ASIA FASHION
亚洲时尚

BREAKTHROUGH FAMILY ENTERTAINMENT

ANNUAL REPORT 2016

CONTENTS

AEG

Asia
Entertainment
Group

ANDOX & BOX™ HOLOGRAM SHOW 2017

Integrating Movie Tech with Family Concert

Combining International Expertise with China content market

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AEG
Asia
Entertainment
Group

The E-1 World Championship combines the best of celebrity fight showcase with competitive fight entertainment. The event integrates MMA and fighting sports entertainment into AEG's movie tech strategy where champions can be tapped for motion-capture like EA Sports collaboration with UFC, and create a talent pool for action movies.

The Japanese pop idol concert co-investment connects AEG to the grid of show IPs in Tokyo that can be developed for Asia entertainment revenue.

CORPORATE **PROFILE**

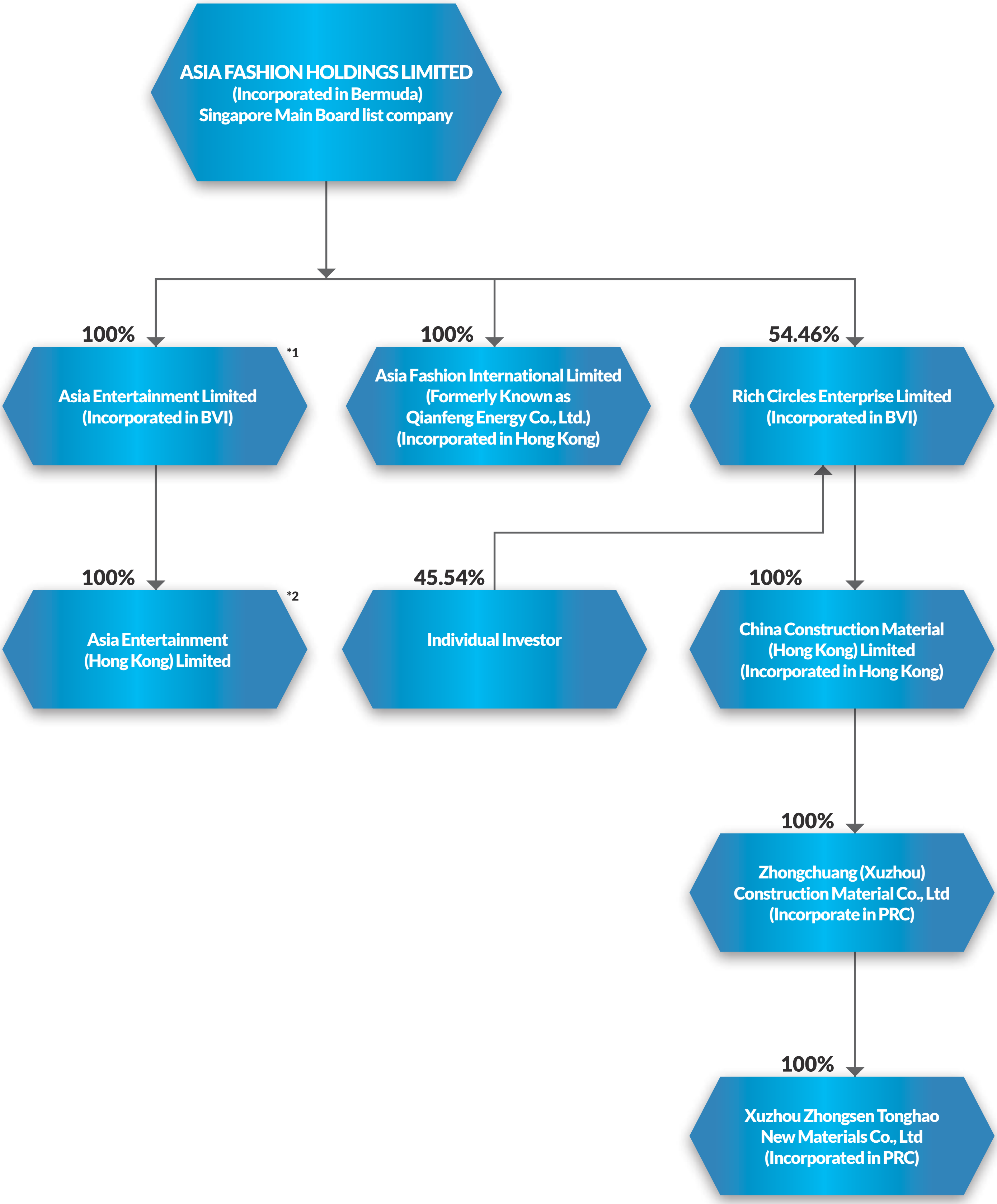
Founded in 2007, Asia Fashion Holdings Limited ("Asia Fashion" or "the Group") was in the business of manufacturing functional knitted fabrics. However, this business was divested into new construction materials' business on 3 February 2015.

In 2016, the Group has decided to enter into the enormous yet still growing entertainment industry in China. In view of the high market demand for digital media content, the Group has devoted resources to recruit industry experts and formed the wholly owned subsidiaries, Asia Entertainment Limited and Asia Entertainment (Hong Kong) Limited (collectively known as Asia Entertainment Group ("AEG") to pursue the new business initiative.

AEG engages in the innovation and distribution of multi-platform entertainment. The company shall develop, produce and present live shows, interactive events and online/theatrical movies. AEG also provides the strategic deployment of digital visual effects, animation solutions and integration with high-end movie prop sculptures.

Through the promising content and business development platform of the subsidiary Asia Entertainment Group, Asia Fashion's vision to become one of the leaders in the creative entertainment industry through continuous innovation. Asia Fashion focuses on delivering world-class entertainment and multi-media experiences primarily to the growing China market. The growth potential and cultural resources in China, combined with the international business platform of AEG in Hong Kong, then provide a foundation and portal to reach a global audience. Our Group is committed to creating shareholders' value with our new strategic direction.

GROUP STRUCTURE



*1 Asia Entertainment Limited was incorporated on 8 September 2016.

*2 Asia Entertainment (Hong Kong) Limited was incorporated on 14 September 2016.

MESSAGE FROM
CHAIRMAN AND CEO

DEAR SHAREHOLDERS

On behalf of the Board of Directors (the "Board"), we would like to present you the 2016 Annual Report of Asia Fashion Holdings Limited ("Asia Fashion" or the "Group").

FY2016 has embarked a breakthrough to our Group. As stewards of a listed company, we prospect for viable business to revive our revenue stream, placing strong emphasis on our shareholders' interest. In 2016, the Group has decided to enter into the enormous yet still growing entertainment industry in China. In view of the high market demand for digital media content, the Group has devoted resources to recruit industry experts and formed the wholly owned subsidiaries, Asia Entertainment Limited and Asia Entertainment (Hong Kong) Limited (collectively known as Asia Entertainment Group ("AEG") to pursue the new business initiative.

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OPERATIONS REVIEW

Revenue of the Group for the 18 months' period ended 30 June 2016 has been reported as nil as the Group has adopted the equity accounting basis for our investments in the Rich Circles Group which is consistent with the presentation for the financial year ended 31 December 2014. For information purposes, the turnover at the Xuzhou Zhongwei level has dropped significantly in the last few quarters as a direct result of discontinued orders from their major clients, Baota and Hanergy, respectively.

AEG has commenced its operation in September 2016. Since inception, AEG has already secured co-operation with a few industry players on entertainment-related projects including live shows and movies. On 5 November 2016, we have successfully organized our first show - the 15th Anniversary Live Tour "Forever Memories" concert of W-inds in Hong Kong ("W-inds Concert"). The tickets for the W-inds Concert were fully sold out, and the concert was performed before a full house. The W-inds Concert generated positive responses from the media, and was attended by the Honorable Mr. Kininori Matsuda, the Consul-General of Japan in Hong Kong. More shows will be organized and promoted by AEG to be rolling out in FY2017 including:-

(1) The Hong Kong Concert of the Heavenly Voice of Japan Miss Emi Fujita to be held on 28th and 20th November 2016

(2) The Boxing Championship in Hong Kong co-organized with Fight Factory Gym Limited to be held on 17th January 2017

REVIEW OF FINANCIAL POSITION

Loan to associate company, Rich Circles Enterprises Limited, was RMB61.0 million which was in connection to the acquisition of a 54.46% stake in the company. This loan is interest free and is repayable on demand.

Other payables and accruals totaling RMB6.3 million represented accrued operating expenses and bond interest.

Bonds payable represented a HK$10 million 10% Straight Coupon Bond and a S$2.66 million 7% Convertible Bond.

Amount due to former director/shareholder of RMB1.2 million represented amount due to Mr. Lin Dao Qin which is interest free and repayable on demand.

Amount due to related party of RMB4.1 million represented loans extended by friendly business associates which are interest free and repayable on demand.

REVIEW OF CASH FLOW

The Group loss before tax from the continuing operations for the full 18 months ended 30 June 2016 was RMB28.4 million.

During the 18 months ended 30 June 2016, the Group has used RMB14.0 million and RMB12.0 million in operating activities and in investing activities respectively. However, the Group has generated RMB26.1 million from financing activities, thereby resulted in a net increase of RMB0.1 million in the Group's cash flow position for the 18 months' period ended 30 June 2016.

PROSPECTS

Through the promising content and business development platform of AEG, the Group will continue to devote resources to AEG and continue to expand its portfolio in live shows and movies through the development of world-class entertainment contents and multi-media experiences primarily to the growing China market. The Group and AEG will also grow the entertainment business through the strategic partnerships and M&A with the entertainment and creative industry experts. The Board is confident that the new business initiative could bring significant improvement to our Group.

Looking ahead, the growth potential and cultural resources in China, combined with the international business platform of AEG in Hong Kong, then provide a foundation and portal for AEG to reach a global audience. Asia Fashion's vision is to be the leader in the creative entertainment industry and enhance our Group's value for our shareholders in the coming years.

APPRECIATION

Before closing this address, to cope with our new business' challenges, we would like to highlight the changes to the Board and management team. I would also like to extend a warm welcome to Mr. Chong Tin Yam, Alex, our new Chief Executive Officer and Executive Director, Mr. Lee Ka Shao, our new Independent Director and Ms. Wang Huai Dong, our new Non-Executive Chairman.

Last but not least, we wish to thank all our shareholders, business partners, employees, and customers who have provided us with their continuous support, dedication and trust. We will continue to give our full commitment and ambition to strive for another breakthrough in the coming financial year.

NON-EXECUTIVE CHAIRMAN
CEO

CORPORATE INFORMATION

DIRECTORS

Chong Tin Yam, Alex
Executive Director and Chief Executive Officer
(Appointed on 6 June 2016)

Mak Tin Sang
Executive Director and Chief Financial Officer
(Appointed as Executive Director and Chief Executive Officer on 25 May 2015)
(Re-designated from Chief Executive Officer to Chief Financial Officer on 6 Jun 2016)

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

Wang Huai Dong
Non-Executive Director and Non-Executive Chairman
(Appointed as Non-Executive Director on 27 October 2015 and Re-designated as Non-Executive Chairman on 6 June 2016)

Kwok Wei Woon (Guo WeiWen)
Independent Director
(Appointed on 27 March 2014)

Lee Ka Shao
Independent Director
(Appointed on 25 May 2016)

AUDIT COMMITTEE

Kwok Wei Woon (Guo WeiWen) (Chairman)
Wang Huai Dong
Lee Ka Shao

NOMINATING COMMITTEE

Lee Ka Shao (Chairman)
Kwok Wei Woon (Guo WeiWen)
Wang Huai Dong

REMUNERATION COMMITTEE

Lee Ka Shao (Chairman)
Kwok Wei Woon (Guo WeiWen)
Wang Huai Dong

COMPANY SECRETARY

Mak Tin Sang

REGISTERED OFFICE

Clarendon House, 2 Church Street
Hamilton HM 11, Bermuda

BERMUDA SHARE REGISTRAR

Estera Management (Bermuda) Limited
22 Victoria Street,
PO Box HM 1624,
Hamilton, Bermuda HM EX

SINGAPORE SHARE TRANSFER AGENT

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

PRINCIPAL BANKER

Hang Seng Bank Limited
Shanghai Commercial Bank Limited

INDEPENDENT AUDITOR

Foo Kon Tan LLP
(formerly known as Foo Kon Tan Grant Thornton LLP)
Public Accountants and Chartered Accountants
24 Raffles Place, #07-03 Clifford Centre,
Singapore 048621

PARTNER-IN-CHARGE

Yeo Boon Chye
(Appointed with effect from financial period ended 30 June 2016)

MR. CHONG TIN YAM, ALEX

Executive Director and Chief Executive Officer

Mr. Chong was appointed as the Chief Executive Officer and Executive Director on 6 June 2016. He is responsible for overseeing the overall operations of the Group as well as formulating and implementing the Group's business strategies and development plans.

