong Kong company. From December 2004 to March 2006, Mr. Lu was the Deputy Manager of the treasury department of Petro China International Co., Ltd. Mr. Lu obtained a MBA from Tsinghua University in 2010.

MR. LIU ZHONG QIU

Mr. Liu Zhong Qiu was appointed as Chief Operating Officer on 19 November 2013 and to the Board as Executive Director on 2 December 2013. Mr Liu's main responsibilities include overseeing the business operations of the Group. Mr Liu worked 43 years in the petroleum industry. Right after his graduation, he worked 14 years in CNPC's oil and gas geophysical exploration company as Director General. In 1993, Mr. Liu started work in South America, in Peru Talara Oil Fields as the General Manager, and in Venezuela Calecoles and Inercomper North Oil Fields as the Vice President. In 1999, Mr. Liu started work for China National United Oil Corp. (Chinaoil) as Vice President in charge of crude oil and natural gas international trading. During that time, he headed a team which completed the crude oil supply for the Sino-Russian long distance pipeline, Sino-Kazakhstan long distance crude oil pipeline, as well as the oil and gas pipelines from Myanmar to Kunming City, Southeast China. In 2009, he led his team to the successful procurement of the signing of the long term natural gas supply contract with the Turkmenistan Government for Turkmenistan – China natural gas pipelines which lead all the way to Hong Kong. In July of 2009, Mr. Liu was appointed by the CNPC Board of Directors as the Chairman of China Petroleum Engineering and Construction Corp. During his chairmanship, he led his team to the successful completion of the Engineering, Procurement and Construction of the Niningxia Refinery, CPF1 project in Iraq Al Waha Oil Fields, the Jingtel Refinery in Niger and the Ndjamena Refinery in Chad. By the end of 2011, he started to work as the senior consultant at CNPC's Consulting Center until his appointments in CEFC International Limited.

MR. WEN JIE

Mr. Wen Jie joined the Company in September 2014 as Deputy General Manager and was appointed to Board as Executive Director on 3 December 2014. Mr. Wen's main responsibilities include investment and project development. From March 2013 to August 2014, Mr. Wen was a partner of Prosperous Alliance Investments Limited (Hong Kong). From July 2010 to March 2013, Mr. Wen was Deputy General Manager of China National United Oil Corp and was in charge of the risk management department. From June 2009 to July 2010, Mr. Wen was Deputy General Manager of PetroChina International (Hong Kong) Corporation Limited. From August 1999 to June 2009, Mr. Wen was the General Manager of China National United Oil Corp and was in charge of the project department and internal control department. Mr. Wen obtained an EMBA from National University of Singapore in 2008.

MR. OOI HOE SEONG

Mr. Ooi Hoe Seong was appointed to the Board as Lead Independent Director on 30 December 2011 and serves as the Chairman of the Audit Committee and a member of Nominating and Remuneration Committee. He has over 25 years of management, corporate finance and wealth management experience with many multi-national companies. Since 2006, he has been the director of Mega Honour Ltd and is in charge of financing projects. From 2004 to 2006, he was the regional CEO of Boutique Regional Financial Institution. From 1992 to 2001, he was the Managing Director of British American Tobacco China Limited. From 1990 to 1992, he was with Pepsi-Cola International Asia Pacific Region. He was based in the U.S. Southwest region initially as part of the international management exchange program but subsequently moved on to be the Managing Director of the region.

MR. TOH HOCK GHIM

Mr. Toh Hock Ghim was appointed to the Board as an Independent Director on 30 December 2011 and serves as Chairman of the Nominating Committee and a member of Remuneration and Audit Committee. He joined the Singapore Ministry of Foreign Affairs in 1966. He has served in the embassies of Singapore in many countries including the Philippine, Thailand, Malaysia and Vietnam. In 1989, he served as Deputy Director and later as Director in the ASEAN Directorate in the Singapore Foreign Ministry. In addition, he was Consul-General in Hong Kong and Macao from February 2002 to December 2007. Upon his return from Hong Kong and Macao, he was appointed Senior Adviser to the Singapore Foreign Ministry. Beyond these public appointments, he also holds appointments in the corporate sector. He is the Chairman of Singapore-listed Equation Summit Limited and a Director of The Fullerton Hotel Singapore. He is also Director of CIAM Group Limited, a Hong Kong-listed company. Mr. Toh Hock Ghim obtained his Bachelor of Arts (Political Science) Degree from the University of Singapore in 1966.

MS. LING CHI

Ms. Ling Chi was appointed to the Board as an Independent Director on 7 February 2013. Ms. Ling Chi is a member of the National Committee of the Chinese People's Political Consultative Conference since 2008. Since 1987, Ms. Ling Chi has been engaged in the promotion and development of traditional Chinese culture and is the Film Director of China News Services and Beijing Film Studio, Deputy Director of International Confucian Association, Deputy Director of Chinese Confucian Academy, Executive Director of State Ethnic Progress Committee of the People's Republic of China and Research Fellow of Education Theory Department, National Institute of Education Sciences. Ms. Ling Chi graduated from Beijing Film Academy and The Central Academy of Drama and obtained her doctorate from Peking University Health Science Centre.

CORPORATE INFORMATION

BOARD OF DIRECTORS

Mr. Zang Jian Jun
(Executive Director / Executive Chairman)
(appointed on 4 January 2012)

Mr. Lu Da Chuan
(Executive Director / Chief Executive Office)
(appointed on 17 February 2015)

Mr. Liu Zhong Qiu
(Executive Director / Chief Operation Officer)
(appointed on 2 December 2013)

Mr. Wen Jie
(Executive Director)
(appointed on 3 December 2014)

Mr. Ooi Hoe Seong
(Independent Director)
(appointed on 30 December 2011)

Ambassador Toh Hock Ghim
(Independent Director)
(appointed on 30 December 2011)

Ms. Ling Chi
(Independent Director)
(appointed on 7 February 2013)

AUDIT COMMITTEE

Mr. Ooi Hoe Seong
(Chairman)

Ambassador Toh Hock Ghim

Ms. Ling Chi

REMUNERATION COMMITTEE

Ms. Ling Chi
(Chairman)

Mr. Ooi Hoe Seong

Ambassador Toh Hock Ghim

NOMINATING COMMITTEE

Ambassador Toh Hock Ghim
(Chairman)

Mr. Ooi Hoe Seong

Ms. Ling Chi

COMPANY SECRETARY

Ms. Ong Beng Hong, LLB (Hons)

BERMUDA RESIDENT REPRESENTATIVE AND SHARE REGISTER

Codan Services Limited

Clarendon House, 2 Church Street,
Hamilton HM11,
Bermuda

REGISTERED OFFICE

Clarendon House, 2 Church Street,
Hamilton HM11,
Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

80 Raffles Place #12-20, UOB Plaza 2,
Singapore 048624
Fax: (65) 6222 2021

SINGAPORE SHARE TRANSFER AGENT

Boardroom Corporate & Advisory
Services Pte. Ltd.

50 Raffles Place #32-01,
Singapore Land Tower
Singapore 048623
Tel: (65) 6230 9532
Fax: (65) 6536 1360

AUDITORS

Mazars LLP

Public Accountants and
Chartered Accountants
133 Cecil Street
#15-02 Keck Seng Tower
Singapore 069535

Partner-in-charge: Mr. Tan Chee Tyan
(appointed with effect from the financial year ended 31 December 2013)

CORPORATE GOVERNANCE REPORT

The Board of Directors (the "**Board**") and the Management (the "**Management**") of CEFC International Limited (the "**Company**") are committed to maintaining a high standard of corporate governance and endeavour to comply with the principles and guidelines of the Code of Corporate Governance 2012 (the "**Code**") which supersedes the Code of Corporate Governance issued in July 2005, issued by the Corporate Governance Committee.

The Board and the Management believe that corporate governance is an integral element of a sound corporation as it promotes corporate transparency and protects and enhances shareholders' interest.

This report outlines the main corporate governance practices and processes with specific reference to the guidelines of the Code that were in place during the financial year commencing from 1 January 2014 and 31 December 2014 ("**FY2014**"). The Board notes that the Company has generally complied with the spirit and intent of the Code but in areas where the Company deviates from the Code, the rationale is provided.

(A) BOARD MATTERS

Board's Conduct of its Affairs

Principle 1: Every company should be headed by an effective Board to lead and control the company. The Board is collectively responsible for the success of 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 management remains accountable to the Board.

As at the date of the report, the members of the Board are set out below:

Name of Director	Position	Date of Initial Appointment
Zang Jian Jun	Executive Director/Executive Chairman	4 January 2012
Lu Da Chuan	Executive Director/Chief Executive Officer	17 February 2015
Liu Zhong Qiu	Executive Director/ Chief Operating Officer	2 December 2013
Wen Jie	Executive Director	3 December 2014
Ooi Hoe Seong	Independent Director	30 December 2011
Toh Hock Ghim	Independent Director	30 December 2011
Ling Chi	Independent Director	7 February 2013

At the beginning of FY2014, the Board of Directors (the "**Board**") comprised three Independent Directors, namely Mr Ooi Hoe Seong, Mr Toh Hock Ghim and Ms Ling Chi, all having the right core competencies and diversity of experience which enable them to effectively contribute to the Company and its subsidiaries (collectively referred herein as the "**Group**").

Ms Ju Jia stepped down as an Executive Director with effect from 3 December 2014 and Mr Wen Jie joined the Board as an Executive Director with effect from 3 December 2014.

Ms Chen Xiao Yin stepped down as an Executive Director with effect from 17 February 2015 and Mr Lu Da Chuan joined the Board as an Executive Director and the Chief Executive Officer with effect from 17 February 2015.

At the date of this Report, the Board comprises four Executive Directors, namely Mr Zang Jian Jun, Mr Lu Da Chuan, Mr Liu Zhong Qiu and Mr Wen Jie and three Independent Directors, namely Mr Ooi Hoe Seong, Mr Toh Hock Ghim, and Ms Ling Chi. The experience and competence of each Director contributes to the overall effective management of the Group.

The Board's primary roles include but are not limited to the following:

(a) providing entrepreneurial leadership;

(b) setting and approving policies and strategies of the Group;

(c) establishing goals for the Management, monitoring the achievement of these goals and reviewing the Management's performance;

(d) reviewing the remuneration packages of the Directors and key executives;

(e) reviewing and approving the financial performance of the Group including its quarterly and full year financial results announcements;

(f) reviewing the adequacy of the Company's internal control and the financial information reporting system;

(g) establishing a framework of prudent and effective controls;

(h) approving the nomination of Directors and appointments to the Board and/or the Board Committees (i.e. the Audit Committee, the Nominating Committee and the Remuneration Committee);

(i) authorising major transactions such as fund raising exercises and material acquisitions;

(j) setting the Company's values and standards, and ensuring that obligations to shareholders and others are understood and met;

(k) assuming responsibility for corporate governance of the Group; and

(l) establishing a framework of prudent and effective controls which enables risks to be assessed and managed, including safeguarding of shareholders' interests and the Company's assets.

The Executive Directors supervise the management of the business and affairs of the Company. However, meetings of the Board are still held and/or resolutions in writing of the Board are circulated for matters which require the Board's approval, including, but are not limited to the following:

(i) review of the annual budget and the performance of the Group;

(ii) review of the key activities and business strategies;

(iii) approval of the corporate strategy and direction of the Group;

(iv) approval of transactions involving a conflict of interest for a substantial shareholder or a Director or interested person transactions;

(v) material acquisitions and disposals;

(vi) corporate or financial restructuring and share issuances;

(vii) declaration of dividends and other returns to Shareholders; and

(viii) appointments of new Directors or key personnel.

A formal document setting out the following guidelines has been adopted by the Board:

(a) the matters reserved for the Board's decision; and

(b) clear directions to Management on matters that must be approved by the Board.

All the Directors bring their independent judgement, diversified knowledge and experience to bear on issues of strategy, performance, resource and standards of conduct.

Board Processes

To assist in the execution of its responsibilities and to facilitate effective management, the Board has established a number of Board Committees including a Nominating Committee, a Remuneration Committee and an Audit Committee. The effectiveness of each committee is constantly monitored. The Board accepts that while these Board Committees have the authority to examine particular issues and will report back to the Board with their decisions and/or recommendations, the ultimate responsibility on all matters lie with the entire Board. The Board has also established a framework for the management of the Group including a system of internal control. The members of the Board Committees as at the date of this Report are as set out below:

Name of Director	Audit Committee	Nominating Committee	Remuneration Committee
Ooi Hoe Seong	Chairman	Member	Member
Toh Hock Ghim	Member	Chairman	Member
Ling Chi	Member	Member	Chairman

The Board is committed to hold regular meetings to review the Company's operations and as and when required, it will not hesitate to hold additional meetings to address any specific significant matters that may arise. Details of the number of meetings held during the FY2014 are also set out below for your reference.

The agenda for all meetings of the Board and Board Committee were prepared in consultation with the Group's Board.

Standing items include the management report, financial reports, strategic matters, governance, business risk issues and compliance. Executives were from time to time invited to attend the Board meeting to provide updates on operational matters. Further to the above, the Board also discussed matters relating to the Company in informal settings and written resolutions were also circulated amongst the Board members to decide appropriate actions to be taken in relation to the Company's operations.

The Bye-laws of the Company allows the Directors to participate in meetings of the Board and/or Board Committees by telephone conference or by means of similar communication equipment whereby all persons participating in the meetings are able to communicate as a group, without requiring the Directors' physical presence at the meetings.

The Board and Board Committees also circulate written resolutions to its members to regulate the business operations of the Company. The Board also conducts an annual review of its processes to ensure that it is able to carry out its functions in the most effective manner.

Board and Board Committee Meetings held in FY2014[1]

The number of meetings held by the Board and Board Committees and attendance thereat during FY2014 are as follows:

	Board[2]		Audit Committee[2]		Nominating Committee[3]		Remuneration Committee[3]	
	No. of meetings held	No. of meetings attended	No. of meetings held	No. of meetings attended	No. of meetings held	No. of meetings attended	No. of meetings held	No. of meetings attended
Zang Jian Jun (Executive Director)	5	5	–	–	–	–	–	–
Liu Zhong Qiu (Executive Director)	5	3	–	–	–	–	–	–
Chen Xiao Yin[4] (Executive Director)	5	5	–	–	–	–	–	–
Ju Jia[5] (Executive Director)	5	5	–	–	–	–	–	–
Ooi Hoe Seong (Independent Director)	5	5	4	4	1	1	1	1
Toh Hock Ghim (Independent Director)	5	5	4	4	1	1	1	1
Ling Chi (Independent Director)	5	2	4	2	1	–	1	–

<u>Notes:</u>

(1) The attendance of the Directors, including those acting as the members of the respective Board Committees, at the meetings of the Board and the Board Committees was recorded in the relevant attendance lists prepared and circulated by the Company Secretary prior to the commencement of such meetings and these attendance lists are kept in the statutory records of the Company.