Mr. Chong has cultivated nearly 15 years of entertainment, investment and financial advisory experiences in the Greater China, Japan, South Korea, Singapore and the US markets before joining the Group. Mr. Chong co-founded a Hong Kong and South Korea-based entertainment company in 2006. He was responsible for overseeing the company's portfolio of entertainment-related projects in the fields of gaming and movies/TV and music in Hong Kong, South Korea and Japan and managing the strategic partnership and fund raising exercises associated with such projects.

Aside from the entertainment business, Mr. Chong has also been actively involved in the provision of advisory services in structuring of initial public offerings and secondary capital raising transactions, mergers and acquisitions and other investment related transactions for listed companies and private venture groups from diversified industry sectors such as IT, satellite, fashion, beauty, retail and property development.

From 2013 to 2016, Mr. Chong was a director of Viriathus Capital LLC overseeing the US-based investment bank's Asia operation. In 2008, he advised the Hong Kong listed MelcoLot Limited in developing South Korea's lottery market and had successfully procured the exclusive license to operate the national online lottery business in South Korea. From 2006 to 2008, he served as a member of the Board of Directors of Singapore listed LottVision Limited as its non-executive director to provide guidance in the strategies and operations of the group, in particular in the areas of investments, M&A and other financial related corporate exercises.

Prior to commencing his commercial career in 2001, Mr. Chong spent 5 years working for the Hong Kong Government in the financial regulatory sector.

Mr. Chong received a Bachelor of Commerce Degree in Finance with honors from the University of Toronto and is a Certified Management Accountant (Australia).

MR. MAK TIN SANG

Executive Director and Chief Financial Officer

Mr. Mak Tin Sang was appointed as the Executive Director and Chief Executive Officer on 25 May 2015 and re-designated from the Chief Executive Officer to the Chief Financial Officer of the Company on 6 June 2016. He is responsible for the preparation of the Group's financial statements as well as reviewing and developing effective financial policies and control procedures of the Group.

Prior to joining the Company, Mr. Mak was appointed by Armarda Group Limited (now known as "SinoCloud Group Limited", being a Catalyst Board listed company in the Singapore Stock Exchange) as Chief Financial Officer in January 2004 and promoted as Executive Director from June 2013 till he left in April 2015.

Prior to that, Mr. Mak served as the Chief Financial Officer of LottVision Limited (now known as "NutryFarm International Limited", being a main board listed company in the Singapore Stock Exchange) from August 2001 till he left in December 2003.

Mr. Mak holds a Master's Degree in Business Administration from the University of Sheffield, UK. He is also a fellow member of the United Kingdom Chartered Association of Certified Accountants.

MR. HUO WEISHENG

Executive Director and Chief Operating Officer

Mr. Huo was appointed as the Chief Operating Officer and Executive Director on 9 February 2015 and 25 May 2015 respectively. He has 15 years' experience in the building materials industry and he is responsible for the day-to- day operations of Xuzhou Zhongwei New Board Co., Ltd (formerly known as Xuzhou Zhongsen Tonghao New Board Co., Ltd). Since 2007, he has been the General Manager of Xuzhou Zhongwei New Board Co., Ltd. From 1999 to

2007, Mr. Huo was the General Manager of Zhongsen Tonghao (Beijing) Group Co., Ltd. He was the Deputy General Manager of Beijing Real Estate Co., Ltd, from 1996 to 1999, where he was responsible for the sourcing of property development opportunities, and concurrently with which he was the General Manager of Beijing Sen Wang Flooring Company Co., Ltd.

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

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

BOARD OF **DIRECTORS**

MR. WANG HUAI DONG
Non-Executive Director and Non-Executive Chairman

Mr. Wang Huai Dong was appointed as Non-Executive Director on 27 October 2015 and was re-designated as Non-Executive Chairman on 6 June 2016.

Mr. Wang served as Director and President of the Greater China Region, T&C Holdings Inc. (being a main board listed company in the Tokyo Stock Exchange) since December 2010. He mainly involved in the management of this Company's business development of overseas medical and bio-science projects.

Prior to that, Mr. Wang has served as the Senior Vice President of National Investments Fund Limited (being a main board listed company in the Hong Kong Stock Exchange) from August 2010 till he left in September 2014. He mainly handled this Company's international medical and bio-science projects introduction and management.

Prior to that, Mr. Wang has served as the President of Dongshenhe Science and Technology Development Co., Limited from February 2000 till he left in February 2010. His main duties included the development of business operation strategy, and the introduction and the management of the international medical and bio-science projects.

Mr. Wang has been awarded M.D. in March 1995 and Ph.D. in March 1999 by the Kyushu University of Japan.

MR. LEE KA SHAO
Independent Director

Mr. Lee Ka Shao was appointed on 25 May 2016 as our Independent Director and he is the Chairman of the Nominating Committee and Remuneration Committee and a member of the Audit Committee.

Mr. Lee Ka Shao, a Singaporean, is a 23-year veteran in the banking and finance industry who had built and managed businesses in major financial institutions spanning trading, investment management, corporate finance and solution structuring across broad asset classes in U.S., Europe and Asia. He currently manages a family office.

Prior to that he co-founded and was the chief investment officer of Cavenagh Capital, a global macro strategy hedge fund with offices in Amsterdam and Singapore; and before that was a founding member of Abax Global Capital, a special situations hedge fund based in Hong Kong.

Preceding that, Mr. Lee established and managed an internal absolute returns fund on the shareholders' equity of DBS Bank group and also advised on DBS's asset and liability management as the Managing Director in Central Treasury. Mr. Lee started his career on Wall Street with J.P. Morgan as a market maker and proprietary trader in foreign exchange, interest rates and derivatives. He also established and headed a structuring group to offer innovative solutions in the post Asian financial crisis economic meltdown in 1998 where markets were wrecked with capital controls, illiquidity and other impediments when governments, corporates and financial institutions in Asia needed financing and hedges while global investors and funds were looking to make investment inroads into Asia.

MR. KWOK WEI WOON (GUO WEIWEN)
Independent Director

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

Mr. Kwok has more than 16 years' experience in the financial services industry and has held senior roles with global financial institutions like Standard Life; JP Morgan Private Wealth Management; UBS AG and Standard Chartered.

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

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

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

MR. CHONG TIN YAM, ALEX

Executive Director and Chief Executive Officer

Mr. Chong was appointed as the Chief Executive Officer and Executive Director on 6 June 2016. He is responsible for overseeing the overall operations of the Group as well as formulating and implementing the Group's business strategies and development plans.

Mr. Chong has cultivated nearly 15 years of entertainment, investment and financial advisory experiences in the Greater China, Japan, South Korea, Singapore and the US markets before joining the Group. Mr. Chong co-founded a Hong Kong and South Korea-based entertainment company in 2006. He was responsible for overseeing the company's portfolio of entertainment-related projects in the fields of gaming and movies/TV and music in Hong Kong, South Korea and Japan and managing the strategic partnership and fund raising exercises associated with such projects.

Aside from the entertainment business, Mr. Chong has also been actively involved in the provision of advisory services in structuring of initial public offerings and secondary capital raising transactions, mergers and acquisitions and other investment related transactions for listed companies and private venture groups from diversified industry sectors such as IT, satellite, fashion, beauty, retail and property development.

From 2013 to 2016, Mr. Chong was a director of Viriathus Capital LLC overseeing the US-based investment bank's Asia operation. In 2008, he advised the Hong Kong listed MelcoLot Limited in developing South Korea's lottery market and had successfully procured the exclusive license to operate the national online lottery business in South Korea. From 2006 to 2008, he served as a member of the Board of Directors of Singapore listed LottVision Limited as its non-executive director to provide guidance in the strategies and operations of the group, in particular in the areas of investments, M&A and other financial related corporate exercises.

Prior to commencing his commercial career in 2001, Mr. Chong spent 5 years working for the Hong Kong Government in the financial regulatory sector.

Mr. Chong received a Bachelor of Commerce Degree in Finance with honors from the University of Toronto and is a Certified Management Accountant (Australia).

MR. MAK TIN SANG

Executive Director and Chief Financial Officer

Mr. Mak Tin Sang was appointed as the Executive Director and Chief Executive Officer on 25 May 2015 and re-designated from the Chief Executive Officer to the Chief Financial Officer of the Company on 6 June 2016. He is responsible for the preparation of the Group's financial statements as well as reviewing and developing effective financial policies and control procedures of the Group.

Prior to joining the Company, Mr. Mak was appointed by Armarda Group Limited (now known as "SinoCloud Group Limited", being a Catalyst Board listed company in the Singapore Stock Exchange) as Chief Financial Officer in January 2004 and promoted as Executive Director from June 2013 till he left in April 2015.

Prior to that, Mr. Mak served as the Chief Financial Officer of LottVision Limited (now known as "NutryFarm International Limited", being a main board listed company in the Singapore Stock Exchange) from August 2001 till he left in December 2003.

Mr. Mak holds a Master's Degree in Business Administration from the University of Sheffield, UK. He is also a fellow member of the United Kingdom Chartered Association of Certified Accountants.

CORPORATE GOVERNANCE REPORT AND FINANCIAL CONTENTS

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

(A) BOARD MATTERS

Board's Conduct of its Affairs

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

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

The principal functions of the Board include the following:

1. Protecting and enhancing long-term value and return to the shareholders of the Company;

2. Providing entrepreneurial leadership, setting strategic objectives and ensuring that the necessary financial and human resources are in place for the Company, and Group, to meet its objectives;

3. Establishing, reviewing and approving the board policies, strategies and financial objectives of the Group;

4. Reviewing and monitoring the performance of Management;

5. Establishing a framework of prudent and effective controls to enable risks to be assessed and managed including safeguarding shareholders' interests and the company's assets;

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

7. Identifying the key stakeholder groups and recognizing that their perception affects the Company's reputation;

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

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

10. Setting the Company's values and standards (including ethical standards), and ensuring that obligations to shareholders of the Company and other stakeholders are understood and met;

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

12. Considering sustainability issues as part of the Company's strategic formulation; and

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

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

To assist the Board in the execution of its responsibilities, the Board is supported by three committees, namely the Audit Committee ("AC"), the Remuneration Committee ("RC") and the Nominating Committee ("NC") (collectively "Board Committees'). The Board, without abdicating its responsibility, gives these Board Committees specific authority to make decisions within clearly defined terms of reference and they play an important role in ensuring good corporate governance in the Company and within the Group. These terms of reference are reviewed on a regular basis to ensure their continued relevance.

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

The attendance of the Directors at the Board meetings and Board Committees meetings held for the 18 months' period for the financial year ended 30 June 2016 ("FY2016") are as follows:

	Board		Audit Committee		Nominating Committee		Remuneration Committee	
Name of Director	**No. of Meetings held**	**No. of Meetings attended**	**No. of Meetings held**	**No. of Meetings attended**	**No. of Meetings held**	**No. of Meetings attended**	**No. of Meetings held**	**No. of Meetings attended**
Yuan Limin(1)	5	5	3	3	3	3	2	1
Kwok Wei Woon (Guo Weiwen)	10	8	6	6	7	4	2	1
Teo Kean Eek(2)	8	7	6	6	5	4	2	1
Mak Tin Sang(3)	6	6	4	4	5	5	1	1
Huo Weisheng(4)	6	6	4	3	5	3	2	1
Neo Chee Beng(5)	3	3	2	2	2	1	1	1
Wang Huai Dong(6)	5	2	2	1	2	–	1	–
Lee Ka Shao(7)	1	1	–	–	1	1	–	–
Chong Tin Yam, Alex(8)	–	–	–	–	–	–	–	–

Note:

(1) Mr. Yuan Limin had resigned as Non-Executive Chairman on 27 October 2015.

(2) Mr. Teo Kean Eek had resigned as Independent Director on 25 May 2016.

(3) Mr. Mak Tin Sang has been re-designated from Executive Director and Chief Executive Officer ("CEO") to Executive Director and Chief Financial Officer ("CFO") on 6 June 2015.

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

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

(6) Mr. Wang Huai Dong has been re-designated from Non-Executive, Non-Independent Director to Non-Executive Director and Non-Executive Chairman on 6 June 2016.

(7) Mr. Lee Ka Shao was appointed as Independent Director on 25 May 2016.

(8) Mr. Chong Tin Yam, Alex was appointed as Executive Director and Chief Executive Officer ("CEO") on 6 June 2016.

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

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

The Directors are also updated regularly with changes to the SGX-ST listing rules, risk management, corporate governance, insider trading and the key changes in the relevant regulatory requirements and financial reporting standards and the relevant laws and regulations to facilitate effective discharge of their fiduciary duties. The Company has a comprehensive and tailored induction for all new Directors, under which they are instructed of their duties as directors and how to discharge the same, and which includes an orientation programme to ensure their familiarization with the Company's and Group's business and governance practices. The Company also has various training programmes from time to time covering areas such as new laws and regulations and changing commercial risks for all Directors to attend as appropriate.

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

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

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

Board Composition and Guidance

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

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

Name of Directors	Board	AC	NC	RC
Chong Tin Yam, Alex[(1)]	Executive Director and CEO	–	–	–
Mak Tin Sang[(2)]	Executive Director and CFO	–	–	–
Huo Weisheng[(3)]	Executive Director and COO	–	–	–
Wang Huai Dong[(4)]	Non-Executive Director and Non-Executive Chairman	Member	Member	Member
Kwok Wei Woon (Guo Weiwen)	Independent Director	Chairman	Member	Member
Lee Ka Shao[(5)]	Independent Director	Member	Chairman	Chairman

Note:

(1) Mr. Chong Tin Yam, Alex was appointed as Executive Director and Chief Executive Officer ("CEO") on 6 June 2016.

(2) Mr. Mak Tin Sang has been re-designated from Executive Director and Chief Executive Officer ("CEO") to Executive Director and Chief Financial Officer ("CFO") on 6 June 2015.

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

(4) Mr. Wang Huai Dong has been re-designated from Non-Executive, Non-Independent Director to Non-Executive Director and Non-Executive Chairman on 6 June 2016.

(5) Mr. Lee Ka Shao was appointed as Independent Director on 25 May 2016.

The independence of each Director is reviewed by the NC. The criteria for independence is determined based on the definition as provided in the Code and the independence of each Director is reviewed annually by the NC. The NC considers an Independent Director as one who has no relationship with the Company, its related corporations, its 10% shareholders or its officers that could interfere or be reasonably perceived to interfere, with the exercise of the Director's independent business judgment with a view to the best interests of the Company.

The NC has reviewed the independence of each Independent Director and is of the view that these Directors are independent and that there are no relationships or circumstances likely to affect, or which could appear to affect, the judgment of each of the Independent Directors. There is no Independent Director who has served on the Board beyond nine years from the date of his first appointment.

Taking into consideration the scope and nature of the Company's operations, the requirements of the business and the need to avoid undue disruptions from changes to the composition of the Board and board committees, the Board considers that the current Board size and number of Board Committees facilitate effective decision-making and are appropriate for the nature and scope of Company's operations.

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

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

The Independent Directors exercise no Management functions in the Group. The role of the Non-Executive Directors and Independent Directors is particularly important in ensuring that the strategies proposed by the Management are fully discussed and rigorously examined and reviewing the performance of the Management in meeting agreed goals and objectives and monitor the reporting of performance. The Company co-ordinates informal meeting sessions for Independent Directors to meet on a need-basis without the presence of the Management to discuss matters such as the Group's financial performance, corporate governance initiatives, Board processes, succession planning as well as leadership development and the remuneration of the Executive Directors.

Chairman and Chief Executive Officer ("CEO")

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

Mr. Neo Chee Beng and Mr. Lin Daoqin had resigned as the Executive Chairman and CEO of the Company on 22 May 2015 and 30 May 2014 respectively. Mr. Yuan Limin had resigned as the Non-Executive Director and Non-Executive Chairman on 27 October 2015. Mr. Mak Tin Sang had resigned as the CEO of the Company on 6 June 2016. The current Executive Director and CEO, Mr. Chong Tin Yam, Alex who was appointed on 6 June 2016, is responsible for the overall business operations, overall management, strategic direction and ensuring that the organizational objectives are achieved and the day-to-day operations of the Group. He ensures effective and constructive relations within the Board and between the Board and the Management.

The current Non-Execution Chairman, Mr. Wang Huai Dong, was appointed to his current post on 6 June 2016. The responsibilities of the Chairman include:

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

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

3. Promoting high standards of corporate governance and ensuring the Group's compliance with the Code;

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

5. Leading the Board to ensure its effectiveness on all aspects of its role;

6. Setting the agenda and ensure that adequate time is available for discussion of all agenda items, in particular strategic issues;

7. Promoting a culture of openness and debate at the Board;

8. Ensuring that the directors receive complete, adequate and timely information;

9. Ensuring effective communication with shareholders;

10. Encouraging constructive relations within the Board and between the Board and Management; and

11. Facilitating the effective contribution of non-executive directors in particular.

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

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

Board Membership

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

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

Nominating Committee

Mr. Lee Ka Shao (Chairman)
Mr. Kwok Wei Woon (Guo Weiwen) Mr. Wang Huai Dong

Mr. Lee Ka Shao was appointed as Independent Director on 25 May 2016.
The NC has written terms of reference that set out their roles, duties, responsibilities and authority, which is mainly to establish a formal and transparent process for:

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

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

3. Determining annually the independence of a Director;

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

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

6. Developing a process for evaluation of the performance of the Board, its board committees and directors and assessing the effectiveness of the Board as a whole;

7. Reviewing board succession plans for directors, in particular, the Chairman and for the CEO; and

8. Reviewing training and professional development programs for the Board.

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

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

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

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

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

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

There is no alternate director being appointed to the Board.

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

Board Performance

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

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

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

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

Access to Information

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

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

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

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

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

(B) REMUNERATION MATTERS

Procedures for Developing Remuneration Policies

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

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

<u>Remuneration Committee</u>

Mr. Lee Ka Shao (Chairman)
Mr. Kwok Wei Woon (Guo Weiwen) Mr. Wang Huai Dong

Mr. Lee Ka Shao was appointed as Independent Director on 25 May 2016.

The RC has written terms of reference that set out their roles, duties, responsibilities and authority, which include the following:

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

2. Reviewing and approving annually the total remuneration of the Directors and key executives; and

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

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

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

No Director is involved in deciding his own remuneration.

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

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

Level and Mix of Remuneration

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

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

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

The Executive Director and CEO, Mr. Mak Tin Sang had a service agreement ("Agreement") for an initial period of two years from 25 May 2015 and shall be automatically renewed annually for such annual period thereafter unless otherwise agreed in writing between the Company and the Executive Chairman or terminated in accordance with the Agreement. Mr. Mak Tin Sang had re-designated as Executive Director and CFO on 6 Jun 2016.

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

The Executive Director and CEO, Mr. Chong Tin Yam, Alex appointed on 6 June 2016 as the Executive Director and CEO. Mr. Chong Tin Yam, Alex had a service agreement for an initial term of 2 years commencing from 6 June 2016. The service agreement can be terminated by either party giving not less than six (6) months' notice in writing to the other.

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

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

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

Disclosure of remuneration

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

(a) Breakdown of each individual Director's remuneration, in percentage terms showing the level and mix for the 18 months' period ended 30 June 2016 is as follows (expressed in RMB'000 Yuan):

Directors	Salary	Fee	Bonus	Other Benefits	Total
Neo Chee Beng[(1)]	–	409	–	–	409
Mak Tin Sang[(2)]	1,002	–	–	–	1,002
Huo Weisheng[(3)]	–	–	–	–	–
Yuan Limin[(4)]	–	–	–	–	–
Kwok Wei Woon (Guo Weiwen)	–	346	–	–	346
Teo Kean Eek[(5)]	–	323	–	–	323
Lee Ka Shao[(6)]	–	25	–	–	25
Wang Huai Dong[(7)]	–	147	–	–	147
Chong Tin Yam, Alex[(8)]	48	–	–	–	48

Notes:

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

(2) Mr. Mak Tin Sang had been re-designated from Executive Director and Chief Executive Officer ("CEO") to Executive Director and Chief Financial Officer ("CFO") on 6 June 2016.

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

(4) Mr. Yuan Limin had resigned as Non-Executive Chairman on 27 October 2015.

(5) Mr. Teo Kean Eek had resigned as Independent Director on 25 May 2016.

(6) Mr. Lee Ka Shao was appointed as Independent Director on 25 May 2016.

(7) Mr. Wang Huai Dong has been re-designated from Non-Executive, Non-Independent Director to Non-Executive Director and Non-Executive Chairman on 6 June 2016.

(8) Mr. Chong Tin Yam, Alex was appointed as Executive Director and Chief Executive Officer ("CEO") on 6 June 2016.

(b) The remuneration paid to the key management personnel (who are not the Directors) for FY2016 are as follows:

Key Management Personnel	Salary (RMB'000)	Bonus (RMB'000)	Other Benefits (RMB'000)	Total (RMB'000)
Ng Poh Khoon, Jimmy[9]	737	–	–	737
Zhou Chen, Rex[10]	451	–	–	451

Note:

(9) Mr. Ng Poh Khoon, Jimmy had resigned as Chief Financial Officer ("CFO") on 15 October 2015.

(10) Mr. Zhou Chen, Rex had resigned as Chief Financial Officer ("CFO") on 6 June 2016.

There are no other executives who are relevant to this requirement.

The aggregate amount of the total remuneration paid (including benefit) to the key management personnel for FY2016 was RMB 1,188,000.

No termination, retrenchment and post-employment benefits were granted to the Directors and key management personnel during FY2016.

Immediate Family Members of Directors

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

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

(C) ACCOUNTABILITY AND AUDIT

Accountability

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

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

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

The Management is accountable to the Board by providing the Board with the necessary financial information, such as detailed monthly management accounts (including explanations and all relevant information in relation thereto) of the Group's performance, position and prospects for the discharge of its duties.

RISK MANAGEMENT AND INTERNAL CONTROLS

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

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

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

Based on the discussion with and the reports submitted by the external auditors and internal auditors, the discussion with the Management, the Board, with the concurrence of the AC is of the opinion that, the system of internal controls addressing financial, operational, compliance and information technology risks as well as risk management system maintained by the Company that are in place throughout the FY2016 are adequate and effective, but warrants further adjustments and improvements. The system provides reasonable, but not absolute, assurance against material financial misstatements or loss, and includes the safeguarding of assets, the maintenance of proper accounting records, the reliability of financial information, compliance with appropriate legislation, regulations and best practices, and the identification and containment of financial, business and compliance risks.

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

(a) The financial records have been properly maintained and the financial statements for the FY2016 give a true and fair view in all material respects, of the Company's operations and finances; and

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

Audit Committee

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

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

Audit Committee

Mr. Kwok Wei Woon (Guo Weiwen) (Chairman) Mr. Wang Huai Dong
Mr. Wang Huai Dong and Mr. Lee Ka Shao

Mr. Lee Ka Shao was appointed as Independent Director on 25 May 2016.