(2) In addition to holding physical meetings, the Board and the Audit Committee were kept informed of the operations of the Company via email and telephone. Documents relating to the Company were circulated via email for the Board and Audit Committee's consideration and the Board, the Audit Committee and the Management also contacted each other on an informal basis to discuss these matters. Pursuant to their review, the Board and the Audit Committee passed resolutions in writing to approve matters relating to the Company's businesses.

(3) In addition to holding physical meetings, the Nominating Committee and the Remuneration Committee provided with documents relating to the Company, the re-election of certain members of the Board, the re-constitution of the Board Committees and remuneration packages ("**NC/RC Matters**") were circulated via email. The members of each of the Nominating Committee and the Remuneration Committee contacted each other as well as the other members of the Board and the Management on an informal basis to discuss these matters. Pursuant to their review, the Nominating Committee and the Remuneration Committee passed resolutions in writing to approve NC/RC Matters.

(4) Ms Chen Xiao Yin stepped down from the Board with effect from 17 February 2015. Details of her resignation were contained in the announcement released via SGXNET on 17 February 2015.

(5) Ms Ju Jia stepped down from the Board with effect from 3 December 2014. Details of her resignation were contained in an announcement released via SGXNET on 3 December 2014.

Matters Requiring Board Approval

The Board's approval is required for matters such as:

(a) all announcements of the Group released via the SGXNET, in particular the Group's quarterly and annual financial results;

(b) the corporate strategy and direction of the Group, including major corporate policies on key areas of operations;

(c) interested person transactions;

(d) material acquisitions and disposals;

(e) corporate and financial restructuring, including mergers and joint ventures;

(f) major investments;

(g) declaration of interim dividends and proposal of final dividends; and

(h) appointments of new Directors and senior management.

All other matters are delegated to the Board Committees whose actions are reported to and monitored by the Board.

Training of Directors

All the newly appointed Directors were given an orientation to familiarise them with the Group's business and governance practices. In addition, they were each provided with a memorandum setting out the duties and obligations of a director of a listed company.

All Directors appointed to the Audit Committee were also provided with the Guidebook for Audit Committee in Singapore issued by the Audit Committee Guidance Committee.

Directors are also encouraged to attend seminars and training courses to assist them in executing their obligations and responsibilities to the Company. Details of seminars and courses held by the Singapore Accounting & Corporate Regulatory Authority, Singapore Institute of Directors and Singapore Exchange Trading Limited are sent to the Directors via email for their consideration.

Further to the above, the Directors are also provided with updates on the relevant new laws, regulations and changing commercial risks in the Group's operating environment through regular presentations and meetings or via email. Directors also have the opportunity to visit the Group's operational facilities and meet with the Management to gain a better understanding of business operations.

Board Composition and Balance

Principle 2: There should be a strong and independent element on the Board, which is able to exercise objective judgment on corporate affairs independently, in particular, from management and any shareholder who has an interest or interests in not less than 10% of the total votes attached to all the voting shares in the Company. No individual or small group of individuals should be allowed to dominate the Board's decision making.

Details relating to the changes to the Board are set out in section entitled "Board Matters – Board's Conduct of its Affairs" set out in this Report. As at the date of this Report, the Board comprised four Executive Directors and three Independent Directors as set out below:

(a) Executive Directors
Mr Zang Jian Jun (Executive Chairman)
Mr Lu Da Chuan (Chief Executive Officer)
Mr Liu Zhong Qiu (Chief Operating Officer)
Mr Wen Jie

(b) Independent Directors
Mr Ooi Hoe Seong
Mr Toh Hock Ghim
Ms Ling Chi

For key information on these Directors, please refer to their profiles set out in this Report. Information relating to their respective shareholdings in the Company is also disclosed in the Report of the Directors contained in this Report.

Mr Lu Da Chuan and Mr Wen Jie were appointed to the Board and when appointing new Directors, the Board and the then Nominating Committee took into consideration each Director's experience, qualifications and ability to contribute to the Company. After reviewing their curriculum vitaes and declaration forms, the Board and the Nominating Committee were satisfied that these newly-appointed were of sufficient calibre and were able to contribute to the Board as well as the Company effectively.

In general, the Board and the Nominating Committee review the composition of the Board and the Board Committees regularly to ensure that they are well-constituted and comprise members of sufficient calibre and who contribute effectively to the Company. Pursuant to their review, the Board and the Nominating Committee are of the view that the current size and composition of the Board are appropriate for effective decision-making, having taken into account the nature of the businesses and current scope of operations of the Group as the Directors are business leaders and professionals with industry background and/or financial backgrounds. The Board's composition also enables the Management to benefit from a diverse and objective external perspective when issues are brought before the Board for discussion.

As one-third of the Board comprises Independent Directors, the Company believes the Board is able to exercise independent judgment on corporate affairs and ensures that no one individual or groups of individuals dominate any decision making process.

Further to the above, the Nominating Committee reviews the independence of each of the Independent Directors annually. As part of their review process, the Nominating Committee requires the Independent Directors to complete and execute declaration forms in relation to their independence. These declaration forms are drawn up based on the guidelines on the Code. The Nominating Committee reviewed declaration forms executed by the Independent Directors as well as any declaration which they may make to determine their respective independence. Pursuant to its review, the Nominating Committee is of the view that Mr Ooi Hoe Seong, Mr Toh Hock Ghim and Ms Ling Chi are independent to the Group and the Management.

For avoidance of doubt, the criterion of independence is based on the definition given in the Code. The Board considers an "independent" director as one who has no relationship with the Company, its related companies, its shareholders who have an interests or interest in not less than 10% of the total votes attached to all the voting shares in the Company or its officers that could interfere, or be reasonably perceived to interfere, with the exercise of the director's independent judgment of the conduct of the Group's affairs.

In addition, the Independent Directors exercise no management functions in the Company or any of its subsidiaries. Although all the Directors have equal responsibility for the performance of the Group, the role of the Independent Directors is particularly important in reviewing and monitoring the performance of executive management in meeting the Group's agreed goals and objectives and ensuring that the strategies proposed by the Management are fully discussed and rigorously examined taking into account the long-term interests, not only of the Shareholders, but also of employees, customers, suppliers and the many communities in which the Group conducts business. The Independent Directors also have no financial or contractual interests in the Group other than by way of their fees as set out in the Report of the Directors.

The Board and the Nominating Committee will continue to review the composition of the Board on an annual basis to ensure that the Board continues to have members who would be able to provide the Board with an appropriate mix of expertise and experience, and that the Board collectively possesses the necessary core competencies for effective functioning and informed decision-making.

In the event that a vacancy arises under any circumstance, or where it is considered that the Board would benefit from the services of a new director with particular skills, the Nominating Committee, in consultation with the Board, shall determine the selection criteria and select candidates with the appropriate expertise and experience for the position. In particular, the Board and the Nominating Committee took into consideration the following factors:

(a) the Board should comprise a sufficient number of directors to fulfil its responsibilities and who as a group provide core competencies such as accounting or finance, business or management experience, industry knowledge, strategic planning experience and customer-based experience or knowledge. (This number may be increased where it is felt that additional expertise is required in specific areas, or when an outstanding candidate is identified);

(b) the Board should comprise a majority of non-executive directors, with at least half of the Board made up of independent non-executive directors;

(c) the Board should have enough directors to serve on various committees of the Board without over-burdening the Directors or making it difficult for them to fully discharge their responsibilities; and

(d) the number of listed company board representations and other principal commitments of each Director when assessing whether each Director is able to adequately carry out his/her duties to the Company.

Chairman and Chief Executive Officer

Principle 3: There should be a clear division of responsibilities at the top of the company – the working of the Board and the executive responsibility of the company's business – which will ensure a balance of power and authority, such that no one individual represents a considerable concentration of power.

As at the date of this report, Mr Zang Jian Jun holds the position as the Company's Executive Chairman while Mr Lu Da Chuan holds the position as the Company's Chief Executive Officer.

The Executive Chairman, Mr Zang Jian Jun, and the Chief Executive Officer, Mr Lu Da Chuan are not related to each other. They each assume different roles and responsibilities.

The Executive Chairman leads the Board and is responsible for the management of the Board. He develops and instills core corporate values into the Group. He also provides guidance and mentorship to the Management.

The Chief Executive Officer carries out the strategic plan agreed by the Board. He is also responsible for the day-to-day running of the Group's business. In addition to this, his role is also to develop an achievable and a sustainable business model for the Group.

All major decisions made by the Executive Chairman and Chief Executive Officer are under the purview of review by the Audit Committee.

Each of the Executive Chairman's and Chief Executive Officer's performance and appointment to the Board are also reviewed periodically by the Nominating Committee while their remuneration packages are reviewed periodically by the Remuneration Committee. In addition, at least a third of the Board is made up of the Independent Directors to ensure independent review of the Management's performance. As such, the Board believes that the power is not unduly concentrated in the hands of one individual nor is there any compromised accountability and independent decision-making as all major decisions and policy changes are conducted through the respective Board Committees, which are chaired by Independent Directors.

Nominating Committee

The Nominating Committee is chaired by Mr Toh Hock Ghim and its members include Mr Ooi Hoe Seong and Ms Ling Chi.

The primary functions of the Nominating Committee are as follows:

(a) to identify candidates and review all nominations for the appointment or reappointment of members of the Board and Chief Executive Officer of the Group, and to determine the selection criteria therefore;

(b) to ensure that all Board appointees undergo an appropriate induction programme;

(c) to regularly review the Board structure, size and composition and make recommendations to the Board with regard to any adjustments that are deemed necessary;

(d) to identify gaps in the mix of skills, experience and other qualities required in an effective Board and to nominate or recommend suitable candidates to fill these gaps;

(e) to decide whether a Director is able to and has been adequately carrying out his duties as director of the Company, particularly where the Director has multiple board representations;

(f) to review the independence of each Director annually;

(g) to decide how the Board's performance may be evaluated and propose objective performance criteria for the Board's approval; and

(h) to assess the effectiveness of the Board as a whole.

The Nominating Committee is also responsible for ensuring that the existing Directors contribute a blend of relevant experiences to the Board and have core competencies to effectively manage the Company. In view that some of the Directors may serve on multiple boards, the Nominating Committee also performs annual evaluation to determine if such Director is able to commit to the Company effectively despite his other commitments.

As part of their review, the Nominating Committee noted the following engagements of the existing Directors:

Name of Director	Current directorship in other listed companies	Past directorship in other listed companies (for the last three years)
Zang Jian Jun	–	–
Lu Da Chuan	–	–
Liu Zhong Qiu	–	–
Wen Jie	–	–
Ooi Hoe Seong	–	–
Toh Hock Ghim	Equation Summit Limited CIAM Group Ltd	Kinergy Limited WE Holdings Ltd
Ling Chi	–	–

The Code recommends that listed companies fix the maximum number of board representations on other listed companies that their directors may hold and to disclose this in their annual report. Details of other directorships and other principal commitments of the Directors may be found on pages 6 to 7. In determining whether each Director is able to devote sufficient time to discharge his or her duties, the Nominating Committee has taken cognizance of the recommendations under the Code, but is of the view that its assessment should not be restricted to the number of board representations of each Director and their other principal commitments per se. The contributions by the Directors to and during meetings of the Board and relevant Board Committees as well as their attendance at such meeting are also holistically assessed and taken into account by the Nominating Committee.

In addition, the Board did not fix the maximum number of listed company board representations and other principal commitments which any Director may hold as currently, none of the Directors hold more than two directorships in other listed companies.

After reviewing the disclosures made by the Directors as well as their performances for FY2014, the Board is of the view that the Directors have been able to devote adequate time and attention to the affairs of the Company and they have been able to fulfil their duties as directors to the Company.

For FY2014, the Nominating Committee has also noted that the Group has not employed any person who is a relative of a Director, Chief Executive Officer or Substantial Shareholder of the Company.

Board Membership

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

In the event that the Board needs to be reconstituted, the Nominating Committee is responsible for nominating suitable candidates to the Board for appointment as Director, if the nominee is able to fill up the core competencies and expertise which the existing Board lacks. The Nominating Committee will seek candidates widely and beyond persons directly known to the Directors and is empowered to engage professional search firms and also give due consideration to candidates identified by any persons. In its search and nomination process for new directors, the Nominating Committee will also have, at its disposal, search companies, personal contracts and recommendations, to cast its net as wide as possible for the right candidates.

For any appointment of a new Director to the Board, the Nominating Committee would, in consultation with the Board, evaluate and determine the selection criteria with due consideration to the mix of skills, knowledge and experience of the existing Board. The Nominating Committee does so by first evaluating the existing strengths and capabilities of the Board, assess the likely future needs of the Board, assess whether this need can be fulfilled by the appointment of one person and if not, then to consult the Board with respect to the appointment of two persons, seek likely candidates widely and source resumes for review, undertake background checks on the resumes received, narrow this list of resumes to a short list and then to invite the shortlisted candidates to an interview which may include a briefing of the duties required to ensure that there are no expectation gaps. The Nominating Committee will interview all potential candidates in frank and detailed meetings and make recommendations to the Board for approval.

The Board will consider the potential candidates and Directors newly appointed by the Board are appointed by way of resolutions passed by the Board, following which they are subject to election by Shareholders at the next Annual General Meeting immediately following their appointment and thereafter, they are required to retire once every three years under Bye-Law 86 of the Company's Bye-Laws.

In FY2014, the Nominating Committee reviewed the resignations and the appointments of Directors to the Company.

Re-election of Directors

Pursuant to its review, the Nominating Committee has noted the dates of appointment of the existing Directors are as follows:

Name of Director	Age	Date of Initial Appointment
Zang Jian Jun	40	4 January 2012
Lu Da Chuan	39	17 February 2015
Liu Zhong Qiu	63	2 December 2013
Wen Jie	48	3 December 2014
Ooi Hoe Seong	64	30 December 2011
Toh Hock Ghim	73	30 December 2011
Ling Chi	74	7 February 2013

There are no Directors who have served the Board beyond nine years from the date of his/her first appointment.

The re-election of Directors is held annually and in accordance with the Bye-Laws of the Company. As set out in Bye-law 86(1) of the Company's Bye-Laws, each Director shall retire at least once every three years and shall be eligible for re-election at each Annual General Meeting.

The Board has delegated to the Nominating Committee the functions of developing and maintaining a transparent and formal process for the appointment of new directors, making recommendations for directors who are due for retirement by rotation to seek re-election at the subsequent general meeting and determining the independent status of each director.

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.

To ensure that the Board contributes effectively to the Group, the Nominating Committee evaluates the Board's performances using assessment parameters, including (i) the Director's attendance at the meetings of the Board and the relevant Board Committees; (ii) the Director's level of participation at the meetings of the Board and the relevant Board Committees; (iii) quality of the interventions made by the Director; and (iv) the special contributions of the Director. Other assessment criteria include evaluation of the Board's success in achieving its strategic and long-term objectives, the Group's profitability, the Group's return on assets and the Group's return on equity.

The Nominating Committee also takes into consideration the skills and experience of each Director to ensure that the Directors appointed are able to assist the Company and the Group adequately. The assessment on the Board is both quantitative and qualitative in nature. To assess the contribution of each individual Director, the factors evaluated by the Nominating Committee include but are not limited to:

(a) his/her participation at the meetings of the Board;

(b) his/her ability to contribute to the discussion conducted by the Board;

(c) his/her ability to evaluate the Company's strength and weaknesses and make informed business decisions;

(d) his/her ability to interpret the Company's financial reports and contribute to the formulation of strategies, budgets and business plans that are compatible with the Group's vision and existing business strategy;

(e) his/her compliance with the policies and procedures of the Group;

(f) his/her performance of specific tasks delegated to him/her;

(g) his/her disclosure of any related person transactions or conflicts of interest; and

(h) for Independent Directors, his/her independence from the Group and the Management.

In addition to its constant evaluation of the Board's performance, the Nominating Committee also assesses annually the performances and contributions of the Director that is to be re-appointed at the Annual General Meeting.

Based on the Nominating Committee's review, the Board and the various Board Committees operate effectively and each Director is contributing to the overall effectiveness of the Board.

Access to Information

Principle 6: In order to fulfil their responsibilities, Board members 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.

To enable the Board to fulfil its responsibilities, the Management provides the Board with adequate information on a regular basis, to update the Board on the affairs of the Company and Group.

On-going reports relating to the developments, the operational performances and the financial performances of the Group are provided to the Board on a regular basis such that the Board is kept informed of the Group's performances.

Board papers are also circulated to the Directors prior to each meeting to allow the Directors to prepare for that meeting such that they may participate actively at the meeting and have a more effective discussion of the issues faced by the Group. In particular, financial statements of the Group which are prepared on a quarterly basis are circulated to all the Directors for their review, allowing the Directors to have an awareness of the Group's financial position. The Management will also attend the Board meetings to provide the Directors with information as well as to answer any queries that the Directors may have, allowing the Directors to be kept updated on the health of the Group's businesses and operations.

In general, the Board has unrestricted access to the Company's records and information. Each member of the Board also has separate and independent access to the Company Secretary and Mazars LLP (the external auditor) when they each require assistance or advice from the Company Secretary or Mazars LLP, as the case may be. The Board, whether individually or collectively, in furtherance of their duties, has access to independent professional advice, if necessary, at the Company's expense. In addition, the Independent Directors have access to all levels of key personnel in the Group.

In particular, the Company Secretary administers, attends and prepares minutes of Board meetings, and assists the Executive Chairman in ensuring that Board procedures are followed and reviewed so that the Board functions effectively, and the Company's Bye-laws and relevant rules and regulations, including requirements of the Singapore Exchange Securities Trading Limited ("SGX-ST"), are complied with.

(B) REMUNERATION MATTERS

Remuneration Committee

The Remuneration Committee comprises Ms Ling Chi as its Chairman and Mr Ooi Hoe Seong and Mr Toh Hock Ghim as its members.

Notwithstanding the above, the Group may appoint individuals as new Directors and as members of the Remuneration Committee if they are found to be suitable after a review by the existing Board and Nominating Committee.

The responsibilities of the Remuneration Committee include the following:

(a) to attract, retain and reward well-qualified people to serve the Group by pegging remuneration and benefits at competitive rates;

(b) to review Directors' fees to ensure that they are at sufficiently competitive levels;

(c) to reward staff based on their merit and performance through annual merit service increments;

(d) to review and advise the Board on the terms of appointment and remuneration of its members and senior management of the Group;

(e) to review the terms of the employment arrangements with management so as to develop consistent group wide employment practices subject to regional differences; and

(f) to recommend to the Board in consultation with the Management and the Chairman of the Board, any long term incentive scheme.

The Remuneration Committee reviews and recommends to the Board for approval the fees and remuneration of all Directors (including the Executive Chairman and Chief Executive Officer). No Director is involved in deciding his own remuneration.

The Remuneration Committee will be provided with access to professional advice on remuneration matters, as and when necessary. The expenses of such services shall be borne by the Company.

The Remuneration Committee 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.

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.

As part of its review, the Remuneration Committee shall ensure that:

(a) all aspects of remuneration including Directors' fees, salaries, allowances, bonuses, options and benefits-in-kind should be covered;

(b) the remuneration packages should be comparable with comparable companies within the industry, shall include a performance-related element; and

(c) the remuneration package of employees related to Directors or Controlling Shareholders of the Group are in line with the Group's staff remuneration guidelines and commensurate with their respective job scopes and levels of responsibility.

The members of the Remuneration Committee have not and will not participate in any decision concerning their own remuneration.

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 needed 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 Group's remuneration policy is to provide compensation packages appropriate to attract, retain and motivate the Directors and key personnel required to run the Group successfully.

In setting remuneration packages, the Remuneration Committee will take into consideration the prevailing economic situation, the pay and employment conditions within the industry and in comparable companies. As part of its review, the Remuneration Committee will ensure that the performance related elements of remuneration form a significant part of the total remuneration package of the Executive Directors and is designed to align the Executive Directors' interests with those of Shareholders and link rewards to corporate and individual performance.

In determining the remuneration of the Independent Directors, the Remuneration Committee will ensure that the level of remuneration is appropriate to the level of contribution, taking into account factors such as effort and time spent and responsibilities of the Independent Directors. The Remuneration Committee will ensure that Independent Directors are not over-compensated to the extent that their independence may be compromised. The Board will, if necessary, consult experts on the remuneration of Independent Directors. The Board will recommend the remuneration of the Independent Directors for approval at the Annual General Meeting.

Currently, the Company does not have any long-term incentive scheme for its Directors and key managements.

Disclosure on Remuneration

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

Details of remuneration in bands of S$250,000 paid to the Directors for the FY2014 are set out below:

Remuneration band And Names of Directors	Fees (S$)	Salary (S$)	Bonus (S$)	Others (S$)	Total (S$)
Directors who are paid S$500,000 or more annually					
Zang Jian Jun	–	100%	–	–	100%
Directors who are paid S$250,000 or more but less than S$500,000 annually					
Liu Zhong Qiu	–	100%	–	–	100%
Chen Xiao Yin(1)	–	100%	–	–	100%
Ju Jia(2)	–	100%	–	–	100%
Directors who are paid below S$250,000 annually					
Wen Jie(3)	–	100%	–	–	100%
Ooi Hoe Seong	100%	–	–	–	100%
Toh Hock Ghim	100%	–	–	–	100%
Ling Chi	100%	–	–	–	100%

Notes:

(1) Ms Chen Xiao Yin stepped down from the Board with effect from 17 February 2015. Details of her resignation were contained in an announcement released via SGXNET on 17 February 2015.

(2) Ms Ju Jia stepped down from the Board with effect from 3 December 2014. Details of her resignation were contained in an announcement released via SGXNET on 3 December 2014.

(3) Mr Wen Jie was appointed as a director of the Company with effect from 3 December 2014. Details of his appointment were contained in an announcement released via SGXNET on 3 December 2014.

The Company also did not employ any employees who are immediate family members of a Director or Substantial shareholder in FY2014.

Due to the size of the Company, the Company did not have any other Key Executives in FY2014 save for Mr Zang Jian Jun, Mr Liu Zhong Qiu, Mr Wen Jie, Ms Chen Xiao Yin and Ms Ju Jia. The details of remuneration paid to these Key Executives for their services are set out above in bands of S$250,000.

The Board is of the view that given the sensitive and confidential nature of employees' remuneration, detailed disclosure on the Key Executives is not in the best interests of the Company and the Group. Such disclosure would disadvantage the Group in relation to its competitors and may affect adversely the cohesion and spirit of team work prevailing among the employees of the Group.

The Company also did not employ any employees who are immediate family members of a Director, the Chief Executive Officer or Substantial Shareholders in FY2014.

(C) ACCOUNTABILITY AND AUDIT

Accountability

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

The Management provides the Board with balanced and understandable management accounts of the Group's performance periodically as and when necessary. This includes circulating the financial statements, which are prepared on a quarterly basis, to the Directors for their review such that the Directors may monitor the Group's performance as well as the Management's achievements of goals and objectives set by the Board.

The Board provides the Shareholders with a balanced and understandable assessment of the Group's performance, position and prospects on a regular basis through its quarterly announcements on SGXNET in relation to its financial statements for the relevant financial period. The announcements containing the quarterly financial statements are signed by two Directors, for and on behalf of the Board, to confirm that it is to the best of the Board's knowledge, that nothing has come to the attention of the Board which may render the unaudited interim financial statements contained in the announcements to be false or misleading in any material aspect.

The Company adopts the practice of communicating major developments in its business and operations to the SGX-ST, its shareholders and its employees. Announcements are released via SGXNET and if necessary, circulars and/or letters to shareholders are also sent to Shareholders of the Company to provide them with further information on the Company's businesses and operations.

Risk Management 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.

The Board acknowledges that it is responsible for the overall internal control framework, but recognises that no cost effective internal control system will preclude all errors and irregularities, as a system is designed to manage rather than eliminate the risk of failure to achieve business objectives, and can provide only reasonable and not absolute assurance against material misstatement or loss.

The Audit Committee shall, on behalf of the Board, conduct regular review of the effectiveness and adequacy of the Group's internal control system, including financial, operational, compliance and information technology controls, put in place by the Management to provide reasonable assurance as to the integrity and reliability of the financial information and to safeguard and maintain accountability of its assets.

The Group has in place a management structure with clear reporting lines and delegation of authority to carry out its operations. Management monitors the performance, operation effectiveness and efficiency of the Company internal controls practices through their day-to-day involvement in the Group's operations.

Based on the findings of the external auditors, and the Company's internal auditor, Nexia TS Risk Advisory Pte. Ltd. and the various management controls put in place, the Board, with the concurrence of the Audit Committee, is of the opinion that the system of internal controls, including financial, operational, compliance and information technology controls and risk management systems, maintained by the Management that were in place in FY2014 and up to the date of this report, are adequate and effective.

The Board has received assurance from the Chief Executive Officer and the Chief Financial Officer that:

(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) regarding the effectiveness of the Company's risk management and internal control systems.

The system of internal controls provides reasonable, but not absolute, assurance that the Company will not be adversely affected by any event that could be reasonably foreseen as it strives to achieve its business objectives. However, the Board also notes that no system of internal control could provide absolute assurance against the occurrence of material errors, poor judgement in decision-making, human error, losses, fraud or other irregularities.

Audit Committee

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

The Audit Committee is chaired by Mr Ooi Hoe Seong and its members include Mr Toh Hock Ghim and Ms Ling Chi.

The Audit Committee takes measures to keep abreast of the changes to accounting standards and issues which have a direct impact on financial statements, with updates being given by the external and internal auditors.

In general, the Group may appoint individuals as new Directors and as members of the Audit Committee if they are found to be suitable after a review by the existing Board and Nominating Committee.

The Audit Committee will assist the Board in discharging their responsibility to safeguard the assets, maintain adequate accounting records, and develop and maintain effective systems of internal control, with the overall objective of ensuring that the Management creates and maintains an effective control environment in the Company. The Audit Committee will provide a channel of communication between the Board, the Management and the external auditors of the Company, Mazars LLP, on matters relating to audit. Mazars LLP is an auditing firm registered with the Singapore Accounting & Corporate Regulatory Authority and it was in charge of auditing the Company and all its subsidiaries in FY2014. Accordingly, the Company is in compliance with Rule 712 and 715 of the SGX-ST's Listing Manual.

For FY2014, the Audit Committee held a formal meeting with Mazars LLP, without the presence of the Management for the purpose of facilitating discussion of the responses by management on audit matters.

Notwithstanding the above, the Audit Committee Members also had informal discussions with the Management of the Company or such discussions were tabled at the Board Meetings instead. The Audit Committee meets as and when required to discuss and review the following matters:

(a) the audit plans of the external and internal auditors of the Company, and their reports arising from the audit;

(b) the adequacy of the assistance and cooperation given by the Company's management to the external and internal auditors;

(c) the financial statements of the Company and the consolidated financial statements of the Group;

(d) the quarterly and annual announcement of the results of the Group before submission to the Board for approval;

(e) the adequacy of the Group's internal controls with respect to the management, business and service systems and practices;

(f) legal and regulatory matters that may have material impact on the financial statements, compliance policies and programmes and any reports received from regulators;

(g) the cost effectiveness, independence and objectivity of the external auditor;

(h) the approval of compensation to the external auditor;

(i) the nature and extent of non-audit services provided by the external auditor;

(j) the recommendation to the Board for the appointment or re-appointment of the external auditor of the Company;

(k) any suspected fraud and irregularity, or suspected infringement of any relevant laws, rules or regulations, which has or is likely to have a material impact to the Group's operating results or financial position and the Management's response;

(l) to report actions and minutes of the Audit Committee to the Board with such recommendations as the Audit Committee considers appropriate;

CORPORATE GOVERNANCE REPORT

(m) interested person transactions to ensure that the current procedures for monitoring of interested party transactions have been complied with; and

(n) reviewing the adequacy and effectiveness of the internal audit function.

The Audit Committee is authorised to investigate any matter within its terms of reference, and has full access to the management and resources which are necessary to enable it to discharge its functions properly. It also has full discretion to invite any executive director or executive management to attend its meetings.

For FY2014, the Audit Committee has reviewed the Company's financial reporting function, internal controls and processes and is satisfied with the adequacy and quality of the same. The Audit Committee is satisfied with the adequacy of the Company's accounts and financial reporting resources and the performance of the Chief Financial Officer and other senior management in the Finance Department.

The Audit Committee has also reviewed the arrangements by which the employees of the Company may, in confidence, raise concerns about the possible improprieties in matters of financial reporting or other matters within the Group, with the objectives of ensuring that arrangements are put in place for independent investigation of such matters and for appropriate follow-up action as and when the need arise. As at the date of this Report, the Company has put in place the whistle-blowing policy for this purpose.

The Audit Committee has reviewed the work performed by Mazars LLP after taking into consideration the guidelines set out in the "Guidance to Audit Committees on Evaluation of Quality of Work Performed by External Auditors" issued in July 2010 by SGX-ST and the Singapore Accounting & Corporate Regulatory Authority. After taking into consideration the adequacy of the resources and experience of Mazars LLP (including the audit partner in charge of auditing the Company), the other audit engagements of Mazars LLP, the number and experience of supervisory and professional staff assigned to review the Group as well as the size and complexity of our Group, the Audit Committee and the Board were satisfied that Rules 712 and 715 of the SGX Listing Manual have been complied with and were of the view that Mazars LLP have been able to assist the Company in meeting its audit obligations.