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

The AC has written terms of reference that set out their roles, duties, responsibilities and authority, which include the following:

- monitor the integrity of the financial information provided by the Company;
- assess, and challenge, where necessary, the correctness, completeness, and consistency of financial information (including interim reports) before submittal to the Board for approval or made public;
- review any formal announcements relating to the Company's financial performance;
- discuss problems and concerns, if any, arising from the interim audits and final audits, in consultation with the external auditors and the internal auditors where necessary;
- assess the adequacy and effectiveness of the internal control (including financial, operational, compliance, information technology controls and risk management) systems established by Management to identify, assess, manage, and disclose financial and non-financial risks (including those relating to compliances with existing legislation and regulation) at least once a year in compliance with Guideline 12.4 of the Code;
- review and ensure that the assurance has been received from the CEO (or equivalent) and the Chief Financial Officer (or equivalent) in relation to the interim / financial unaudited financial statement.
- review Management's and the internal auditors' reports on the effectiveness of the systems for internal control, financial reporting and risk management;
- monitor and assess the role and effectiveness of the internal audit function in the overall context of the Company's risk management system;
- in connection with the terms of engagement to the external auditors, to make recommendations to the Board on the selection, appointment, reappointment, and resignation of the external auditors based upon a thorough assessment of the external auditors' functioning, and approve the remuneration and Terms of Engagement of the external auditors;
- monitor and assess the external auditors' independence and keep the nature and extent of non-audit services provided by the external auditors under review to ensure the external auditors' independence or objectivity are not impaired;
- assess, at the end of the audit cycle, the effectiveness of the audit process; and
- review interested person transactions to consider whether they are on normal commercial terms and are not prejudicial to the interests of the Company or its minority shareholders; and
- review the Company's procedures for detecting fraud and whistle-blowing, and ensure that arrangements are in place by which staff may, in confidence, raise concerns about possible improprieties in matters of financial reporting, financial control, or any other matters.

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

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

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

Annually, the AC meets with the external auditors without the presence of the Management and had established that the external auditors have had the full co-operation of the Management in carrying out the audit and conducts a review of all the non-audit services provided by the external auditors and is satisfied that the nature and extent of such services will not prejudice the independence and objectivity of the external auditors. Fee paid or payable by the Company to the external auditors for audit services for FY2016 amounted to S$180,000. For FY2016, there were no non-audit fees paid to the external auditors.

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

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

Internal Audit

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

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

The roles of the internal auditors are to:

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

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

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

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

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

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

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

SHAREHOLDER RIGHTS AND RESPONSIBILITES

Shareholder Rights

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

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

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

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

(D) COMMUNICATION WITH SHAREHOLDERS

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

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

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

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

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

The Company does not practice selective disclosure. Price sensitive information is first publicly released through SGXNet, either before the Company meets with any investors or analysts. All shareholders of the Company will receive the annual report with notice of AGM by post and published in the newspapers within the mandatory period. At shareholders' meetings, the Board also seeks for the views, comments and input of the Company's shareholders, to better understand and address their specific concerns.

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

For FY2016 the Company will not be paying dividends to shareholders as it had reported losses and due to the ongoing challenges in the economic and business environment, there is a need to conserve cash.

CONDUCT OF SHAREHOLDER MEETINGS

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

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

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

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

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

The Company will put all resolutions to vote by poll by electronic polling and make an announcement of the detailed results showing the number of votes cast for and against each resolution and the respective percentages.

(E) DEALING IN COMPANY'S SECURITIES

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

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

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

(F) MATERIAL CONTRACTS

Saved for the service agreements entered with the Executive Directors as abovementioned, there were no material contracts entered into by the Company or any of its subsidiaries involving the interest of the CEO, any Director or controlling shareholder at the end of FY2016.

(G) INTERESTED PERSON TRANSACTIONS

The Company has adopted an internal policy with regard to transactions with interested persons and has set out procedures for review and approval of the Company's interested person transactions. The Company also ensures that all transactions with interested persons are reported on a timely manner to the AC, if any and that the transactions are carried out on a normal commercial terms and will not be prejudicial to the interests of the Company and its minority shareholders.

Name of Director	Academic / Professional Qualifications	Board Appointment Executive/ Non-executive	Board Committees as Chairman or Member	Directorship Date First Appointed	Date of Last Re-election	Directorships in other listed companies and other major appointments	Past directorships in other listed companies and other major appointments over the preceding 3 years
Chong Tin Yam, Alex	Bachelor of Commerce Degree in Finance from the University of Toronto	Executive Director and CEO	Board Member	6 June 2016	–	Nil	Nil
Mak Tin Sang	Master's Degree in Business Administration from University of Sheffield, UK. Fellow of the United Kingdom Chartered Association of Certified Accountants	Executive Director and CFO	Board Member	25 May 2015	30 June 2015	Nil	■ Armarda Group Limited
Huo Weisheng	Bachelor Degree in Banking and Finance from the China University of Mining & Technology	Executive Director and COO	Board Member	25 May 2015	30 June 2015	Nil	Nil
Kwok Wei Woon (Guo Weiwen)	Master of Commerce Degree (majoring in Advance Finance) and a Bachelor of Commerce Degree (majoring in Accounting and Finance) from University of New South Wales. He is also a Certified Financial Planner (CFP) and a certified accountant with CPA Australia as well as a member with Singapore Institute of Directors.	Independent Director	Board Member, Chairman of the AC and Member of the NC and RC	27 March 2014	–	■ ISR Capital Ltd ■ Chiwayland International Limited	Nil
Lee Ka Shao		Independent Director	Board Member, Chairman of the NC and RC and Member of the AC	25 May 2016	–	Nil	
Wang Huai Dong	Ph.D.Kyushu University, Japan and M.D. Kyushu University, Japan	Non-Executive Director and Non-Executive Chairman	Board Member of the AC, NC and RC	27 October 2015	–	Nil	

STATEMENT BY
DIRECTORS

The Directors submit this annual report to the members together with the audited consolidated financial statements of the Group and the statement of financial position of the Company for the financial period from 1 January 2015 to 30 June 2016.

In the opinion of the directors,

(a) the accompanying statements of financial position, consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and the consolidated statement of cash flows, together with the notes thereon, are drawn up so as to give a true and fair view of the financial position of the Company and of the Group as at 30 June 2016 and the financial performance, changes in equity and cash flows of the Group for the financial period from 1 January 2015 to 30 June 2016; and

(b) at the date of this statement, except as disclosed in Note 2(a), there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

The Board of Directors has, on the date of this statement, authorised these financial statements for issue.

Directors

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

Mak Tin Sang	- Chief Executive Officer and Executive Director (Appointed on 25 May 2015 and resigned on 6 June 2016)
	- Chief Financial Officer and Executive Director (Appointed on 6 June 2016)
Huo Weisheng	- Chief Operating Officer and Executive Director (Appointed on 9 February 2015 and 25 May 2015 respectively)
Chong Tin Yam, Alex	- Chief Executive Officer and Executive Director (Appointed on 6 June 2016
Kwok Wei Woon	- Independent Director
Lee Ka Shao	- Independent Director (Appointed on 25 May 2016)
Wang Huai Dong	- Non-Executive Director and Non-Executive Chairman (Appointed on 27 October 2015 and 6 June 2016 respectively)

Arrangements to enable directors to acquire shares and debentures

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

Directors' interest in shares or debentures

According to the register of directors' shareholdings, none of the directors holding office at the end of the financial period had any interest in the shares or debentures of the Company or its related corporations.

Share options

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

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

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

Audit Committee

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

Kwok Wei Woon (Chairman)
Lee Ka Shao
Wang Huai Dong

The Audit Committee performs the functions in accordance with Section 201B(5) of the Singapore Companies Act, Cap. 50, the SGX Listing Manual and the Code of Corporate Governance. In performing those functions, the committee reviewed the following:

(i) overall scope of external audit and the assistance given by the Company's officers to the auditors. It met with the Company's external auditors to discuss the results of their respective examinations and their evaluation of the Company's system of internal accounting controls;

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

(iii) the quarterly financial information and the statement of financial position of the Company and the consolidated financial statements of the Group for the financial period ended 30 June 2016 as well as the independent auditor's report thereon;

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

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

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

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

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

(ix) recommended to the Board of Directors the external auditor to be nominated, approved the compensation of the external auditor and reviewed the scope and results of the audit;

(x) reported actions and minutes of the Audit Committee to the Board of Directors with such recommendations as the Audit Committee considered appropriate; and

(xi) interested person transactions (as defined in Chapter 9 of the Listing Manual of the Singapore Exchange).

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

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

Full details regarding the Audit Committee are provided in the Report on Corporate Governance.

In appointing the auditors for the Company, subsidiaries and significant associated companies, the directors have complied with Rules 712 and 715 of the SGX Listing Manual.

STATEMENT BY DIRECTORS

Independent auditor

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

Other information required by the SGX-ST

Material information

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

Interested person transactions

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

Change of financial year

On 8 October 2015, the Board of Directors of the Company approved a change in the Company's financial year end from 31 December to 30 June of each year.

On behalf of the Board of Directors

CHONG TIN YAM, ALEX

MAK TIN SANG

11 November 2016

Report on the Financial Statements

We were engaged to audit the accompanying financial statements of Asia Fashion Holdings Limited (the "Company") and its subsidiaries (collectively the "Group"), as set out on pages 9 to 62, which comprise the statements of financial position of the Group and the Company as at 30 June 2016, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity, and consolidated statement of cash flows of the Group for the period from 1 January 2015 to 30 June 2016, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with Singapore Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material statement, whether due to fraud or error.

Auditors' Responsibility

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

Basis for Disclaimer of Opinion

1. The Company

1(i) Unverified transactions of the associated companies, opening balances and recoverability of balances

As fully described in Note 5 to the financial statements, it was reported in the auditor's report for financial year 2014, that there were unverified transactions of the associated company group, Rich Circles and its subsidiaries due to the fact that at that material time, no reasonable access was given to examine sufficiently the documentation that will adequately support certain transactions recorded in the accounting books of Rich Circles and its subsidiaries. Notably, the Company provided a loan of RMB 49 million to the associated company, Rich Circles which is repayable on 18 June 2016.

As of the date of this report, the RMB 49 million loan and the interest thereon owing by Rich Circles to the Company has not been repaid. In March 2015, the Company has further extended an interest-free loan of RMB 12 million with no fixed terms of repayment where the fund was raised from the convertible bond of S$2.66 million.

On the basis of the foregoing paragraphs, we were unable to determine the extent of goodwill, if any, due to lack of financial information at the time of acquisition.

On the basis of the matters referred to above, we were unable to obtain sufficient evidence to ascertain the recoverability of the two loans totalling RMB 61 million as at 30 June 2016. The financial statements did not include any adjustments that would be necessary if the amounts are not recoverable.

1(ii) Pending disposition of associated company group subsequent to the date of this report

As mentioned in Note 5 to the financial statements, towards the end of the financial period, the director of Xuzhou Zhongwei, Mr. Huo Weisheng is currently in negotiation to sell the Group's entire interest of 54.46% in Rich Circles and its subsidiaries (collectively known as the "associated company group") due to the default of the SME bond of RMB 180 million due on 28 March 2016. The director of Xuzhou Zhongwei, Mr. Huo Weisheng has been making attempts to renegotiate the settlement of this debt securities which has been extended once in the financial year 2014. One of the bond holders has also made an application to the Court for Orders of freezing of assets.

Mr. Mak Tin Sang, the then CEO of the Company indicated that since the month of May 2016, he has not been allowed to be involved in the negotiation with the bond holders as to any scheme of proposed settlement. Mr. Mak Tin Sang has resigned from the position of CEO and remained as CFO when the former CFO vacated his office.

Basis for Disclaimer of Opinion (Cont'd)

1. The Company

1(ii) Pending disposition of associated company group subsequent to the date of this report (Cont'd)

Mr. Mak Tin Sang indicated that he is not able to provide the books and records of Xuzhou Zhongwei for the purpose of our audit.