In accordance with Rule 1207(6) of the SGX-ST's Listing Manual, there was no non-audit related work carried out by the external auditors for FY2014. In addition, the fees paid to Mazars LLP for preparing the audited accounts of the Company for FY2014 are S$100,000 (excluding disbursements and GST).

On this basis, the Audit Committee has recommended to the Board the nomination of Mazars LLP for re-appointment as external auditors of the Company at the forthcoming Annual General Meeting.

Internal Audit

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

The Board acknowledges that it is responsible for maintaining an internal audit function independent of the activities it audits.

The Company has appointed the external audit firm Nexia TS Risk Advisory Pte. Ltd. to perform such internal audit functions ("**Internal Auditors**"). The Internal Auditors have unfettered access to all the Company's documents, records, properties and personnel, including access to the Audit Committee.

Messrs Nexia TS Risk Advisory Pte. Ltd. is not the external auditor of the Company and the Audit Committee noted that the internal audits conducted by Internal Auditors are expected to meet or exceed the standards set out by the Institute of Internal Auditors.

The role of the Internal Auditors is to support the Audit Committee in ensuring that the Company maintains a sound system of internal controls by monitoring and assessing the effectiveness of the key controls and procedures, conducting in-depth audits of high risk areas and undertaking investigation as directed by the Audit Committee.

The Internal Auditors shall remain independent of management and shall report directly to the Chairman of the Audit Committee. The Internal Auditors shall be responsible for the preparation of internal audit plans to be reviewed and approved by the Audit Committee.

The Audit Committee meets at least once annually to ensure the adequacy of the internal audit functions. The Audit Committee reviewed and approved the internal audit plan proposed by the Internal Auditors. The Audit Committee also believes that the system of internal controls and risk management maintained by the Company is adequate to safeguard the Shareholders' investments and the Company's assets.

The findings from the reviews and checks on the adequacy of the internal control and risk management are rated and reported to the Audit Committee. In particular, high risk matters are highlighted to the Audit Committee and the Management to ensure that proper follow-up actions are undertaken to ensure proper internal control and risk management.

The annual conduct of audits by the Internal Auditors assesses the effectiveness of the Group's internal control procedures and provides reasonable assurance to the Audit Committee and the Management that the Group's risk management, controls and governance processes are adequate and effective.

(D) SHAREHOLDERS RIGHTS AND RESPONSBILITIES

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.

The Shareholders are treated fairly and equitably to facilitate the exercise of their ownership rights. Written policies and procedures are implemented to ensure that there is adequate disclosure of development in the Group in accordance with the Listing Manual of the SGX-ST.

Any notice of a general meeting of Shareholders is issued at least 14 days before the scheduled date of such meeting.

Communication with Shareholders

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

In line with continuous disclosure obligations of the Company, pursuant to the listing rules of the SGX-ST's Listing Manual, the Board's policy is that Shareholders are informed of all major developments that impact the Group.

Information is communicated to shareholders on a timely basis. Where there is inadvertent disclosure made to a selected group, the Company will make the same disclosure publicly as soon as practicable. Communication is made through:

- annual reports that are prepared and issued to all Shareholders. The Board makes every effort to ensure that the annual reports include all relevant information about the Group, including future developments and other disclosures required under the listing rules of the SGX-ST's Listing Manual and the relevant accounting standards;
- quarterly financial statements containing a summary of the financial information and affairs of the Group for the period;
- notices of and explanatory memoranda for annual general meetings and special general meetings; and
- disclosures to the SGX-ST and the Shareholders by releasing announcements via SGXNET.

The Company does not have a fixed dividend policy. The form, frequency and amount of dividends will depend on the Company's earnings, general financial condition, results of operations, capital requirements, cash flow, general business condition, development plans and other factors as the Directors may deem appropriate.

Conduct of Shareholder Meetings

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

The Board is mindful of its obligations to provide timely disclosure of material information to Shareholders and does so through (i) the Company's Annual Reports; (ii) the Group's results announcements; and (iii) other SGXNET announcements on developments within the Group or in relation to disclosures required by the SGX-ST. If necessary, the Group will also despatch circulars or letters to its Shareholders to provide the Shareholders with more information on its major transactions.

The Board regards the general meetings as opportunities to communicate directly with the Shareholders and encourages greater shareholder participation. As such, the Shareholders are encouraged to attend general meetings of the Company to grasp a better understanding of the Group's businesses and be informed of the Group's strategic goals and objectives. Notices of general meetings are dispatched to the Shareholders at least 14 days before the meeting if ordinary businesses are to be transacted at the meeting or at least 21 days before the meeting if special businesses are to be transacted at the meeting. The notices of general meetings are also released as announcements via SGXNET and advertised in the newspapers.

General meetings of the Company will be chaired by the Executive Chairman or his representatives and are also attended by other Directors, the Management, the Company Secretary and if necessary, Mazars LLP (the external auditor). In the event that a Shareholder has any queries and/or concerns with regards to the Group, its businesses and operations, the Shareholder may raise his/her queries and/or concerns at such general meetings so that the Company can better understand the views of the Shareholders. The Board (assisted by the Management, the Company Secretary or her representative, as well as the external auditor) will address any relevant queries and/or concerns raised by the Shareholders.

The Company's Bye-Laws allow any Shareholder to appoint one or two proxies to attend the general meetings held and vote in his/her place. However, the Board is of the view that voting in absentia can only be possible if there is absolute certainty that the integrity of the information and authentication of the identity of such Shareholder is not compromised. In addition to the above, the results of all general meetings are also released as announcements via SGXNET.

(E) DEALINGS IN SECURITIES

The Company has issued an internal compliance code on securities transactions to Directors and key employees (including employees with access to price-sensitive information on the Company's shares) of the Group which sets out the code of conduct on transactions in the Company's shares by these persons, the implications of insider trading and general guidance on the prohibition against such dealings.

In line with Rule 1207(19) of the Listing Manual issued by the SGX-ST, the Company issues a notification to all officers of the Company informing them that they should not deal in the securities of the Company during the periods commencing one month before the announcement of the Company's full-year results and two weeks before the Company's quarterly or half-year results until after the announcement. They are also discouraged from dealing in the Company's shares on short term considerations.

The Board confirms that for FY2014, the Company has complied with Rule 1207(19) of the Listing Manual.

(F) MATERIAL CONTRACTS

Save as disclosed under "Material Contracts" in the announcements made on SGXNET, Director's Report and these financial statements, there were no material contracts of the Company or its subsidiaries involving the interest of any director or controlling shareholders subsisting at the end of FY2014.

(G) INTERESTED PERSON TRANSACTIONS

The Company has established procedures to ensure that all transactions with interested persons are reported in a timely manner to the Audit Committee and that the transactions are carried out on normal commercial terms and will not be prejudicial to the interests of the Company and its shareholders.

The Board will meet to review if the Company will be entering into any interested person transaction. If the Company intends to enter into an interested person transaction, the Board of Directors will ensure that the Company complies with the requisite rules under Chapter 9 of the SGX-ST's Listing Manual.

The Audit Committee has met and will meet regularly to review if the Company will be entering into an interested person transaction, and if so, the Audit Committee ensures that the relevant rules under Chapter 9 of the SGX-ST's Listing Manual are complied with.

The Group and the Company confirm that there were no other interested person transactions during the period under review.

(H) RISK MANAGEMENT

The Management regularly reviews the Company's business and operational activities to identify areas of significant business risks as well as appropriate measures to control and mitigate these risks. The management reviews all the significant control policies and procedures and highlight all significant findings to the Directors and the Audit Committee.

REPORT OF THE DIRECTORS

The directors are pleased to present their report to the members together with the audited consolidated financial statements of CEFC International Limited (the "Company") and its subsidiaries (collectively, the "Group"), and the statement of financial position and statement of changes in equity of the Company for the financial year ended 31 December 2014.

1. Directors

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

Executive directors		
Zang Jian Jun	(Chairman)	
Lu Da Chuan	(Chief Executive Officer)	(Appointed on 17 February 2015)
Liu Zhong Qiu	(Chief Operating Officer)	
Wen Jie		(Appointed on 3 December 2014)

Independent non-executive directors
Ooi Hoe Seong
Toh Hock Ghim
Ling Chi

2. Arrangements to enable directors to acquire shares or debentures

Neither at the end of nor at any time during the financial year was the Company a party to any arrangement whose objects were, or one of the objects 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.

3. Directors' interests in shares or debentures

The directors of the Company holding office at the end of the financial year had no interest in the share capital and debentures of the Company and related corporations as recorded in the Register of Directors' Shareholdings kept by the Company.

The directors' interests as at 21 January 2015 in the shares or debentures of the Company have not changed from those disclosed as at 31 December 2014.

4. Directors' contractual benefits

Since the end of the previous financial year, no director of the Company has received or become entitled to receive a benefit which is required to be disclosed, 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 for salaries, bonuses and other benefits as disclosed in the financial statements. Certain directors have received remuneration from related corporations in their capacity as directors and/or executives of those related corporations.

5. Share options

There were no share options granted by the Company or its subsidiaries during the financial year.

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

There were no unissued shares under option in the Company or its subsidiaries as at the end of the financial year.

6. Audit committee

The Audit Committee of the Company comprises three non-executive directors and at the date of this report, they are:

Ooi Hoe Seong	(Chairman)
Toh Hock Ghim	
Ling Chi	

The Audit Committee has convened four meetings during the financial year with key management and the internal and external auditors of the Company.

The Audit Committee carried out its functions and review:

(i) the audit plan and results of the external audit, including the evaluation of internal accounting controls and its cost effectiveness, and the independence and objectivity of the external auditors, including the review of the extent of non-audit services provided by the external auditors to the Group;

(ii) the audit plans of the internal auditors of the Group and their evaluation of the adequacy of the Group's system of internal accounting controls;

(iii) the Group's annual financial statements and the external auditors' report on the annual financial statements of the Group and of the Company before their submission to the board of directors;

(iv) the quarterly, half-yearly and annual announcements as well as the related press releases on the results of the Group and financial position of the Group and of the Company;

(v) the effectiveness of the Group's and the Company's internal controls, including financial, operational and compliance controls and risk management via reviews carried out by the internal auditors;

(vi) met with the external auditors, other committees, and management in separate executive sessions to discuss any matters that these groups believe should be discussed privately with the Audit Committee;

(vii) the Group's compliance with legal requirements and regulations, including the related compliance policies and programmes and reports received from regulators, if any;

(viii) interested person transactions in accordance with SGX listing rules;

6. Audit committee (Continued)

(ix) nomination of external auditors and approval of their compensation; and

(x) submission of report of actions and minutes of the audit committee to the board of directors with any recommendations as the audit committee deems appropriate.

The Audit Committee has full access to and has the co-operation of the management and has been given the resources required for it to discharge its functions properly. It has full discretion to invite any director and executive officer to attend its meetings. The external and internal auditors have unrestricted access to the Audit Committee.

The Audit Committee has recommended to the directors the nomination of Mazars LLP for re-appointment as the external auditors of the Group at the forthcoming Annual General Meeting of the Company.

7. Auditors

The auditors, Mazars LLP, have expressed their willingness to accept re-appointment.

On behalf of the Board of Directors

Zang Jian Jun	**Lu Da Chuan**
Director	Director

Singapore: 13 March 2015

STATEMENT BY THE DIRECTORS

In the opinion of the directors,

(a) the financial statements of the Group and the statement of financial position of the Company are drawn up so as to give a true and fair view of the state of affairs of the Group and of the Company as at 31 December 2014, and of the results, changes in equity and cash flows of the Group and the changes in equity of the Company 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.

On behalf of the Board of Directors

Zang Jian Jun
Director

Lu Da Chuan
Director

Singapore: 13 March 2015

INDEPENDENT AUDITORS' REPORT

to the Members of CEFC International Limited

Report on the Financial Statements

We have audited the accompanying financial statements of CEFC International Limited (the "Company") and its subsidiaries (the "Group") which comprise the statements of financial position and changes in equity of the Group and of the Company as at 31 December 2014, the statements of profit or loss and other comprehensive income and cash flows of the Group for the financial year then ended, a summary of significant accounting policies and other explanatory information as set out on pages 37 to 72.

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 International Financial Reporting Standards, and for devising and maintaining a system of internal accounting controls sufficient to provide reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair profit and loss accounts and balance sheets and to maintain accountability of assets.

Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International 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 auditors' judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk of assessments, the auditors consider internal controls relevant to the entity's preparation and fair presentation of the financial statements 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 controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the 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 financial statements of the Group and the statement of financial position of the Company are properly drawn up in accordance with International Financial Reporting Standards so as to give a true and fair view of the state of affairs of the Group and of the Company as at 31 December 2014 and the results, changes in equity and cash flows of the Group and the changes in equity of the Company for the financial year ended on that date.

INDEPENDENT AUDITORS' REPORT

to the Members of CEFC International Limited

Report on Other Legal and Regulatory Requirements

In our opinion, the accounting and other records required by the provisions of the Singapore Companies Act, Chapter 50 (the "Act") to be kept by the subsidiary incorporated in Singapore of which we are the auditors, have been properly kept in accordance with the provisions of the Act.