Because of the occurrence of events as stated above, we were not allowed access to the books and records accordingly. We were only allowed to visit the plant located at Pizhou.

On the basis of the matters referred to above, there was a limitation of scope and no alternative procedures could be performed due to circumstances beyond the control of the Company and the Group and which caused us not able to obtain sufficient appropriate audit evidence. As a result, we were unable to determine the adjustments, if any, or presentations and disclosures to be made to this financial statements.

2. The Company and the Group

Going concern

During the financial period ended 30 June 2016, the Group reported loss of RMB 28.4 million and the net cash outflow from the operating activities was RMB 19.4 million.

On 4 March 2015, the Company raised a bond of RMB 7.9 million (HK$10 million) to provide working capital for the Company and the Group. This bond has interest carried at 10% which is due on 3 March 2017.

On 5 March 2015, the Company further raised RMB 11.9 million by way of issuance of convertible bonds of S$2.66 million for working capital purpose. The bond holder of the convertible bonds may convert all or part of the outstanding bonds and any accrued and unpaid interest in respect of each bond into new ordinary shares at the conversion price of $1.12 (after share consolidation). Upon maturity date on 4 March 2017, the bonds which are not previously redeemed or cancelled by the Company shall be redeemed by the Company at 100% of their principal amount together with all accrued and unpaid interest that was scheduled to be paid at the redemption date.

The directors of the Company have prepared a 18-month cash flow forecast to the financial period ending 31 December 2017 based on the fund raising exercise for the sum of RMB 25 million. In their assessment of the Group's and Company's ability to continue as a going concern where the liabilities owing to the bond holders are to be fully settled, they are of the view that the use of the going concern assumption in the preparation of the Group's financial statements and the Company's statement of financial position is appropriate.

We were not able to obtain sufficient appropriate audit evidence to satisfy ourselves as to the reliability of the assessment made by the Company's directors, and the assumptions used by them in their forecast. The appropriateness of the use of the going concern assumption is dependent on the ability of the Group and the Company to raise additional fund to support the repayment of the bonds in cash if needed, to provide working capital for the new business venture in the entertainment sector, and sufficient cash flows for their requirements in the next twelve months.

Disclaimer of Opinion

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

Report on Other Legal and Regulatory Requirements

In our opinion, in view of the significance of the matters referred to in the Basis for Disclaimer of Opinion paragraph, we do not express an opinion on whether the accounting and other records to be kept by the Company have been properly kept.

Other Matters

Management involvement in associated company group

As mentioned in Note 5 to the financial statements, the directors of the Company continue to regard the investment of 54.46% interest in Rich Circles Enterprise Limited ("Rich Circles"), and its wholly-owned subsidiaries, China Construction Material (Hong Kong) Limited ("CCMH"), Zhongchuang (Xuzhou) Construction Material Co., Ltd ("Xuzhou Zhongchuang") and Xuzhou Zhongwei New Board Co., Ltd ("Xuzhou Zhongwei") (collectively known as "associated company group") as an associated company.

In the 2014 Annual Report, it was mentioned that arising from a change in the board composition of CCMH and Xuzhou Zhongwei, the Board has strong reasons to treat Rich Circles and its subsidiaries as the Company's subsidiaries. With effect from 27 May 2015 to 31 March 2016, the Company has reported Rich Circles and its subsidiaries as consolidated subsidiaries to SGX-ST in its quarterly reports.

In determining control as stipulated in Financial Reporting Standards ("FRS") 110 Consolidated Financial Statements, the directors of the Company have acknowledged and accepted that the announcements made before SGX-ST as to the quarterly reports for 2015 and 2016 did not correctly reflect the presentation and disclosure as required by the standards.

As mentioned in Note 5 to the financial statements, in June 2016, the directors of the Company have reassessed the extent of the control the Company may have in Xuzhou Zhongwei and acknowledged and thus confirmed that Xuzhou Zhongwei is only an associated company. Despite the Company having majority voting rights, the Company does not have substantive rights that provide the Company with the practical ability to exercise that right and to direct the relevant activities of Rich Circles and its subsidiaries.

Balances and discontinued operations classified as held-for-sale

It was reported in the auditor's report for financial year 2014 that the disclaimer of opinion included the effects of the opening balances relating to compensations to customers brought forward from 2013, and the effect of the discontinued operations of Qianfeng International Limited and its subsidiaries ("Qianfeng group") which have been classified as disposal group held-for-sale in 2014. As Qianfeng group had been disposed on 3 February 2015, Qianfeng group has been deconsolidated from the Group for the financial period ended 30 June 2016. Accordingly, the matters identified in the 2014 auditor's report no longer have any impact to the financial statements for the current financial period.

In respect of the financial period 2016, the then director and obligor, Mr. Lin Daoqin, had given an undertaking to the Company to take up all future claims and liabilities associated with the disposed Qianfeng group. According to the sale and purchase agreement for the disposal of Qianfeng group to Chengde Industrial Co., Limited, it was stated that on completion of the sale which was 3 February 2015, Chengde Industrial Co. Limited, shall irrevocably and unconditionally fully release, and discharge the Company from all liabilities, debts and obligations, known and unknown including any breach of warranties given by the Company and Mr. Lin Daoqin. In this regard, we have reviewed the legal opinion on the completion of this business undertaking provided by the PRC (People's Republic of China) counsel which confirmed that in their opinion the Company has been duly discharged of all its liabilities following the disposal of Qianfeng group. Chengde Industrial Co., Limited has agreed to undertake to assume the liabilities for compensation and guaranteed royalties to three external parties totalling RMB 13.9 million provided in the books of the Company and released all liabilities owing by the Company to the relevant parties and assumed the same as provided in the claim cancellation agreement entered into on 11 February 2015.

In the financial year 2014, our report was qualified on the basis that "We have not been able to satisfy ourselves as to the completeness and appropriateness of the provision for compensation to distributors amounting to approximately RMB 8.6 million and provision for minimum guaranteed royalty amounting to approximately RMB 5.3 million as at 31 December 2014".

Foo Kon Tan LLP
Public Accountants and
Chartered Accountants

Singapore, 11 November 2016

STATEMENTS OF
FINANCIAL POSITION
AS AT 30 JUNE 2016

		The Company			The Group		
	Note	**30 June 2016 RMB'000**	31 December 2014 RMB'000 (Restated)	1 January 2014 RMB'000 (Restated)	**30 June 2016 RMB'000**	31 December 2014 RMB'000 (Restated)	1 January 2014 RMB'000 (Restated)
ASSETS							
Non-Current Assets							
Property, plant and equipment		**–**	–	–	**–**	–	47,176
Land use rights		**–**	–	–	**–**	–	7,831
Subsidiaries	4	**8**	8	3,259	**–**	–	–
Associated companies	5	**–**	30	–	**–**	27,384	–
Loan to associated company	5	**–**	49,000	–	**–**	49,000	–
Interest receivable	5	**–**	1,851	–	**–**	1,851	–
		8	50,889	3,259	**–**	78,235	55,007
Current Assets							
Inventories		**–**	–	–	**–**	–	12,041
Trade receivables		**–**	–	–	**–**	–	67,637
Other receivables	6	**102**	–	–	**111**	–	3,707
Loans to associated company	5	**61,000**	–	–	**61,000**	–	–
Amounts due from associated companies	5	**–**	–	–	**302**	1,634	–
Amount due from subsidiary	6	**547**	–	–	**–**	–	–
Cash and cash equivalents	7	**67**	131	137	**311**	182	10,614
		61,716	131	137	**61,724**	1,816	93,999
Assets of disposal group classified as held-for-sale	14	**–**	3,251	–	**–**	153,002	–
		61,716	3,382	137	**61,724**	154,818	93,999
Total assets		**61,724**	54,271	3,396	**61,724**	233,053	149,006
EQUITY							
Share capital	8	**27,293**	19,220	19,220	**27,293**	19,220	19,220
Reserves	9	**509**	(57,781)	(47,898)	**509**	(3,734)	(21,244)
Total equity		**27,802**	(38,561)	(28,678)	**27,802**	15,486	(2,024)
LIABILITIES							
Current Liabilities							
Trade payables		**–**	–	–	**–**	–	24,496
Accruals and other payables	10	**6,313**	40,545	29,365	**6,313**	32,636	26,150
Compensation payables		**–**	–	–	**–**	–	17,400
Amount due to former director/shareholder	11	**1,221**	1,221	2,709	**1,221**	1,221	2,709
Bank loans		**–**	–	–	**–**	–	7,766
Tax payable		**–**	–	–	**–**	–	1,182
Amounts due to associated companies	12	**4,051**	–	–	**4,051**	–	–
Bond payable	13	**21,614**	–	–	**21,614**	–	–
Interest payable	13	**723**	–	–	**723**	–	–
		33,922	41,766	32,074	**33,922**	33,857	79,703
Liabilities directly associated with disposal group classified as held-for-sale	14	**–**	–	–	**–**	132,644	–
		33,922	41,766	32,074	**33,922**	166,501	79,703
Non-Current Liabilities							
Compensation payables		**–**	–	–	**–**	–	69,730
Bond payable	13	**–**	49,159	–	**–**	49,159	–
Interest payable	13	**–**	1,907	–	**–**	1,907	–
Bank loans		**–**	–	–	**–**	–	1,597
		–	51,066	–	**–**	51,066	71,327
Total liabilities		**33,922**	92,832	32,074	**33,922**	217,567	151,030
Total equity and liabilities		**61,724**	54,271	3,396	**61,724**	233,053	149,006

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

CONSOLIDATED STATEMENT OF PROFIT OR LOSS
AND OTHER COMPREHENSIVE INCOME

FOR THE FINANCIAL PERIOD FROM 1 JANUARY 2015 TO 30 JUNE 2016

The Group	Note	Period from 1 January 2015 to 30 June 2016 RMB'000	Year ended 31 December 2014 RMB'000 (Restated)
Continuing operations			
Revenue	3	**–**	–
Cost of sales		**–**	–
Gross results		**–**	–
Other operating income	3	**19,317**	1,851
Changes in fair value of option derivatives in relation to convertible bonds	13	**1,838**	–
Loss on disposal of subsidiaries	15	**(6,434)**	–
Administrative expenses	16	**(10,442)**	(9,828)
Profit/(loss) from continuing operations		**4,279**	(7,977)
Finance costs	17	**(5,318)**	(1,907)
Share of (loss)/profit from associated companies, net of tax	5	**(27,354)**	27,354
(Loss)/profit before tax from continuing operations	18	**(28,393)**	17,470
Taxation	20	**–**	–
(Loss)/profit after taxation from continuing operations		**(28,393)**	17,470
Other comprehensive income, net of tax		**–**	–
Total comprehensive (loss)/profit for the period/year ended from continuing operations		**(28,393)**	17,470
Discontinued operations			
Profit from discontinued operations, net of tax		**–**	40
Total comprehensive (loss)/profit for the period/year		**(28,393)**	17,510
Total comprehensive (loss)/profit attributable to:			
Equity holders of the Company			
- (Loss)/profit from continuing operations, net of tax		**(28,393)**	17,470
- Profit from discontinued operations, net of tax		**–**	40
		(28,393)	17,510
		Fen	Fen
(Loss)/earnings per share			
Continuing operations			
- Basic	21	**(61.66)**	3.18
- Diluted	21	**(61.66)**	3.18
Earnings per share			
Discontinued operations			
- Basic	21	**–**	0.01
- Diluted	21	**–**	0.01