MAZARS LLP
Public Accountants and
Chartered Accountants

Singapore: 13 March 2015

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the financial year ended 31 December 2014

	Note	Group 2014 US$'000	Group 2013 US$'000
Revenue	5	327,261	977,222
Cost of sales		(322,723)	(973,090)
Gross profit		4,538	4,132
Other operating income	6	101	194
Administrative expenses		(3,483)	(2,676)
Other operating expenses		(2)	(262)
Finance expenses	7	(119)	(466)
Profit before income tax	8	1,035	922
Income tax expense	10	(320)	(251)
PROFIT FOR THE FINANCIAL YEAR		715	671
Other comprehensive income:			
Items that may be reclassified subsequently to profit or loss			
Exchange differences on translating foreign operations		–	(43)
TOTAL COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR		715	628
Earnings per share for profit attributable to owners of the Company (cents per share)			
Basic and diluted	11	0.020	0.019

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

STATEMENTS OF FINANCIAL POSITION

As at 31 December 2014

	Note	Group 2014 US$'000	Group 2013 US$'000	Company 2014 US$'000	Company 2013 US$'000
ASSETS					
Non-current assets					
Plant and equipment	12	146	225	–	–
Intangible assets	13	1	6	1	6
Investments in subsidiaries	14	–	–	160	160
Total non-current assets		147	231	161	166
Current assets					
Trade receivables	15	31,360	22,486	–	–
Other receivables	16	233	505	21	19
Amounts due from subsidiaries	17	–	–	140	928
Cash and cash equivalents	18	2,594	8,308	320	34
Total current assets		34,187	31,299	481	981
Total assets		34,334	31,530	642	1,147
EQUITY AND LIABILITIES					
Equity					
Share capital	19	454	454	454	454
Share premium	20	18,116	18,116	18,116	18,116
Accumulated losses		(17,246)	(17,961)	(21,248)	(20,042)
Total equity/(Capital deficiency)		1,324	609	(2,678)	(1,472)
Non-current liability					
Provision	21	29	30	–	–
Total non-current liability		29	30	–	–
Current liabilities					
Trade payables	22	16,864	13,810	–	–
Other payables	23	196	598	95	152
Amount due to holding company	24	15,575	16,232	2,379	2,467
Amount due to a subsidiary	17	–	–	846	–
Income tax payable		346	251	–	–
Total current liabilities		32,981	30,891	3,320	2,619
Total liabilities		33,010	30,921	3,320	2,619
Total equity and liabilities		34,334	31,530	642	1,147

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

STATEMENTS OF CHANGES IN EQUITY

For the financial year ended 31 December 2014

	Attributable to the owners of the Company				
	Share capital	Share premium	Foreign currency translation reserve	Accumulated losses	Total equity/ (Capital deficiency)
	US$'000	US$'000	US$'000	US$'000	US$'000
Group					
Balance at 1 January 2013	454	18,116	43	(18,632)	(19)
Profit for the financial year	–	–	–	671	671
Other comprehensive income:					
Exchange differences on translating foreign operations	–	–	(43)	–	(43)
Total other comprehensive income, net of tax	–	–	(43)	–	(43)
Total comprehensive income for the financial year	–	–	(43)	671	628
Balance at 31 December 2013	454	18,116	–	(17,961)	609
Balance at 1 January 2014	454	18,116	–	(17,961)	609
Profit for the financial year, representing total comprehensive income for the financial year	–	–	–	715	715
Balance at 31 December 2014	454	18,116	–	(17,246)	1,324
Company					
Balance at 1 January 2013	454	18,116	49	(19,404)	(785)
Loss for the financial year, representing total comprehensive loss for the financial year	–	–	–	(687)	(687)
Reclassification	–	–	(49)	49	–
Balance at 31 December 2013	454	18,116	–	(20,042)	(1,472)
Balance at 1 January 2014	454	18,116	–	(20,042)	(1,472)
Loss for the financial year, representing total comprehensive loss for the financial year	–	–	–	(1,206)	(1,206)
Balance at 31 December 2014	454	18,116	–	(21,248)	(2,678)

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

CONSOLIDATED STATEMENT OF CASH FLOWS

For the financial year ended 31 December 2014

		Group	
		2014	2013
	Note	US$'000	US$'000
Operating activities			
Profit before income tax		1,035	922
Adjustments for:			
Amortisation of intangible assets	13	5	4
Depreciation of plant and equipment	12	79	73
Gain on disposal of subsidiaries	6	–	(45)
Interest expense	7	119	466
Interest income	6	(2)	(7)
Unrealised exchange differences		(118)	(115)
Operating cash flows before movements in working capital		1,118	1,298
Movements in working capital:			
Trade receivables		(8,874)	(22,486)
Trade payables		3,054	13,810
Other receivables		262	(267)
Other payables		(388)	314
Cash used in operations		(4,828)	(7,331)
Income taxes paid		(224)	(125)
Interest paid		(119)	(466)
Interest received		2	7
Net cash used in operating activities		(5,169)	(7,915)
Investing activities			
Purchase of plant and equipment	12	–	(22)
Net cash outflow on disposal of subsidiaries	14	–	* –
Net cash used in investing activities		–	(22)
Financing activities			
Advances from holding company		–	8,980
Repayments to holding company		(537)	–
Fixed deposits released from/(pledged with) financial institutions		3,204	(4,205)
Net cash generated from financing activities		2,667	4,775
Net decrease in cash and cash equivalents		(2,502)	(3,162)
Cash and cash equivalents at beginning of the financial year		4,103	7,268
Effect of currency translation changes on cash and cash equivalents		(8)	(3)
Cash and cash equivalents at end of the financial year	18	1,593	4,103

* Denotes amount less than US$1,000.

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

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

1. General

CEFC International Limited (the "Company") (Registration Number: 35733) is incorporated in Bermuda as an exempted company with limited liability and listed on the Main Board of the Singapore Exchange Securities Trading Limited (the "SGX-ST").

The registered office is located at Clarendon House, 2 Church Street, Hamilton HM11, Bermuda and its principal place of business is at 80 Raffles Place UOB Plaza 2 #12-20, Singapore 048624.

The principal activity of the Company is that of investment holding. The principal activities of the respective subsidiaries are disclosed in Note 14 to the financial statements.

Singapore Petrochemical & Energy Development Pte Ltd, a company incorporated in the Republic of Singapore, is the Company's immediate and ultimate holding company.

The consolidated financial statements of the Group, and the statement of financial position and the statement of changes in equity of the Company for the financial year ended 31 December 2014 were authorised for issue by the Board of Directors on 13 March 2015.

2. Going concern

The financial statements of the Company have been prepared on a going concern basis notwithstanding the net capital deficiency and net current liabilities of approximately US$2,678,000 and US$2,839,000 respectively as at 31 December 2014, as well as net operating cash outflow of the Company for the financial year then ended. These factors indicate the existence of a material uncertainty which may cast significant doubt over the Group's and the Company's ability to continue as going concerns.

The ability of the Company to continue as going concerns is dependent on the undertaking of its holding company, Singapore Petrochemical & Energy Development Pte Ltd, which is also the major payable, to provide continuing financial support to enable the Company to meet their liabilities as and when they fall due.

Notwithstanding the aforementioned relating to the Company, the financial statements of the Group have been prepared on a going concern basis. The Group has net assets and net current assets of approximately US$1,324,000 and US$1,206,000 respectively as at 31 December 2014, and generated profits of US$715,000 for the financial year then ended.

3. Summary of significant accounting policies

3.1 Basis of preparation

The consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company have been drawn up in accordance with International Financial Reporting Standards ("IFRS") issued by International Accounting Standards Board ("IASB") and the Interpretations to IFRS ("INT IFRS") issued by International Financial Reporting Interpretations Committee ("IFRIC"), and are prepared on the historical cost basis, except as disclosed in the accounting policies below.

3. Summary of significant accounting policies (Continued)

3.1 Basis of preparation (Continued)

The individual financial statements of each Group entity are measured and presented in the currency of the primary economic environment in which the entity operates (its functional currency). The financial statements are presented in United States dollar ("USD" or "US$") which is also the functional currency of the Company, and all values presented are rounded to the nearest thousand ("US$'000"), unless otherwise indicated.

In the current financial year, the Group has adopted the new and revised IFRS, and INT IFRS that are relevant to its operations and effective for annual periods beginning on or after 1 January 2014. The adoption of these new or revised IFRS and INT IFRS did not result in changes to the Group's and Company's accounting policies and has no material effect on the amounts reported for the current or prior financial years.

IFRS and INT IFRS issued but not yet effective

At the date of authorisation of these statements, the following IFRS and INT IFRS that are relevant to the Group were issued but not yet effective:

	Description	*Effective date (annual periods beginning on or after)*
IFRS 2	Amendments to IFRS 2 *Share-based Payments*	1 July 2014
IFRS 3	Amendments to IFRS 3 *Business Combinations*	1 July 2014
IFRS 7	Amendments to IFRS 7 *Financial Instruments: Disclosures*	1 January 2015
IFRS 8	Amendments to IFRS 8 *Operating Segments*	1 July 2014
IFRS 9	Amendments to IFRS 9 *Financial Instruments*	1 January 2015
IFRS 11	Amendments to IFRS 11 *Joint Arrangements*	1 January 2016
IFRS 13	Amendments to IFRS 13 *Fair Value Measurements*	1 July 2014
IFRS 14	*Regulatory Deferrals Accounts*	1 January 2016
IFRS 15	*Revenue from Contracts With Customers*	1 January 2017
IAS 16	Amendments to IAS 16 *Property, Plant and Equipment*	1 July 2014
IAS 19	Amendments to IAS 19 *Defined Benefits Plans: Employee Contributions*	1 July 2014
IAS 24	Amendments to IAS 24 *Related Party Disclosures*	1 July 2014
IAS 27	Amendments to IAS 27 *Equity Method in Separate Financial Statements*	1 January 2016
IAS 38	Amendments to IAS 38 *Intangible Assets*	1 July 2014
IAS 40	Amendments to IAS 40 *Investment Property*	1 July 2014
IAS 16, 41	Amendments to IAS 16 and IAS 41 *Agriculture: Bearer Plants*	1 January 2016
IAS 16, 38	Amendments to IAS 16 and IAS 38 *Clarifications of Acceptable Methods of Depreciation and Amortisation*	1 January 2016

Consequential amendments were also made to various standards as a result of these new or revised standards.

3. Summary of significant accounting policies (Continued)

3.1 Basis of preparation (Continued)

The Group and the Company have not early adopted any of the above new or revised standards, interpretations and amendments to the existing standards in the financial year ended 31 December 2014. Management is in the process of making an assessment of their impact and is not yet in a position to state whether any substantial changes to the Group's and the Company's significant accounting policies and presentation of the financial information will result.

3.2 Basis of consolidation

The financial statements of the Group comprise the financial statements of the Company and its subsidiaries. Subsidiaries are entities (including structured entities) (i) over which the Group has power and the Group is (ii) able to use such power to (iii) affect its exposure, or rights, to variable returns from then through its involvement with them.

The Group reassesses whether it controls the subsidiaries if facts and circumstance indicate that there are changes to the one or more of the three elements of control.

When the Group has less than a majority of the voting rights of an investee, it still has power over the investee when the voting rights are sufficient, after considering all relevant facts and circumstances, to give it the practical ability to direct the relevant activities of the investee unilaterally. The Group considers, among others, the extent of its voting rights relative to the size and dispersion of holdings of the other vote holders, currently exercisable substantive potential voting rights held by all parties, rights arising from contractual arrangements and voting patterns at previous shareholders' meetings.

Subsidiaries are consolidated from the date on which control is transferred to the Group up to the effective date on which control ceases, as appropriate.

Intra-group assets and liabilities, equity, income, expenses and cash flows relating to intragroup transactions are eliminated on consolidation.

The financial statements of the subsidiaries used in the preparation of the financial statements are prepared for the same reporting date as that of the Company. Where necessary, accounting policies of subsidiaries have been changed to ensure consistency with the policies adopted by the Group.

Non-controlling interests are identified separately from the Group's equity therein. On an acquisition-by-acquisition basis, non-controlling interests may be initially measured either at fair value or at their proportionate share of the fair value of the acquiree's identifiable net assets. Subsequent to acquisition, the carrying amount of non-controlling interests is the amount of those interests at initial recognition plus the non-controlling interests' share of subsequent changes in equity. Losses in the subsidiary are attributed to non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. Any differences between the amount by which the non-controlling interests are adjusted to reflect the changes in the relative interests in the subsidiary and the fair value of the consideration paid or received is recognised directly in equity and attributed to the owners of the Company.

3. Summary of significant accounting policies (Continued)

3.2 Basis of consolidation (Continued)

When the Group loses control over a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. Amounts previously recognised in other comprehensive income in relation to the subsidiary are accounted for (i.e. reclassified to profit or loss or transferred directly to retained earnings) in the same manner as would be required if the relevant assets or liabilities were disposed of. The fair value of any investments retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IAS 39 *Financial Instruments: Recognition and Measurement* or, when applicable, the cost on initial recognition of an investment in an associate or jointly controlled entity.

Investments in subsidiaries are carried at cost less any impairment loss that has been recognised in profit or loss in the Company's separate financial statements.

3.3 Business combinations

The acquisition of subsidiaries is accounted for using the acquisition method. The cost of the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred.

The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3 *Business Combinations* are recognised at their fair values at the acquisition date, except for non-current assets (or disposal groups) that are classified as held-for-sale in accordance with IFRS 5 *Non-Current Assets Held for Sale and Discontinued Operations*, which are recognised and measured at the lower of cost and fair value less costs to sell.

Where a business combination is achieved in stages, the Group's previously held interests in the acquired entity are remeasured to fair value at the acquisition date (i.e. the date the Group attains control) and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss, where such treatment would be appropriate if that interest were disposed of.

The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3 are recognised at their fair value at the acquisition date, except that:

- deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with IAS 12 *Income Taxes* and IAS 19 *Employee Benefits* respectively;

- liabilities or equity instruments related to the replacement by the Group of an acquiree's share-based payment awards are measured in accordance with IFRS 2 *Share-based Payment*; and

- assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that Standard.

3. Summary of significant accounting policies (Continued)

3.3 Business combinations (Continued)

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see below), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised as of that date.

The measurement period is the period from the date of acquisition to the date the Group obtains complete information about facts and circumstances that existed as of the acquisition date, and is subject to a maximum of one year.

Goodwill arising on acquisition is recognised as an asset at the acquisition date and is initially measured at cost, being the excess of the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the acquirer previously held equity interest (if any) in the entity over net acquisition-date fair value amounts of the identifiable assets acquired and the liabilities assumed.

If, after reassessment, the Group's interest in the net fair value of the acquiree's identifiable net assets exceeds the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the acquirer's previously held equity interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

3.4 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group's activities. Revenue is shown net of estimated customer returns, rebates and other similar allowances.

<u>Sale of goods</u>

Revenue from the sale of goods is recognised when the Group has transferred to the buyer the significant risks and rewards of ownership of the goods; retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold; is able to reliably measure the amount of revenue and the costs incurred or to be incurred in respect of the transaction; and assesses that it is probable for the economic benefits associated with the transaction to flow to the entity.

<u>Interest income</u>

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable.

3.5 Borrowing costs

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

3. Summary of significant accounting policies (Continued)

3.6 Retirement benefit costs

Payment to defined contribution retirement benefits plans are charged as an expense as they fall due. Payment made to state-managed retirement benefit schemes, such as the Singapore Central Provident Fund, are dealt with as payments to defined contribution plans where the Group's obligations under the plans are equivalent to those arising in a defined contribution retirement benefit plan.

3.7 Employee leave entitlements

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 end of the financial year.

3.8 Income tax

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

The tax currently payable is based on taxable profit for the financial year. Taxable profit differs from profit as reported profit or loss because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are not taxable or tax deductible. The Group's liability for current tax is calculated using tax rates (and tax laws) that have been enacted or substantively enacted in countries where the Company and subsidiaries operate by the end of the financial year.

Deferred tax is recognised on the differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and are accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised on taxable temporary differences arising on investments in subsidiaries, except where the Group is able to control 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.