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

CONSOLIDATED STATEMENT OF
CHANGES IN EQUITY
FOR THE FINANCIAL PERIOD FROM 1 JANUARY 2015 TO 30 JUNE 2016

The Group	Note	Share capital (Note 8) RMB'000	Share premium (Note 9(a)) RMB'000	Capital reserve (Note 9(b)) RMB'000	Merger reserve (Note 9(c)) RMB'000	Statutory reserve (Note 9(d)) RMB'000	Share option reserve (Note 9(e)) RMB'000	Contributed surplus (Note 9(f)) RMB'000	Accumulated losses RMB'000	Total equity RMB'000
Balance at 1 January 2014 as reported		19,220	65,466	4,230	(64,889)	45,303	1,224	172,983	(245,296)	(1,759)
Prior year adjustments	27	–	–	–	–	–	–	–	(265)	(265)
Balance at 1 January 2014 as reported		19,220	65,466	4,230	(64,889)	45,303	1,224	172,983	(245,561)	(2,024)
Employee share option scheme										
- Expired share option		–	–	–	–	–	(1,224)	–	1,224	–
Net profit and total comprehensive profit for the year		–	–	–	–	–	–	–	17,703	17,703
- Previously reported										
Prior year adjustments	27	–	–	–	–	–	–	–	(193)	(193)
Profit and representing total comprehensive profit for the year, as restated		–	–	–	–	–	–	–	17,510	17,510
Balance at 31 December 2014, as restated		19,220	65,466	4,230	(64,889)	45,303	–	172,983	(226,827)	15,486
Share placements, net of transaction costs	8	8,073	32,636	–	–	–	–	–	–	40,709
Loss and representing total comprehensive loss for the period		–	–	–	–	–	–	–	(28,393)	(28,393)
Disposal of subsidiaries		–	(13,967)	(1,216)	64,889	(45,303)	–	–	(4,403)	–
Balance at 30 June 2016		27,293	84,135	3,014	–	–	–	172,983	(259,623)	27,802

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

CONSOLIDATED STATEMENT OF
CASH FLOWS

FOR THE FINANCIAL PERIOD FROM 1 JANUARY 2015 TO 30 JUNE 2016

The Group	Note	Period from 1 January 2015 to 30 June 2016 RMB'000	Year ended 31 December 2014 RMB'000 (Restated)
Cash flows from operating activities			
(Loss)/profit before taxation from continuing operations		**(28,393)**	17,470
Profit from discontinued operations		**–**	40
Adjustments for:			
Depreciation of property, plant and equipment		**–**	9,543
Amortisation of land use rights		**–**	182
Loss on disposal of subsidiaries	15	**6,434**	–
Waiver of loan interest charged to an associated company	16	**1,851**	–
Interest income		**–**	(1,851)
Gain arising from the difference in carrying amount of bond liability extinguished and settlement made	3	**(14,766)**	–
Fair value gains on bonds	3	**(1,838)**	–
Interest expense	17	**5,318**	1,907
Share of loss/(profit) of associated companies	5	**27,354**	(27,354)
Impairment loss on investments in associated companies	16	**37**	–
Operating loss before working capital changes		**(4,003)**	(63)
Changes in inventories		**–**	998
Changes in operating receivables		**(111)**	(20,775)
Liability for compensations payable		**–**	(16,415)
Changes in operating payables		**(14,414)**	32,427
Cash used in from operations		**(18,528)**	(3,828)
Interest paid		**(828)**	–
Income tax paid		**–**	(1,182)
Net cash used in operating activities		**(19,356)**	(5,010)
Cash flows from investing activities			
Acquisition of associated companies		**(7)**	(30)
Loan to an associated company		**(12,000)**	(49,000)
Net cash outflow from disposal of subsidiaries (Note A)		**(4,554)**	
Expenses paid on behalf by/(for) associated companies		**5,361**	(1,634)
Net cash used in investing activities		**(11,200)**	(50,664)
Cash flows from financing activities			
Proceeds from bank loans		**–**	637
Share placements	8	**28,547**	–
Repayment of non-equity-linked bond	13	**(22,063)**	–
Net proceeds from issuance of S$2.66 million convertible bonds	13	**11,739**	–
Proceeds from issuance of HK$10 million straight bond	13	**7,908**	49,159
Net cash generated from financing activities		**26,131**	49,796
Net increase/(decrease) in cash and cash equivalents		**(4,425)**	(5,878)
Cash and cash equivalents at beginning of period/year	7	**4,736**	10,614
Cash and cash equivalents at end of period/year	7	**311**	4,736

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

Note:

A Disposal of subsidiaries

During the financial period ended 30 June 2016, the Group disposed of Qianfeng International Limited and its subsidiaries on 3 February 2015. The carrying value of assets disposed of and liabilities discharged were as follows:

	30 June 2016 RMB'000	31 December 2014 RMB'000
Property, plant and equipment	**37,633**	–
Intangible assets	**7,649**	–
Inventories	**11,043**	–
Trade and other receivables	**101,710**	–
Cash and cash equivalents	**4,554**	–
Trade and other payables	**(121,339)**	–
Bank loans	**(10,000)**	–
Net assets disposed of	**31,250**	–
Loss on disposal of subsidiaries	**(6,434)**	–
Proceeds	**24,816**	–
Less:		–
Accruals for compensations to distributors and minimum guaranteed royalty fees transferred to Chengde Industrial Co., Limited (Note 10)	**(13,916)**	–
Amount owing to Qianfeng group (Note 14)	**(9,600)**	–
Residual gain on discharge of liabilities	**(1,300)**	–
Cash and bank balances in subsidiaries disposed of	**(4,554)**	–
Net cash outflow on disposal of subsidiaries	**(4,554)**	–

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

1 General information

The financial statements of Asia Fashion Holdings Limited (the "Company") and its subsidiaries (the "Group") for the period from 1 January 2015 to 30 June 2016 were authorised for issue in accordance with a resolution of the directors on the date of the Directors' Statement.

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

The registered office of the Company is located at Claredon House 2 Church Street Hamilton HM 11 Bermuda. The principal place of business of the Group is located at Industry Developing District of East City, Pizhou City, Jiangsu Province, Xuzhou Zhongwei New Board Co., Ltd, Post code: 221300, the People's Republic of China.

The principal activity of the Company is investment holding. The principal activities of the subsidiaries are set out in Note 4 to the financial statements.

On 8 October 2015, the Board of Directors of the Company approved a change in the Company's financial year end from 31 December to 30 June of each year.

2(a) Basis of preparation

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

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

<u>Going concern assumption</u>

During the financial period ended 30 June 2016, the Group reported loss of RMB 28.4 million and the net cash outflow from the operating activities was RMB 19.4 million.

On 4 March 2015, the Company raised a bond of RMB 7.9 million (HK$10 million) to provide working capital for the Company and the Group. This bond has interest carried at 10% which is due on 3 March 2017.

On 5 March 2015, the Company further raised RMB 11.9 million by way of issuance of convertible bonds of S$2.66 million for working capital purpose. The bond holder of the convertible bonds may convert all or part of the outstanding bonds and any accrued and unpaid interest in respect of each bond into new ordinary shares at the conversion price of $1.12 (after share consolidation). Upon maturity date on 4 March 2017, the bonds which are not previously redeemed or cancelled by the Company shall be redeemed by the Company at 100% of their principal amount together with all accrued and unpaid interest that was scheduled to be paid at the redemption date.

The directors of the Company have prepared a 18-month cash flow forecast to the financial period 31 December 2017 based on the fund raising exercise for the sum of RMB 25 million. In their assessment of the Group's and Company's ability to continue as a going concern where the liabilities owing to the bond holders are to be fully settled, they are of the view that the use of the going concern assumption in the preparation of the Group's financial statements and the Company's statement of financial position is appropriate.

In the event that the transactions above do not materialise, the Group may be unable to continue as going concerns. Adjustments may have to be made to reflect the situation that assets may need to be realised other than in the normal course of business and at amounts which could differ significantly from the amounts at which they are recorded in the statements of financial position. In addition, the Group may have to provide for further liabilities that might arise, and to reclassify non-current assets and non-current liabilities as current assets and current liabilities respectively. No such adjustments have been made to these financial statements.

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

Significant accounting estimates and judgements

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

Significant judgements in applying accounting policies

Determination of functional currency

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

Income tax (Note 20)

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

Ability to repay bonds issued by the Company when fall due

During the financial period, the Group reported loss of RMB 28.4 million and the net cash outflow from operating activities was RMB 19.4 million. The Group, including the Company, is of the view that it will have sufficient cash resources to repay the bonds that are due on 4 March 2017 and 3 March 2017 being S$2.66 million and HK$10 million respectively as management has prepared a cash flow forecast for the 18 months after year end which indicates that sufficient cash resources will be generated to enable the payment of the bonds when they fall due.

Classification of Rich Circles and its subsidiaries as associated companies (Note 5)

The Company held 49% ownership in Rich Circles and its subsidiaries up till 27 May 2015 where its shareholdings increased to 54.46%. The directors of the Company applied judgement and assessed whether or not the Company has control over Rich Circles and its subsidiaries based on whether the Company has the practical ability to direct the relevant activities of Rich Circles and its subsidiaries unilaterally. After assessment, the directors concluded that the Company:

– has no effective rights to direct the relevant activities;

– has no sufficient ability to use its power over Rich Circles to affect the amount of the Company's returns; and

– did not have exposure or rights to variable returns arising from the lack of management involvement in Rich Circles and its subsidiaries.

Recoverability of loans to associated company (Note 5)

Management has applied judgement in the course of assessing the recoverability of loans to Rich Circles (the associated company) totalling RMB 61 million. Management is of the view that these loans are recoverable upon the disposal of the Group's entire interest of 54.46% in Rich Circles and its subsidiaries.

2(b) Interpretations and amendments to published standards effective in 2015/2016

Adoption of new or revised FRS

On 1 January 2015, the Company and the Group adopted the amended FRSs that are mandatory for application from that date. Changes to the Company's and the Group's accounting policies have been made as required, in accordance with the transitional provisions in the respective FRS. This includes the following FRSs which are relevant to the Company and the Group:

Reference	Description
Improvements to FRSs (January 2014)	
- FRS 24	Related Party Disclosures
- FRS 103	Business Combinations
- FRS 108	Operating Segments
Improvements to FRSs (February 2014)	
- FRS 113	Fair Value Measurement

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

2(c) Interpretations and amendments to published standards effective in 2015

FRS issued but not yet effective

The Accounting Standards Council announced on 29 May 2014 that Singapore-incorporated companies listed on the SGX-ST will apply a new financial reporting framework identical to the International Financial Reporting Standards ("IFRS") for financial year ending 31 December 2018 onwards: Singapore-incorporated entities listed on the SGX-ST will have to assess the impact of IFRS 1: First-time adoption of IFRS when transitioning to the new reporting framework. The Group is currently assessing the impact of transitioning to the new reporting framework on its financial statements.

The following are the new or amended FRS issued that are not yet effective and which the Company and the Group have yet to adopt:

Reference	Description	Effective date (Annual periods beginning on or after)
FRS 115	Revenue from Contracts with Customers	1 January 2018
FRS 109	Financial Instruments	1 January 2018
FRS 116	Leases	1 January 2019
Amendments to:		
FRS 1	Disclosure Initiative	1 January 2016
FRS 7	Disclosure Initiative	1 January 2017
Amendments to:		
FRS 115	Revenue from Contracts with Customers	1 January 2018
Improvements to:		
FRS 19	Employee Benefits	1 January 2016
FRS 105	Non-current Assets Held for Sale and Discontinued Operations	1 January 2016
FRS 107	Financial Instruments: Disclosures	1 January 2016

2(c) Interpretations and amendments to published standards effective in 2015 (Cont'd)

FRS issued but not yet effective (Cont'd)

Amendments to FRS 1 Presentation of Financial Statements

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

FRS 1 is effective for annual periods beginning on or after 1 January 2016. The directors are still assessing its impact, which cannot be ascertained presently.

FRS 109 Financial Instruments

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

– classification and measurement;

– a single, forward-looking "expected loss" impairment model; and

– a substantially reformed approach to hedge accounting.

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

FRS 115 Revenue from Contracts with Customers

FRS 115 Revenue from Contracts with Customers establishes a framework for determining when and how revenue is recognised. The objective of the standard is to establish the principles that an entity shall apply to report useful information about the nature, amount, timing and uncertainty of revenue and cash flows arising from a contract with a customer. The standard replaces FRS 11 Construction Contracts, FRS 18 Revenue, INT FRS 113 Customer Loyalty Programmes, INT FRS 115 Agreements for Construction of Real Estate, INT FRS 118 Transfer of Assets from Customers and INT FRS 31 Revenue - Barter Transactions involving Advertising Services. The new standard applies to contracts with customers. However, it does not apply to insurance contracts, financial instruments or lease contracts, which fall into the scope of other standards.