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

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised based on the tax rates (and tax laws) that have been enacted or substantively enacted by the end of the financial year and based on the tax consequence that will follow from the manner in which the Group expects, at the end of the financial year, to recover or settle the carrying amounts of its assets and liabilities. Deferred tax is charged or credited to profit or loss, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

3. Summary of significant accounting policies (Continued)

3.8 Income tax (Continued)

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

Current and deferred tax are recognised as an expense or income in profit or loss, except when they relate to items credited or debited directly to equity, in which case the tax is also recognised directly in equity, or where they arise from the initial accounting for a business combination. In the case of a business combination, the tax effect is taken into account in calculating goodwill or determining the excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over cost.

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

- when the sales tax that is incurred on purchases is not recoverable from the tax authorities, in which case the sales tax is recognised as part of cost of acquisition of the asset or as part of the expense item as applicable; and

- receivables and payables that are stated with the amount of sales tax included.

3.9 Foreign currency transactions and translation

Foreign currency transactions are translated into the individual entities' respective functional currencies at the exchange rates prevailing on the dates of the transactions. At the end of each financial year, monetary items denominated in foreign currencies are retranslated at the rates prevailing as of the end of the financial year. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on retranslation of monetary items are included in profit or loss for the financial year. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the financial year except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in equity. For such non-monetary items, any exchange component of that gain or loss is also recognised directly in other comprehensive income.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations (including comparatives) are expressed in United States dollars using exchange rates prevailing at the end of the financial year. Income and expense items (including comparatives) are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are classified as equity and transferred to the Group's translation reserve. Such translation differences are recognised in profit or loss in the period in which the foreign operation is disposed of.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities (including monetary items that, in substance, form part of the net investment in foreign entities), and of borrowings and other currency instruments designated as hedges of such investments, are taken to the foreign currency translation reserve.

3. Summary of significant accounting policies (Continued)

3.10 Plant and equipment

Plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses. The cost of plant and equipment includes its purchase price and any costs 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. Dismantlement, removal or restoration costs are included as part of the cost of plant and equipment if the obligation for dismantlement, removal or restoration is incurred as a consequence of acquiring or using the plant and equipment.

Subsequent expenditures relating to plant and equipment 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 entity and the cost of item can be measured reliably. All other repairs and maintenance expenses are recognised in profit or loss when incurred.

Depreciation is charged so as to write off the cost or valuation of assets over their estimated useful lives, using straight-line method, on the following bases:

- Office equipment - 5 years
- Motor vehicles - 5 years
- Computers - 3 years

The carrying values of plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

The estimated useful lives, residual values and depreciation methods are reviewed, and adjusted as appropriate, at the end of each financial year.

The gain or loss, being the difference between the sales proceeds and the carrying amount of the asset, arising on disposal or retirement of an item of property, plant and equipment is recognised in profit or loss.

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

3.11 Intangible assets

Computer software

Acquired computer software licenses are initially capitalised on the basis of the costs incurred to acquire and prepare the software for its intended use. Direct expenditure which enhances or extends the performance of computer software beyond its specifications and which can be reliably measured is added to the original cost of the software. Costs associated with maintaining computer software are recognised as an expense as incurred.

Computer software licenses are subsequently carried at cost less accumulated amortisation and accumulated impairment losses. These costs are amortised to profit or loss over their estimated useful lives of 3 years.

3. Summary of significant accounting policies (Continued)

3.12 Impairment of tangible and intangible assets excluding goodwill

The Group reviews the carrying amounts of its tangible and intangible assets as at each reporting date to assess for any indication of impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Irrespective of whether there is any indication of impairment, the Group also tests its intangible assets with indefinite useful lives and intangible assets not yet available for use for impairment annually by comparing their respective carrying amounts with their corresponding recoverable amounts.

The recoverable amount of an asset or cash-generating unit is the higher of its fair value less costs to sell and its value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

An impairment loss for the amount by which the asset's carrying amount exceeds the recoverable amount is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior financial years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

3.13 Financial instruments

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the instrument.

<u>Effective interest method</u>

The effective interest method is a method of calculating the amortised cost of a financial instrument and allocating the interest income or expense over the relevant period. The effective interest is the rate that exactly discounts estimated future cash receipts or payments (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial instrument, or where appropriate, a shorter period, to the net carrying amount of the financial instrument. Income and expense are recognised on an effective interest basis for debt instruments other than those financial instruments at fair value through profit or loss.

3. Summary of significant accounting policies (Continued)

3.13 Financial instruments (Continued)

Financial assets

All financial assets are recognised on a trade date – the date on which the Group commits to purchase or sell the asset. They are initially measured at fair value, plus transaction costs, except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value.

Financial assets are classified into loans and receivables. The classification depends on the nature and purpose for which these financial assets were acquired and is determined at the time of initial recognition.

Loans and receivables

The Group's loans and receivables comprise trade and other receivables, amounts due from subsidiaries and cash and cash equivalents.

Such loans and receivables are non-derivatives with fixed or determinable payments that are not quoted in an active market. They are measured at amortised cost, using the effective interest method less impairment. Interest is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

Impairment of financial assets

Financial assets are assessed for indicators of impairment at the end of each financial year. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted.

For financial assets carried at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

The carrying amounts of all financial assets are reduced by the impairment loss directly with the exception of trade receivables where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

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

3. Summary of significant accounting policies (Continued)

3.13 Financial instruments (Continued)

Financial assets (Continued)

Derecognition of financial assets

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

Financial liabilities and equity instruments

Classification as debt or equity

Financial liabilities and equity instruments issued by Group are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

Equity instruments

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

Ordinary share capital

Ordinary share capital is classified as equity. Incremental costs directly attributable to the issue of ordinary shares and share options are recognised as a deduction from equity.

Share premium

Share premium represents the amount by which the fair value of the consideration received exceeds the nominal value of shares issued. The Company may from time to time by special resolution, subject to any confirmation or consent required by law, reduce its share premium account in any manner permitted by law.

Financial liabilities

Financial liabilities are classified as either financial liabilities at fair value through profit or loss or other financial liabilities.

Financial liabilities are classified as at fair value through profit or loss if the financial liability is either held for trading or it is designated as such upon initial recognition.

3. Summary of significant accounting policies (Continued)

3.13 Financial instruments (Continued)

Financial liabilities and equity instruments (Continued)

Other financial liabilities

Trade and other payables, Amount due to holding company and a subsidiary

Trade and other payables, amount due to holding company and a subsidiary are initially measured at fair value, net of transaction costs, and are subsequently measured at amortised cost, where applicable, using the effective interest method, with interest expense recognised on an effective yield basis.

Financial guarantee contracts

The Company has issued corporate guarantees to banks for borrowings of a subsidiary and these guarantees qualify as financial guarantees because the Company is required to reimburse the banks if the subsidiary breach any repayment terms.

Financial guarantee contract liabilities are measured initially at their fair values plus transaction costs and subsequently at the higher of the amount of obligation under the contract recognised as a provision in accordance with IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* and the amount initially recognised less cumulative amortisation in accordance with IAS 18 *Revenue*.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire.

3.14 Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits with financial institutions, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. For the purpose of the consolidated statement of cash flows, cash and cash equivalents exclude deposits pledged with the financial institutions as collateral which form an integral part of the Group's cash management.

3.15 Operating leases

Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the term of the relevant lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

3. Summary of significant accounting policies (Continued)

3.16 Provisions

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

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the financial year, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows, which is discounted using pre-tax discount rate.

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

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

3.17 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the group of executive directors and the chief executive officer who make strategic decisions.

3.18 Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. Grant related to income is presented as a credit in profit or loss under "Other operating income".

3.19 Contingencies

A contingent liability is:

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

(b) a present obligation that arises from past events but is not recognised because:

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

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

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

3. Summary of significant accounting policies (Continued)

3.19 Contingencies (Continued)

Contingencies are not recognised on the statements of financial position of the Group, except for contingent liabilities assumed in a business combination that are present obligations and which the fair value can be reliably determined.

3.20 Related parties

A related party is defined as follows:

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

(i) Has control or joint control over the Company;

(ii) Has significant influence over the Company; or

(iii) Is a member of the key management personnel of the Group or Company or of a parent of the Company.

(b) An entity is related to the Group and the Company if any of the following conditions applies:

(i) The entity and the Company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others);

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member);

(iii) Both entities are joint ventures of the same third party;

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity;

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

(vi) The entity is controlled or jointly controlled by a person identified in (a);

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

Key management personnel

Key management personnel are those persons having the authority and responsibility for planning, directing and controlling the activities of the Group and the Company, directly or indirectly, including any director (whether executive or otherwise) of that company.

4. Critical accounting judgements and key sources of estimation uncertainty

The Group made judgements, estimates and assumptions about the carrying amounts of assets and liabilities that were not readily apparent from other sources in the application of the Group's accounting policies. Estimates and judgements are continually evaluated and are based on historical experience and other factors that are considered to be reasonable under the circumstances. Actual results may differ from the estimates.

4.1 Critical judgements made in applying the Group's accounting policies

In the process of applying the Group's accounting policies, the management is of the opinion that there are no critical judgements (other than those involving estimates) that have a significant effect on the amounts recognised in the financial statements.

4.2 Key sources of estimation uncertainty

The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Impairment of investment in subsidiaries

At the end of each financial year, an assessment is made on whether there is objective evidence that the Company's investment in subsidiaries is impaired. The Company evaluates, among other factors, the duration and extent to which the fair value of an investment is less than its cost; and the financial health of and near-term business outlook for the investment, including factors such as industry and sector performance, changes in technology and operational and financing cash flow. The Company's carrying amount of investment in subsidiaries as at 31 December 2014 was US$160,000 (2013: US$160,000) (Note 14).

Allowance for loan and receivables

The provision policy for doubtful receivables of the Group is based on the ageing analysis and management's continuous evaluation of the recoverability of the outstanding receivables. In assessing the ultimate realisation of these receivables, management considers, among other factors, the creditworthiness and the past collection history of each customer. If the financial condition of these customers were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required. The carrying amounts of the Group's and the Company's loan and receivables as at 31 December 2014 were US$34,113,000 (2013: US$30,963,000) and US$460,000 (2013: US$962,000) respectively (Note 29).

Provision for income taxes

The Group has exposure to income taxes in several jurisdictions of which a portion of these taxes arose from certain transactions and computations for which ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities of expected tax issues based on their best estimates of the likely taxes due. Where the final tax outcome of these matters is different from the amounts that were initially recognised, such differences will impact the income tax and deferred tax positions in the period in which such determination is made. The carrying amount of the Group's current tax payable as at 31 December 2014 was US$346,000 (2013: US$251,000).

5. Revenue

	Group	
	2014	2013
	US$'000	US$'000
Trading of petroleum and petrochemical products	327,261	977,222

6 Other operating income

	Group	
	2014	2013
	US$'000	US$'000
Gain on disposal of subsidiaries (Note 14)	–	45
Gain on foreign exchange differences, net	95	114
Grant received from Government	4	28
Interest income from banks	2	7
	101	194

7. Finance expenses

	Group	
	2014	2013
	US$'000	US$'000
Interest expense on banking facilities	119	466

8. Profit before income tax

The following charges were included in the determination of profit before income tax:

		Group	
	Note	2014	2013
		US$'000	US$'000
Audit fees paid to auditors of the Company		103	99
Amortisation of intangible assets	13	5	4
Depreciation of plant and equipment	12	79	73
Directors' fees	27	236	216
Key management personnel compensation	27	812	806
Operating lease expense		615	623
Professional fees		572	178
Staff costs (including key management personnel compensation)	9	1,597	1,243

There is no non-audit fee paid to the auditors of the Company and its subsidiaries.

9. Staff costs (including key management personnel compensation)

	Group	
	2014	2013
	US$'000	US$'000
Salaries and bonuses	1,491	1,145
Employers' contribution to defined contribution plan	61	50
Other staff related costs	45	48
	1,597	1,243

10. Income tax expense

	Group	
	2014	2013
	US$'000	US$'000
Current income tax expense		
- Current financial year	349	251
- Over-provision in prior financial years	(29)	–
Total tax expense	320	251

Domestic income tax is calculated at 17% of the estimated assessable profit for the financial year. Taxation for other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

The income tax expenses varied from the amount of income tax expense determined by applying the Singapore income tax rate of 17% to profit before income tax as a result of the following differences:-

	Group	
	2014	2013
	US$'000	US$'000
Profit before income tax	1,035	922
Income tax at statutory rate	176	157
Add/(Less):-		
Effect of non-allowable items	12	11
Effect of income not subject to tax	–	(8)
Effect of tax exemptions	(47)	(20)
Effect of tax losses disallowed for carry forward	205	116
Over-provision in prior financial years	(29)	–
Others	3	(5)
Total tax expense	320	251

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

11. Earnings per share

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

The following table reflects the profit and share date used in the computation of basic and diluted earnings per share:-

	Group	
	2014	2013
Profit for the financial year attributable to owners of the Company (US$'000)	715	671
Weighted average number of ordinary shares outstanding for earnings per share ('000)	3,527,655	3,527,655
Earnings per share (cents)	0.020	0.019

The effects of anti-dilutive potential ordinary shares (the Options granted under the Proposed Debt Restructuring exercise) are ignored in calculating diluted EPS in prior year. The Group does not have any dilutive options for the financial year.

12. Plant and equipment

Group	Office equipment	Motor vehicles	Computers	Total
	US$'000	US$'000	US$'000	US$'000
Cost				
At 1 January 2013	89	216	21	326
Additions	16	–	6	22
At 31 December 2013 and 31 December 2014	105	216	27	348
Accumulated depreciation				
At 1 January 2013	13	33	4	50
Depreciation	22	43	8	73
At 31 December 2013	35	76	12	123
Depreciation	27	43	9	79
At 31 December 2014	62	119	21	202
Carrying amounts				
At 31 December 2013	70	140	15	225
At 31 December 2014	43	97	6	146

As at the reporting date, the carrying amount of office equipment amounted to US$6,052 (2013: US$16,400) was provided for reinstatement costs of office.

13. Intangible assets

Group	Computer Software	Trademarks	Total
	US$'000	US$'000	US$'000
Cost			
At 1 January 2013	14	4,630	4,644
Disposals	–	(4,630)	(4,630)
At 31 December 2013 and 31 December 2014	14	–	14
Accumulated impairment loss			
At 1 January 2013	–	4,630	4,630
Disposals	–	(4,630)	(4,630)
At 31 December 2013 and 31 December 2014	–	–	–
Accumulated amortisation			
At 1 January 2013	4	–	4
Amortisation for the financial year	4	–	4
At 31 December 2013	8	–	8
Amortisation for the financial year	5	–	5
At 31 December 2014	13	–	13
Carrying amount			
At 31 December 2013	6	–	6
At 31 December 2014	1	–	1

Company	Computer Software
	US$'000
Cost	
At 1 January 2013	14
Additions	–
At 31 December 2013 and 31 December 2014	14
Accumulated amortisation	
At 1 January 2013	4
Amortisation for the financial year	4
At 31 December 2013	8
Amortisation for the financial year	5
At 31 December 2014	13
Carrying amount	
At 31 December 2013	6
At 31 December 2014	1

14. Investment in subsidiaries

	Company 2014 US$'000	Company 2013 US$'000
Unquoted equity share, at cost	160	160

The details of the subsidiaries are as follows:-

Name of subsidiaries	Country of incorporation / Place of business	Principal activities	Effective equity interest held by the Company 2014 %	Effective equity interest held by the Company 2013 %
<u>Held by the Company</u>				
Singapore CEFC Petrochemical & Energy Pte Ltd (i)	Singapore	Trading	100	100
Hong Kong CEFC Petrochemical & Energy Pte Ltd (ii) (Note a)	Hong Kong	Trading and investment holding	100	100
Top Dynasty Holdings Limited ("Top Dynasty")* (Note b)	British Virgin Islands	Investment holding	–	–

(i) Audited by Mazars LLP, Singapore.