FRS 115 is effective for annual periods beginning on or after 1 January 2018. The directors are still assessing its impact, which cannot be ascertained presently.

2(d) Summary of significant accounting policies

Consolidation

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

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

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

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

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

Consolidation (Cont'd)

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

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

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

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

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

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

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

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

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

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

Consolidation (Cont'd)

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

Property, plant and equipment and depreciation

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

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

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

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

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

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

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

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

Investment in subsidiaries

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

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

Associated companies

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

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

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

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

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

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

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

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

Details of the associated company are given in Note 5 to the financial statements.

Intangible asset

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

Land use rights

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

Financial assets

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

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

Financial assets (Cont'd)

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

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

Financial assets and financial liabilities are offset and the net amount presented in the statements of financial position when, and only when, the Company and the Group currently have a legally enforceable right to set off the recognised amounts; and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

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

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

<u>Loans and receivables</u>

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

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

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

Loans and receivables comprise cash and cash equivalents, loan to and amount due from associated companies and trade and other receivables.

<u>Cash and cash equivalents</u>

Cash and cash equivalents comprise bank balances.

Inventories

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

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

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

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

Impairment of non-financial assets

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

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

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

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

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

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

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

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

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

Share capital

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

Dividends

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

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

Financial liabilities

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

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

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

Financial liabilities (Cont'd)

Financial assets and financial liabilities are offset and the net amount presented in the statements of financial position when, and only when, the Company and the Group currently have a legally enforceable right to set off the recognised amounts; and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

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

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

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

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

Extinguishment of liability

When equity instruments issued to a creditor to extinguish all or part of a financial liability are recognised initially, an entity shall measure them at fair value of the equity instruments issued, unless that fair value cannot be reliably measured. The difference between the carrying amount of the financial liability (or part of a financial liability) extinguished, and the consideration paid, shall be recognised initially and measured at the date the financial liability (or part of that liability) is extinguished. If only part of the financial liability is extinguished, the entity shall assess whether some of the consideration paid relates to a modification of the terms of the liability that remains outstanding. If part of the consideration paid does relate to a modification of the terms of the remaining part of the liability, the entity shall allocate the consideration paid between the part of the liability extinguished and the part of the liability that remains outstanding. The difference between the carrying amount of the financial liability (or part of the financial liability) extinguished, and the consideration paid, shall be recognised in profit or loss.

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

Equity settled share-based payments

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

Convertible bonds

The liability component is recognised initially at its fair value, determined using a market interest rate for equivalent non-convertible bonds. It is subsequently carried at amortised cost using the effective interest method until the liability is extinguished on conversion or redemption of the bonds.

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

Convertible bonds (Cont'd)

Conversion option

If the conversion option in a convertible bond is settled other than by the exchange of a fixed amount of cash or other financial asset for a fixed number of the issuer's own equity instruments, the conversion option is in a derivative liability. The derivative is required to be carried at fair value with changes in fair value recognised in profit or loss.

On issuance of such convertible bonds, the proceeds are allocated between the embedded equity conversion option and the liability component. The embedded option is recognised at its fair value. The liability component is recognised as the difference between total proceeds and the fair value of the equity conversion option.

The equity conversion option is subsequently carried at its fair value with fair value changes recognised in profit or loss. The liability component is carried at amortised cost until the liability is extinguished on conversion or redemption.

When an equity conversion option is exercised, the carrying amounts of the liability component and the equity conversion option are derecognised with a corresponding recognition of share capital.

Income tax

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

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

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

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

Deferred income tax is measured:

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

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

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

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

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

Value-added tax

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

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

- Where the VAT incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the VAT is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and

- Receivables and payables that are stated with the amount of VAT included.

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

Key management personnel

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

Defined contribution plan

Pension obligations

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

Employee leave entitlements

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

Revenue recognition

Sales of goods

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

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

Interest income

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

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

Earnings per share

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

Foreign currency

Functional and presentation currency

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

Conversion of foreign currencies

Transactions and balances

Transactions in a currency other than the functional currency ("foreign currency") are translated into the functional currency using the exchange rates at the dates of the transactions. Currency translation differences from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at the closing rates at the reporting date are recognised in profit or loss, unless they arise from borrowings in foreign currencies, other currency instruments designated and qualifying as net investment hedges and net investment in foreign operations. Those currency translation differences are recognised in the currency translation reserve in the consolidated financial statements and transferred to profit or loss as part of the gain or loss on disposal of the foreign operation.

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

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

Group entities

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

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

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

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

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

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

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

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

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

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

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

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

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

Related parties

A related party is defined as follows:

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

- (i) has control or joint control over the Company;
- (ii) has significant influence over the Company; or
- (iii) is a member of the key management personnel of the Group or the Company or of a parent of the Company.

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

- (i) the entity and the Company are members of the same group (which means that each parent, 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); or
- (viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the reporting entity or to the parent of the reporting entity.

Operating segments

No operating segment is presented as the Group only has investments in associated companies as its main business. Segment assets and liabilities are held by the Singapore investment holding company.

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

Financial instruments

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

Disclosures on financial risk management objectives and policies are provided in Note 22.

3 Revenue and other operating income

The Group	**Period from 1 January 2015 to 30 June 2016 RMB'000**	Year ended 31 December 2014 RMB'000
Other operating income		
Interest income	**–**	1,851
Exchange gain	**2,488**	–
Gain arising from the difference in carrying amount of non-equity-linked bond liability extinguished and settlement made (Note 13)	**14,766**	–
Others	**2,063**	–
	19,317	1,851

No revenue is generated from continuing operations.

4 Subsidiaries

The Company	**30 June 2016 RMB'000**	31 December 2014 RMB'000
Unquoted equity investments, at cost	**8**	62,347
Loans to subsidiaries	**-**	151,724
	8	214,071
Less: Impairment losses		
Unquoted equity investment	**-**	59,088
Loans to subsidiaries	**-**	151,724
Balance at beginning and at end of period/year	**-**	210,812
Reclassified to Assets of disposal group classified as held-for-sale (Note 14)	**-**	(3,251)
	8	8

The Company recognised impairment losses of RMB 210.8 million in Qianfeng International Limited ("QIL") in the financial year ended 31 December 2014 based on an independent valuation report by Peak Vision Appraisals Limited ("Peak Vision"), an independent valuer, which was a registered professional surveyor and registered business valuer.

The impairment losses on the Company's interest in subsidiaries was determined based on the valuation report from Peak Vision using the value-in-use approach and after taking into account non-operating assets such as the compensation payables, cash, other receivables and other payables to derive the enterprise value or the value of the interest in subsidiaries to the Company.

The disposal of QIL and its subsidiaries was legally completed on 3 February 2015 (Note 15).

4 Subsidiaries (Cont'd)

Loans to subsidiaries

The loans to subsidiaries were unsecured and interest-free. These loans were regarded as part of the Company's net investments in the subsidiaries as settlement was neither panned nor likely in the foreseeable future.

Details of the subsidiaries are as follows:

Name of company	Country of incorporation	Proportion of ownership interest and voting rights held by the Company		Principal activities
		30 June 2016 %	31 December 2014 %	
Directly held:				
Qianfeng International Limited ("QIL") 乾丰国际有限公司*@	Hong Kong	–	100	Investment holding
Asia Fashion International Limited*@ (formerly known as "Qianfeng Energy Co., Limited")	Hong Kong	**100**	100	Investment holding
Fujian Jiamei Textile Co., Ltd. ("Fujian Jiamei") 福建佳美纺织有限公司*#&	The People's Republic of China	–	100	Manufacture of fabrics
Fujian Qianfeng Textile Technology Co., Ltd. ("Fujian Qianfeng") 福建乾丰纺织科技有限公司*#&	The People's Republic of China	–	100	Manufacture and sale of fabrics
Asia Fashion Beijing Business Company Limited*@&	The People's Republic of China	–	100	Dormant

* audited by Foo Kon Tan LLP for the Group's financial statements audit and consolidation purposes.

audited by Fuqing Xinyurong Certified Public Accountants Ltd. (福建鑫玉融会计事务所有限责任公司) for local statutory purposes.

@ not required to be audited in its country of jurisdiction. Asia Fashion Beijing Business Company Limited has been dormant since its incorporation.

& following the disposal of QIL on 3 February 2015, these entities were also disposed of as these are subsidiaries of QIL.

5 Associated companies

A Investment in associated companies

	The Company		The Group	
	30 June 2016	31 December 2014	**30 June 2016**	31 December 2014
	RMB'000	RMB'000	**RMB'000**	RMB'000
Unquoted equity investments, at cost				
Balance as at beginning of period/year	**30**	–	**30**	–
Addition during the period/year	**7**	30	**7**	30
Balance as at end of period/year	**37**	30	**37**	30
Impairment loss				
Impairment loss for the period/year and balance at end of period/year	**(37)**	–	**(37)**	–
	–	–	**–**	–
Share of post-acquisition (losses)/profits	**–**	–	**–**	27,354
Balance as at end of period/year	**–**	30	**–**	27,384
Share of associated companies' results, net of tax	**–**	–	**(27,354)**	27,354

The directors consider the material reporting associated company to be the key operating entity which is Xuzhou Zhongwei New Board Co., Ltd ("Xuzhou Zhongwei").

During the financial period ended 30 June 2016, the Company and Group have impaired fully its investment in associated companies on the basis that Rich Circles and its subsidiaries ("associated company group") are no longer a profit generating unit as a result of the default of the RMB 180 million SME bond issued by Xuzhou Zhongwei since 28 March 2016. Management has announced on 17 June 2016 that Xuzhou Zhongwei is unable to repay its bond holders due to its financial inability and as of the date of this report, is in negotiation with the bond holders on the next course of action and settlement thereon.

The summarised financial information of the material associated company is shown below.

	Xuzhou Zhongwei New Board Co., Ltd	
Summarised balance sheet	**30 June 2016**	31 December 2014
	RMB'000	RMB'000
Current assets	**252,786**	410,789
Includes:		
Cash and cash equivalents	**3,182**	22,770
Current liabilities	**(96,927)**	(129,492)
Includes:		
Financial liabilities	**(52,268)**	(129,492)
Non-Current assets	**217,374**	206,850
Non-Current liabilities	**(180,000)**	(219,329)
Includes:		
Financial liabilities	**(180,000)**	(219,329)
Net assets	**193,233**	268,818

5 Associated companies (Cont'd)

A Investment in associated companies (Cont'd)

Summarised statement of profit or loss and other comprehensive income	Xuzhou Zhongwei New Board Co., Ltd Period from 1 January 2015 to 30 June 2016 RMB'000	Xuzhou Zhongwei New Board Co., Ltd Year ended 31 December 2014 RMB'000
Revenue	**426,606**	446,031
Expenses	**(487,226)**	(368,631)
Includes:		
- Depreciation and amortisation	**–**	(15,771)
- Interest expense	**(31,211)**	(29,965)
(Loss)/profit from continuing operations	**(60,620)**	77,400
Income tax expense	**(14,965)**	(20,096)
Post-tax (loss)/ profit from continuing operations	**(75,585)**	57,304
Other comprehensive income	**–**	–
Total comprehensive (loss)/income	**(75,585)**	57,304

Reconciliation of recognised financial information	Xuzhou Zhongwei New Board Co., Ltd 30 June 2016 RMB'000	Xuzhou Zhongwei New Board Co., Ltd 31 December 2014 RMB'000
Net assets		
At 31 December 2014	**268,818**	211,514
(Loss)/profit and other comprehensive (loss)/income for the period/year	**(75,585)**	57,304
Balance at end of period/year	**193,233**	268,818
Group's 54.46%/49% interest in associated companies before consolidation adjustment	**105,234**	131,721
Add:		
Carrying value of individually immaterial associated companies	**5,196**	3,449
Less:		
Effect of consolidation adjustments	**(110,430)**	(107,786)
Carrying value of Group's interest in associated companies at end of period/year	**–**	27,384

5 Associated companies (Cont'd)

A Investment in associated companies (Cont'd)

Details of the associated companies are as follows:

Name of company	Country of incorporation	Proportion of ownership interest and voting rights of equity held		Principal activities
		30 June 2016 %	31 December 2014 %	
Directly held:				
Rich Circles Enterprise Limited ("Rich Circles")*@	British Virgin Islands	**54.46**	49	Investment holding
Held by Rich Circles:				
China Construction Material (Hong Kong) Limited ("CCMH")*@	Hong Kong	**100**	100	Investment holding
Zhongchuang (Xuzhou) Construction Material Co., Ltd ("Xuzhou Zhongchuang") * 中创（徐州）建筑材料有限公司	The People's Republic of China	**100**	100	Investment holding
Xuzhou Zhongwei New Board Co., Ltd*# ("Xuzhou Zhongwei") 中伟（徐州）新型材料科技有限公司	The People's Republic of China	**100**	100	New material business

* reviewed by Foo Kon Tan LLP for the Group's financial statements audit and consolidation purposes.