(ii) Audited by Mazars LLP, Singapore for consolidation purpose.

(a) Incorporation of a subsidiary – Hong Kong CEFC Petrochemical & Energy Pte Ltd

On 12 December 2013, the Company has incorporated a new wholly-owned subsidiary in Hong Kong, Hong Kong CEFC Petrochemical & Energy Pte Ltd ("HKPE") with authorised and issued share capital of US$300 million.

As at 31 December 2014, the capital of US$300 million has not been injected in HKPE and HKPE has not commenced its business activity. Therefore, no cost of investment in HKPE has been recorded in the financial statements of the Company as at 31 December 2014 and 2013.

14. Investment in subsidiaries (Continued)

(b) *Disposal of subsidiaries*

On 3 June 2013, the Company has disposed off its wholly-owned subsidiary, Top Dynasty Holdings Limited and its subsidiaries, for cash consideration of US$1. The effect of the disposal on the cash flows of the Group were as follows:-

	2013
	US$
Cash and cash equivalents	80
Plant and equipment	289
Trade and other payables	(2,652)
Total identifiable net liabilities	(2,283)
Reclassification of currency translation reserve on disposal of foreign operation	(43,169)
	(45,452)
Gain on disposal of a subsidiary	45,453
Cash proceeds from disposal	1
Less: Cash and cash equivalents in subsidiary disposed	(80)
Net cash outflow on disposal of a subsidiary	(79)

15. Trade receivables

	Group	
	2014	2013
	US$'000	US$'000
Third parties	31,360	22,486

Trade receivables are non-interest bearing and the average credit period on sale of goods is range from 5 to 90 days (2013: 30 to 90 days) according to the terms agreed with the customers.

Trade receivables are denominated in United States dollar as at reporting date.

16. Other receivables

	Group		Company	
	2014	2013	2014	2013
	US$'000	US$'000	US$'000	US$'000
Deposits	147	154	–	–
Prepayments	74	336	21	19
Other receivables	12	15	–	–
	233	505	21	19

16. Other receivables (Continued)

The currency profiles of the Group's and the Company's other receivables as at 31 December are as follows:-

	Group		Company	
	2014	2013	2014	2013
	US$'000	US$'000	US$'000	US$'000
Singapore dollar	219	232	7	5
United States dollar	14	273	14	14
	233	505	21	19

17. Amounts due from/to subsidiaries

The amounts due from/to subsidiaries are non-trade in nature, unsecured, interest-free and are repayable on demand.

The currency profiles of the Company's amounts due from subsidiaries as at 31 December are as follows:-

	Company	
	2014	2013
	US$'000	US$'000
Singapore dollar	126	438
United States dollar	14	490
	140	928

The amount due to a subsidiary is denominated in Singapore dollar as at reporting date.

18. Cash and cash equivalents

	Group		Company	
	2014	2013	2014	2013
	US$'000	US$'000	US$'000	US$'000
Cash and bank balances	1,593	4,103	320	34
Fixed deposits	1,001	4,205	–	–
	2,594	8,308	320	34

Cash at banks earns interest at floating rates based on daily bank deposit rates.

Fixed deposits of the Group bear interest at an average rate of 0.12% (2013: 0.13%) per annum and are for a tenure of approximately 7 days (2013: 2 months), were pledged to banks to secure credit facilities granted to a subsidiary.

18. Cash and cash equivalents (Continued)

The currency profiles of the Group's and the Company's cash and cash equivalents as at 31 December are as follows:-

	Group		Company	
	2014	2013	2014	2013
	US$'000	US$'000	US$'000	US$'000
Euro	2	3	–	–
Singapore dollar	915	187	311	28
United States dollar	1,677	8,118	9	6
	2,594	8,308	320	34

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

	Group	
	2014	2013
	US$'000	US$'000
Cash and deposits	2,594	8,308
Fixed deposits pledged	(1,001)	(4,205)
Cash and cash equivalents	1,593	4,103

19. Share capital

	Group and Company	
	2014	2013
	US$'000	US$'000
<u>Authorised, at HK$0.001 each</u>		
15,000,000,000 ordinary shares at beginning and end of financial year	1,931	1,931
<u>Issued and fully paid up, at HK$0.001 each</u>		
3,527,654,875 ordinary shares at beginning and end of financial year	454	454

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company.

20. Share premium

	Group and Company	
	2014	2013
	US$'000	US$'000
At beginning and end of financial year	18,116	18,116

21. Provision

Reinstatement costs of office

In accordance with lease agreement, the office premise in Singapore must be restored to its original condition at end of leasing period which will be in 2015. The Group has made provision for this purpose.

	Group	
	2014	2013
	US$'000	US$'000
At beginning of financial year	30	31
Exchange translation differences	(1)	(1)
At end of financial year	29	30

22. Trade payables

	Group	
	2014	2013
	US$'000	US$'000
Third parties	16,864	13,810

Trade payables are non-interest bearing and the average credit period on purchases of goods is range from 15 to 90 (2013: 30 to 90) days according to the terms agreed with the suppliers.

Trade payables are denominated in United States dollar as at reporting date.

23. Other payables

	Group		Company	
	2014	2013	2014	2013
	US$'000	US$'000	US$'000	US$'000
Accrued operating expenses	196	598	95	152

The currency profiles of the Group's and the Company's other payables as at 31 December are as follows:-

	Group		Company	
	2014	2013	2014	2013
	US$'000	US$'000	US$'000	US$'000
Singapore dollar	192	361	95	152
United States dollar	4	237	–	–
	196	598	95	152

24. Amount due to holding company

The amount due to holding company is non-trade in nature, unsecured, interest-free and is repayable on demand.

The currency profiles of the Company's amount due to holding company as at 31 December are as follows:-

	Group		Company	
	2014	2013	2014	2013
	US$'000	US$'000	US$'000	US$'000
Singapore dollar	2,236	2,893	2,040	2,128
United States dollar	13,339	13,339	339	339
	15,575	16,232	2,379	2,467

25. Operating lease commitments

At the end of the financial year, the Group has commitments for future minimum lease payments under non-cancellable operating leases in respect of office premises and other operating facilities are as follows:-

	Group	
	2014	2013
	US$'000	US$'000
Future minimum lease payments payable:-		
Within one year	391	617
After one year but within five years	–	389
Total	391	1,006

Operating lease payments represent rents payable by the Group for office premises. Leases are negotiated for an average term of 3 years and rentals are fixed for an average of 3 years. The lease expenditure charged to profit or loss during the financial year is disclosed in Note 8 to the financial statements.

26. Contingent liabilities, unsecured

As at 31 December 2014, the Company had given guarantees amounting to US$311,000,000 (2013: US$370,000,000) to certain banks in respect of banking facilities granted to a subsidiary.

At the end of the financial year, the total amount of utilised facilities covered by the guarantees is US$15,000,000 (2013: US$31,000,000). Such guarantees are in the form of a financial guarantee as they require the Company to reimburse the respective banks if the subsidiary to which the guarantees were extended fail to make principal or interest repayments when due in accordance with the terms of the banking facilities. There has been no default or non-repayment since the utilisation of the banking facility.

The Company has evaluated the fair value of the corporate guarantee. Consequently, the Company is of the view that the fair value of the guarantees to the banks and financial institutions with regard to the subsidiary is not significant. The subsidiary for which the guarantees were provided is also in favourable equity positions and is profitable.

27. Significant related party transactions

Key management personnel compensation

	Group	
	2014	2013
	US$'000	US$'000
Key management personnel		
Salaries and bonuses	778	784
Employers' contribution to defined contribution plan	32	12
Other allowances	2	10
	812	806
Directors' fees		
Directors of the Company	236	216

The key management personnel comprise directors of the Company and a subsidiary, and their compensation is disclosed as above.

28. Segment information

Management has determined the operating segments based on the reports reviewed by the chief operating decision maker.

Management considers the business from both a geographic and business segment perspective. Geographically, management manages and monitors the business in these primary geographic areas: Singapore, Hong Kong and Japan which are engaged in the trading of petrochemical, fuel oil and petroleum.

The Group has two reportable segments being trading of petrochemical products, and fuel oil and petroleum products segments.

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 operation profit or loss which is similar to the accounting profit or loss.

Income taxes are managed on a Group basis.

The accounting policies of the operating segments are the same of those described in the summary of significant accounting policies. There is no asymmetrical allocation to reportable segments. 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 financial periods in the measurement methods used to determine reported segment profit or loss.

28. Segment information (Continued)

Analysis by business segment

	Petrochemical	Fuel Oil and Petroleum	Unallocated	Total
	US$'000	US$'000	US$'000	US$'000
2014				
Revenue:				
External customers	197,966	129,295	–	327,261
Results:				
Interest income	–	–	2	2
Interest expense	(47)	(72)	–	(119)
Depreciation and amortisation	–	–	(84)	(84)
Segment profit/(loss) before income tax	3,940	479	(3,384)	1,035
Segment assets:				
Trade receivables	16,285	15,075	–	31,360
Segment liabilities:				
Trade payables	1,916	14,948	–	16,864
2013				
Revenue:				
External customers	108,915	868,307	–	977,222
Results:				
Interest income	–	–	7	7
Interest expense	(18)	(448)	–	(466)
Depreciation and amortisation	–	–	(77)	(77)
Segment profit/(loss) before income tax	1,122	2,282	(2,482)	922
Segment assets:				
Trade receivables	22,253	233	–	22,486
Segment liabilities:				
Trade payables	13,577	233	–	13,810

28. Segment information (Continued)

Analysis by geographical segment

Revenue and non-current assets information based on the geographical location of customers and assets respectively are as follows:-

	Revenues		Non-current assets	
	2014	2013	2014	2013
	US$'000	US$'000	US$'000	US$'000
Hong Kong	62,978	140,969	–	–
Japan	–	223,390	–	–
Malaysia	93,679	40,558	–	–
People's Republic of China	114,714	21,330	–	–
Singapore	55,890	550,975	147	231
	327,261	977,222	147	231

Non-current assets information presented above consist of plant and equipment and intangible assets as presented in the statements of financial position.

Information about a major customer

Revenue from one major customer amounted to US$110,888,164 (2013: US$223,389,747), arising from sales by the Petrochemical segment (2013: the Fuel Oil and Petroleum segment).

29. Financial instruments and financial risks

The Group's activities expose it to credit risks, market risks (including foreign currency risks and interest rate risks) and liquidity risks. The Group's overall risk management strategy seeks to minimise adverse effects from the volatility 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 management then establishes the detailed policies such as authority levels, oversight responsibilities, risk identification and measurement, and exposure limits, in accordance with the objectives and underlying principles approved by the Board of Directors. The Audit committee provides independent oversight to the effectiveness of the risk management process. It is, and has been throughout the current and previous financial year, the Group's policy that no trading in derivatives for speculative purpose shall be undertaken.

There have been no changes to the Group's exposure to these financial risks or the manner in which it manages and measures the risk. Market risk exposures are measured using sensitivity analysis indicated below.

29. Financial instruments and financial risks (Continued)

Credit risks

Credit risk refers to the risk that the counterparty will default on its contractual obligations resulting in a loss to the Group. The Group has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral where appropriate, as a means of mitigating the risk of financial loss from defaults. The Group performs ongoing credit evaluation of its counterparties' financial condition and generally do not require a collateral.

The Group's major classes of financial assets are bank deposits and trade and other receivables.

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

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

	Group	
	2014	2013
	US$'000	US$'000
Not past due	16,978	22,480
Past due more than 90 days	14,382	–
	31,360	22,480

Based on past experience, the Group believes that no impairment allowance is necessary in respect of the trade receivables due to the good payment track record of its customers.

Credit risk concentration profile

The Group determines concentrations of credit risk by monitoring the country profile of its trade receivables on an ongoing basis. The credit risk concentration profile of the Group's trade receivables at the end of the reporting period are as follows:-

	Group	
	2014	2013
	US$'000	US$'000
By country:		
Hong Kong	1,904	741
People's Republic of China	14,382	13,845
Singapore	15,074	7,900
	31,360	22,486
By industry sectors:		
Petrochemical	16,285	22,253
Fuel Oil and Petroleum	15,075	233
	31,360	22,486

At the end of the reporting date, approximately 48% (2013: 35%) of the Group's trade receivables were due from a major customer who is trading in Fuel oil and Petroleum (2013: Petrochemical) product located in Singapore.

29. Financial instruments and financial risks (Continued)

Market risks

The Group's activities expose it primarily to the financial risks of changes in foreign currency exchange rates. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

Foreign currency risks

The Group transacts business in various foreign currencies, including Euro and Singapore dollar, other than the respective functional currencies of the Group, and hence is exposed to foreign currency risks. The Group ensures that the net exposure is kept to an acceptable level by buying or selling foreign currencies at spot rates where necessary to address short-term imbalances.

The carrying amount of the Group's and the Company's foreign currency denominated monetary assets and monetary liabilities as at the end of the financial year are as follows:-

	Group		Company	
	2014	2013	2014	2013
	US$'000	US$'000	US$'000	US$'000
Monetary assets				
Euro	2	3	–	–
Singapore dollar	1,134	419	444	471
Monetary liabilities				
Singapore dollar	2,428	3,254	2,981	2,280

The Company has a number of investments in foreign subsidiaries, whose net assets are exposed to foreign exchange translation risk.

Foreign currency sensitivity analysis

The Group is mainly exposed to Singapore dollar ("SGD").

The following table details the Group's sensitivity to a 5% change in various foreign currencies against the respective functional currencies of the Group entities. The sensitivity analysis assumes an instantaneous 5% change in the foreign currency exchange rates from the end of the financial year, with all variables held constant. The results of the model are also constrained by the fact that only monetary items, which are denominated in SGD are included in the analysis.

	Profit or Loss			
	Group		Company	
	2014	2013	2014	2013
	US$'000	US$'000	US$'000	US$'000
SGD against USD				
- Strengthened	(65)	(142)	(127)	(90)
- Weakened	65	142	127	90

29. Financial instruments and financial risks (Continued)

Market risks (Continued)

Interest rate risks

Interest rate risk is the risk that the fair value or future cash flows of the Group's financial instruments will fluctuate because of changes in market interest rate. The Group is not exposed to interest rate risk as it has no significant interest-earning financial assets and no significant interest-bearing financial liabilities.

Liquidity risks

Liquidity risk refers to the risks in which the Group encounters difficulties in meeting its short-term obligations. Liquidity risks are managed by matching the payment and receipt cycle. The Group's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities. The Group monitors their 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 fluctuations in cash flows. The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of stand-by credit facilities.

The Group's operations are financed mainly through equity. Adequate lines of credits are maintained to ensure the necessary liquidity is available when required.

The Group's and the Company's major liability is amount due from holding company of US$15,575,000 (2013: US$16,232,000) and US$2,379,000 (2013: US$2,467,000) respectively, as at the reporting date. The holding company has agreed to provide financial support to the Group and the Company to enable it to meet its liabilities as and when they fall due. The holding company further undertakes not to demand repayment of the amount due by the Group and the Company until the resources permit.

The following table details the Group's and the Company's remaining contractual maturity for its non-derivative financial instruments. The table has been drawn up based on undiscounted cash flows of financial instruments based on the earlier of the contractual date or when the Group and the Company is expected to receive or (pay).

	On demand or within one year			
	Group		Company	
	2014	2013	2014	2013
	US$'000	US$'000	US$'000	US$'000
Financial assets:				
Trade receivables	31,360	22,486	–	–
Other receivables	159	169	–	–
Amounts due from subsidiaries	–	–	140	928
Cash and cash equivalents	2,594	8,308	320	34
	34,113	30,963	460	962
Financial liabilities:				
Trade payables	16,864	13,810	–	–
Other payables	196	598	95	152
Amount due to holding company	15,575	16,232	2,379	2,467
Amount due to a subsidiary	–	–	846	–
	32,635	30,640	3,320	2,619
Total net undiscounted financial assets/(liabilities)	1,478	323	(2,860)	(1,657)

29. Financial instruments and financial risks (Continued)

Financial instruments by category

The carrying amount of the different categories of financial instruments is as disclosed on the face of the statements of financial position, except for the following:-

	Group		Company	
	2014	2013	2014	2013
	US$'000	US$'000	US$'000	US$'000
Loan and receivables	34,113	30,963	460	962
Financial liabilities at amortised cost	32,635	30,640	3,320	2,619

30. Fair value of assets and liabilities

The carrying amounts of cash and cash equivalents, trade and other current receivables and payables, approximate their respective fair values due to the relative short term maturity of these financial instruments.

31. Capital management policies and objectives

The Group manages its capital to ensure that the Group is able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance.

The Group is dependent on the holding company on financial management as the Group's and the Company's borrowings mainly arise from the holding company. The holding company has undertaken to provide financial support to the Group and the Company to meet its liabilities as and when it falls due.

The capital structure of the Group consists of debts and equity attributable to owners of the Company, comprising issued capital, premium and reserves as disclosed in Notes 19, 20, and statements of changes in equity.

The Group's management reviews the capital structure on a regularly basis. As part of this review, management considers the cost of capital and the risks associated with each class of capital. The Group's overall strategy remains unchanged from 31 December 2013.

The Group and the Company are not subject to any externally imposed capital requirements during the financial years ended 31 December 2014 and 2013.

STATISTICS OF SHAREHOLDINGS

As at 13 March 2015

Authorised Share Capital	**HK$15,000,000**
Issued and fully paid-up capital	**HK$3,527,655**
Class of Shares	**Ordinary Shares of HK$0.001 each**
Voting rights	**One Vote per Share**

SIZE OF SHAREHOLDINGS	NO. OF SHAREHOLDERS	%	NO. OF SHARES	%
1 - 99	6	0.36	236	0.00
100 - 1,000	74	4.46	72,666	0.00
1,001 - 10,000	373	22.48	2,905,000	0.08
10,001 - 1,000,000	1,144	68.96	131,362,000	3.73
1,000,001 AND ABOVE	62	3.74	3,393,314,973	96.19
TOTAL	**1,659**	**100.00**	**3,527,654,875**	**100.00**

TWENTY LARGEST SHAREHOLDERS

NO.	NAME	NO. OF SHARES	%
1	SINGAPORE PETROCHEMICAL & ENERGY DEVELOPMENT PTE LTD	2,701,614,695	76.58
2	DBSN SERVICES PTE. LTD.	176,057,045	4.99
3	PHILLIP SECURITIES PTE LTD	122,705,888	3.48
4	TAN HUI HAR	55,430,125	1.57
5	OCBC SECURITIES PRIVATE LIMITED	49,579,998	1.41
6	DBS VICKERS SECURITIES (SINGAPORE) PTE LTD	39,539,000	1.12
7	CITIBANK NOMINEES SINGAPORE PTE LTD	37,280,000	1.06
8	CIMB SECURITIES (SINGAPORE) PTE. LTD.	22,252,000	0.63
9	UOB KAY HIAN PRIVATE LIMITED	21,853,111	0.62
10	LAJAS FINANCIAL LTD.	20,000,000	0.57
11	LUAN WENBO	18,800,000	0.53
12	ONG AH WHATT	9,930,000	0.28
13	SEOH LEE MAY VIVIEN LETITIA	6,134,000	0.17
14	MAYBANK NOMINEES (SINGAPORE) PRIVATE LIMITED	6,096,000	0.17
15	CHUA JIAN MIN JOSHUA	5,000,000	0.14
16	WONG SIONG SWEE RONSON	5,000,000	0.14
17	RHB SECURITIES SINGAPORE P L	4,641,000	0.13
18	KOH PEE KEAT	4,580,000	0.13
19	MAYBANK KIM ENG SECURITIES PTE. LTD.	4,034,000	0.11
20	TEN SOO LAN @TEO SOO LAN	3,815,000	0.11
	TOTAL	**3,314,341,862**	**93.94**

STATISTICS OF SHAREHOLDINGS

As at 13 March 2015

SUBSTANTIAL SHAREHOLDERS

(as recorded in the Register of Substantial Shareholders as at 13 March 2015)

	Number of Shares			
Name of Substantial Shareholder	Direct Interest	%	Deemed Interest	%
Singapore Petrochemical & Energy Development Pte. Ltd.	2,701,614,695	76.58	–	–
Ye Jianming (1)	–	–	2,701,614,695	76.58
China United Association (HK) Limited (1)	–	–	2,701,614,695	76.58

Note:

(1) Mr Ye Jianming and China United Association (HK) Limited are the shareholders of Singapore Petrochemical & Energy Development Pte. Ltd. As at 13 March 2015, Mr Ye Jianming held 66.67% and China United Association (HK) Limited held 33.33% of the shares in Singapore Petrochemical & Energy Development Pte. Ltd. Accordingly, Mr Ye Jianming and China United Association (HK) Limited are deemed to be interested in the shares of the Company held by Singapore Petrochemical & Energy Development Pte. Ltd.

Percentage of shareholding held in the hands of public

Based on the information available to the Company as at 13 March 2015, the percentage of shareholding in the Company held in the hands of public is approximately 23.42%. At least 10% of the Company's issued ordinary shares are held by the public at all times and the Company is in compliance with Rule 723 of the SGX-ST Listing Manual.

NOTICE OF ANNUAL GENERAL MEETING 2015

NOTICE IS HEREBY GIVEN that the Annual General Meeting 2015 of CEFC International Limited (the "Company") will be held at 168 Robinson Road, FTSE Room Level 9, Capital Tower, Singapore 068912 on 23 April 2015 at 10 a.m. for the following purposes:

ORDINARY BUSINESS

1. To receive and adopt the Directors' Report and the Audited Financial Statements of the Company and of the Group for the financial year ended 31 December 2014 together with the Auditor's Report thereon. **(Resolution 1)**

2. To re-elect as a director, Mr Lu Da Chuan who is retiring pursuant to Bye-Law 85(6) of the Company's Bye-Laws. **(Resolution 2)**

   Mr Lu Da Chuan will, upon re-election as a Director of the Company, remain as the Executive Director of the Company.

3. To re-elect as a director, Mr Wen Jie who is retiring pursuant to Bye-Law 85(6) of the Company's Bye-Laws. **(Resolution 3)**

   Mr Wen Jie will, upon re-election as a Director of the Company, remain as the Executive Director of the Company.

4. To re-elect as a director, Mr Ooi Hoe Seong who is retiring pursuant to Bye-Law 86(1) of the Company's Bye-Laws.

   Mr Ooi Hoe Seong will, upon re-election as a Director of the Company, remain as an Independent Director, the Chairman of the Audit Committee, a member of the Nominating Committee and a member of the Remuneration Committee. **(Resolution 4)**

5. To re-appoint Mazars LLP as the Company's Auditors and to authorise the Directors to fix their remuneration. **(Resolution 5)**

6. To approve the payment of Directors' fees of S$300,000 for the financial year ending 31 December 2015, to be paid quarterly in arrears. **(Resolution 6)**

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

SPECIAL BUSINESS

8. To consider and, if thought fit, to pass the following resolution as an Ordinary Resolution, with or without modifications:

   "Resolved that:

   (a) pursuant to Rule 806 of the listing rules of the Singapore Exchange Securities Trading Limited ("**SGX-ST**"), authority be and is hereby given to the Directors of the Company to:

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

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

(b) (notwithstanding that the authority conferred by paragraph (a) of this Resolution may have ceased to be in force) the Directors be authorised to issue Shares in pursuance of any Instrument made or granted by the Directors while this Resolution was in force, at any time and from time to time upon such terms and conditions, whether for cash or otherwise, and for such purposes and to such persons as the Directors may think fit for the benefit of the Company, 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 50% 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 offered other than on a pro rata basis to shareholders of the Company (including Shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution) does not exceed 20% of the total number of issued Shares excluding treasury shares of the Company (as calculated in accordance with sub-paragraph (ii) below);

(ii) (subject to such calculation as may be prescribed by the SGX-ST) 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 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:

(aa) new Shares arising from the conversion or exercise of any convertible securities;

(bb) 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 Listing Manual of the SGX-ST; and

(cc) 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 Listing Manual of the SGX-ST for the time being in force (unless such compliance has been waived by the SGX-ST) and the Memorandum of Association and the Bye-Laws for the time being of the Company; and

(iv) unless revoked or varied by the Company in a general meeting, such authority shall continue to be 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 (I)] **(Resolution 7)**

By Order of the Board

Zang Jian Jun
Executive Chairman
7 April 2015

Explanatory Notes:

(I) The Ordinary Resolution 7 proposed in item 8 above, if passed, is to empower the Directors to issue Shares (as defined above) and/or Instruments (as defined above). The aggregate number of Shares to be issued pursuant to this Ordinary Resolution 7 (including shares to be issued in pursuance of instruments made or granted) shall not exceed 50% of the total number of issued shares (excluding treasury shares) of the Company, with a sub-limit of 20% 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 Ordinary Resolution 7) to shareholders. 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) will be calculated based on the total number of issued shares excluding treasury shares of the Company at the time of the passing of this Ordinary Resolution 7, after adjusting for (a) new Shares arising from the conversion or exercise of any convertible securities; (b) new Shares arising from exercise of share options or vesting of share awards outstanding or subsisting at the time of the passing of this Ordinary Resolution 7, provided the options or awards were granted in compliance with Part VIII of Chapter 8 of the Listing Manual of the SGX-ST; and (c) any subsequent bonus issue, consolidation or subdivision of Shares.

Notes:

1. Any person who holds Shares through The Central Depository (Pte) Limited and whose name appears in the Depository Register (as defined in Section 130A of the Companies Act (Chapter 50) of Singapore) shall be referred herein as the "**Depositor**".

2. For a Depositor who is a corporation and whose name appears in the Depository Register as at a time not earlier than 48 hours prior to the time of the Annual General Meeting 2015, if it wishes to attend and vote at the Annual General Meeting 2015, such Depositor must nominate a proxy or two proxies to attend and vote at the Annual General Meeting 2015 for and on its behalf by completing the Depositor Proxy Form (in accordance with the instructions thereto) and depositing the duly completed Depositor Proxy Form at the registered office of the Company's Singapore Share Transfer Agent, Boardroom Corporate & Advisory Services Pte. Ltd. at 50 Raffles Place, Singapore Land Tower, #32-01, Singapore 048623, at least 48 hours before the time of the Annual General Meeting 2015. Each proxy appointed must be natural person but need not be a member of the Company.

3. For a Depositor who is a natural person and whose his name appears in the Depository Register as at a time not earlier than 48 hours prior to the time of the Annual General Meeting 2015, he need not complete and submit the Depositor Proxy Form if he is attending the Annual General Meeting 2015 in person. However, if he is unable to attend the Annual General Meeting 2015 in person but wishes to be represented at the Annual General Meeting 2015, he must complete the Depositor Proxy Form (in accordance with the instructions thereto) and deposit the duly completed Depositor Proxy Form at the registered office of the Company's Singapore Share Transfer Agent, Boardroom Corporate & Advisory Services Pte. Ltd. at 50 Raffles Place, Singapore Land Tower, #32-01, Singapore 048623, at least 48 hours before the time of the Annual General Meeting 2015. Each proxy appointed must be natural person but need not be a member of the Company.

4. If a Shareholder (who or which holds Shares in his/its own name) wishes to appoint a proxy/proxies, then the Shareholder Proxy Form must be completed (in accordance with the instructions thereto) and deposited at the registered office of the Company's Singapore Share Transfer Agent, Boardroom Corporate & Advisory Services Pte. Ltd. at 50 Raffles Place, Singapore Land Tower, #32-01, Singapore 048623, at least 48 hours before the time of the Annual General Meeting 2015.

5. The Company shall be entitled to reject any Depositor Proxy Form or Shareholder Proxy Form if it is incomplete, improperly completed, illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified on the Depositor Proxy Form or Shareholder Proxy Form, as the case may be. In addition, in the case of shares entered into the Depository Register, the Company may reject a Depositor Proxy Form if the Depositor (being the appointor) is not shown to have Shares entered against his/its name in the Depository Register as at 48 hours before the time appointed for holding the Annual General Meeting 2015 as certified by The Central Depository (Pte) Limited to the Company.

6. By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote and/or attending personally at the Annual General Meeting 2015 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 2015 (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the Annual General Meeting 2015 (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. In addition, by attending the Annual General Meeting 2015 and/or any adjournment thereof, a member of the Company consents to the collection, use and disclosure of the member's personal data by the Company (or its agents) for any of the Purposes.

CEFC International Limited

80 Raffles Place | #12-20 UOB Plaza 2
Singapore 048624 | Tel: (65) 6222 2298 | Fax: (65) 6222 2021