\# no local statutory audit has been carried out for financial year ended 31 December 2015 and the financial period ended 30 June 2016.

@ not required to be audited in its country of jurisdiction.

Acquisition of associated company

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

On 27 June 2014, Rich Circles completed the acquisition of the entire equity interest of CCMH for a consideration of RMB 100 million. CCMH is an investment holding company. Its sole shareholder is China Construction Material Holdings Limited and its director is Mr. Huo Weisheng. CCMH is the legal and beneficial owner of 100% of Xuzhou Zhongchuang, a company incorporated in the PRC. Xuzhou Zhongchuang is the legal and beneficial owner of 100% of Xuzhou Zhongwei, a company incorporated in the PRC.

On 27 May 2015, the Company increased its shareholdings in Rich Circles from 49% to 54.46%, being an additional 1,200 shares for a consideration of US$1,200.

In the 2014 Annual Report, it was mentioned that arising from a change in the board composition of CCMH and Xuzhou Zhongwei, the Board has strong reasons to treat Rich Circles and its subsidiaries as the Company's subsidiaries. Effective 27 May 2015 up to 31 March 2016, the Company has reported Rich Circles and its subsidiaries as consolidated subsidiaries to SGX-ST in its quarterly reports.

5 Associated companies (Cont'd)

A Investment in associated companies (Cont'd)

Acquisition of associated company (Cont'd)

In June 2016, the directors of the Company have reassessed the extent of the control the Company may have in Xuzhou Zhongwei and acknowledged and thus confirmed that Xuzhou Zhongwei is only an associated company. Despite the Company having majority voting rights, the Company does not have substantive rights that provide the Company with the practical ability to exercise that right and to direct the relevant activities of Rich Circles for the following reasons:

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

   The Company has not effectively exercised its rights to direct the relevant activities of Rich Circles as it does not have control over the legal seal of the PRC Companies (Xuzhou Zhongchuang and Xuzhou Zhongwei).

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

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

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

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

The past CEO and present CFO of Xuzhou Zhongwei, Mr. Mak Tin Sang, reported that since his appointment on 25 May 2015, neither he nor the Board of the Company had been significantly involved in the affairs and relevant activities of the associated company group as the associated company group was virtually managed and directed by Mr. Huo Weisheng himself unilaterally for various reasons.

As a result, the directors are of the view that it should account for the investment in Rich Circles as an associated company using the equity method in accordance with FRS 28 Investment in Associates and Joint Ventures. Under the equity method, on initial recognition the investment in an associated company is recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition. The investor's share of the investee's profit or loss is recognised in the investor's profit or loss. The consolidated financial statements of the Company for the financial period from 1 January 2015 to 30 June 2016 was prepared on this basis.

5 Associated companies (Cont'd)

B Loans to associated company

The Company and The Group	**30 June 2016 RMB'000**	31 December 2014 RMB'000
Non-Current		
Interest-bearing loan to Rich Circles	**–**	49,000
Interest receivable due from Rich Circles	**–**	1,851
	–	50,851
Current		
Interest-free loans to Rich Circles	**61,000**	–
	61,000	50,851

In the financial year ended 31 December 2014, the Company had provided a loan of RMB 49 million to the associated company, Rich Circles. The loan is repayable on 18 June 2016. Interest is at 7% per annum.

During the current financial period ended 30 June 2016,

- the Company has waived interest receivable of RMB 1.851 million from Rich Circles and had revised the terms of the RMB 49 million interest-bearing loan to be interest-free and repayable on demand;
- the Company had provided an additional loan of RMB 12 million to Rich Circles which is unsecured, interest-free and repayable on demand.

These loans totalling RMB 61 million remained outstanding as at the date of this report.

Management is of the view that the interest rate represented the fair value of the instrument, and accordingly, the fair value of the loans to associated company approximated its carrying amounts.

C Amounts due from associated companies

The Group	**30 June 2016 RMB'000**	31 December 2014 RMB'000
Amounts due from associated companies		
- Rich Circles	**14**	7
- CCMH	**288**	1,627
	302	1,634

The amounts due from associated companies represents advances which are unsecured, interest-free and repayable on demand.

5 Associated companies (Cont'd)

Pending disposition of associated company group

Towards the end of the financial period ended 30 June 2016, the director of Xuzhou Zhongwei, Mr. Huo Weisheng has been negotiating to sell the Group's entire interest of 54.46% in the associated company group to an external party identified by the bond holders of Xuzhou Zhongwei. Xuzhou Zhongwei carried in its books a debt security of RMB 180 million, which is a SME Bond with a tenure period of 3 years carrying an interest rate of 10% traded with the Shanghai Stock Exchange. This bond had been defaulted on 28 March 2016 upon maturity. The director of Xuzhou Zhongwei, Mr. Huo Weisheng has been making attempts to renegotiate the settlement of this debt securities which has been extended once in the financial year 2014.

The shareholder of the remaining 45.54% interest of the associated company group, Ms. Li Yaxin, on 27 May 2016, has communicated to a third party, Mr. Wong Chon Chong, to grant him the power of attorney which was previously granted to Mr. Yuan Limin, to restructure this debt securities to the extent of realising the assets of Xuzhou Zhongwei by mean of liquidation. This is primarily because the Company has granted RMB 61 million loans which have not yet been recovered.

Management is of the view that these loans are recoverable upon the disposal of the Group's entire interest of 54.46% in Rich Circles and its subsidiaries.

6 Other receivables

	The Company		The Group	
	30 June 2016	31 December 2014	**30 June 2016**	31 December 2014
	RMB'000	RMB'000	**RMB'000**	RMB'000
Amount due from a subsidiary	**547**	–	**–**	–
Other receivable	**102**	–	**111**	–
	649	–	**111**	–

The amount due from a subsidiary represents advances which are unsecured, interest-free and repayable on demand.

Prepayments and other receivables are denominated in the following currencies:

	The Company		The Group	
	30 June 2016	31 December 2014	**30 June 2016**	31 December 2014
	RMB'000	RMB'000	**RMB'000**	RMB'000
Renminbi	**547**	–	**–**	–
Hong Kong Dollar	**102**	–	**111**	–
	649	–	**111**	–

7 Cash and cash equivalents

	The Company		The Group	
	30 June 2016	31 December 2014	**30 June 2016**	31 December 2014
	RMB'000	RMB'000	**RMB'000**	RMB'000
Cash at bank	**67**	131	**311**	182

7 Cash and cash equivalents (Cont'd)

Cash and cash equivalents are denominated in the following currencies:

	The Company		The Group	
	30 June 2016	31 December 2014	**30 June 2016**	31 December 2014
	RMB'000	RMB'000	**RMB'000**	RMB'000
Hong Kong Dollar	–	–	244	51
Singapore Dollar	67	131	67	131
	67	131	311	182

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

The Group	**30 June 2016 RMB'000**	31 December 2014 RMB'000
Continuing operations		
Cash at bank	**311**	182
Discontinued operations		
Cash at bank	**–**	4,554
	311	4,736

8 Share capital

	No. of ordinary shares		Share capital	
	30 June 2016	31 December 2014	**30 June 2016**	31 December 2014
The Company	**'000**	'000	**US$'000**	US$'000
Authorised:				
At beginning and end of period/year	**8,000,000**	8,000,000	**40,000**	40,000
Issued and fully paid with par value of US$0.005 per share:				
At beginning of period/year	**548,802**	548,802	**2,744**	2,744
Share placements during the period	**259,198**	–	**1,296**	–
Share consolidation	**(757,500)**	–	**–**	–
At end of year	**50,500**	548,802	**4,040**	2,744
Issued and fully paid at end of period/ year equivalent to (RMB'000)			**27,293**	19,220

Share placements

During the financial period ended 30 June 2016, the Company had issued 259,197,362 shares for US$1,295,987 (RMB 8 million) for working capital purposes. Included in these share placements is 100,397,362 shares issued at S$0.06 per share to Ms. Li Yu Huan for a sum of S$6 million (RMB 26.9 million) (Note 13).

The effect of share placements, net of transaction costs is a sum of RMB 32.636 million credited to the share premium account.

8 Share capital (Cont'd)

Share consolidation

On 24 February 2016, the Company completed a share consolidation exercise to consolidate every sixteen (16) existing ordinary shares in the capital of the Company held by the shareholders into one (1) consolidated share. The issued share capital of the Company now comprises 50,500,000 consolidated shares, after disregarding any fractions of consolidated shares arising from the share consolidation exercise.

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

9 Reserves

The Group

(a) Share premium

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

(b) Capital reserve

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

(c) Merger reserve

The merger reserve represents the difference between the purchase consideration and the carrying value of the share capital and capital reserve of subsidiaries acquired which was accounted for as a business combination under common control.

(d) Statutory reserve

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

(e) Share option reserve

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

(f) Contributed surplus

Contributed reserves relate to the capital reduction of which resulted from the reorganisation exercise that took place on 28 November 2013.

10 Accruals and other payables

	The Company			The Group		
	30 June 2016	31 December 2014	1 January 2014	**30 June 2016**	31 December 2014	1 January 2014
	RMB'000	RMB'000	RMB'000	**RMB'000**	RMB'000	RMB'000
		(Restated)	(Restated)		(Restated)	(Restated)
Accrued operating expenses	**3,989**	8,565	4,021	**3,989**	8,343	9,584
Amount due to a subsidiary	**–**	14,927	11,173	**–**	–	–
Non-trade amounts due to:						
- Sino Prestige Investment Management Limited	**–**	844	255	**–**	4,667	2,650
- New Star Education Limited	**2,324**	2,293	–	**2,324**	5,710	–
Accruals for:						
- compensations to distributors	**–**	8,569	8,569	**–**	8,569	8,569
- minimum guaranteed royalty	**–**	5,347	5,347	**–**	5,347	5,347
	6,313	40,545	29,365	**6,313**	32,636	26,150

Non-trade amounts due to a subsidiary, Sino Prestige Investment Management Limited and New Star Education Limited represent mainly advances which are unsecured, interest-free and repayable on demand.

Following the Group's termination of the trademark agreement with Goodyear Tire & Rubber Company on 4 February 2013, the Company and the Group had accrued for compensations to distributors under the terms of the distributorship agreement entered into by the Company with certain distributors for the retailing of the Goodyear products and the minimum guaranteed royalty fees payable by the Company and the Group.

In connection with the disposal of the Disposal Group (Note 14), Mr. Lin Daoqin had made an undertaking to the Company to take up all future claims and liabilities associated with the Disposal Group including the above two liabilities which may arise subsequent to the disposal of the Disposal Group to Chengde Industrial Co., Limited on 3 February 2015.

During the financial period ended 30 June 2016, the accruals for compensations to distributors and the minimum guaranteed royalty fees payable by the Company and the Group have been assumed and transferred to Chengde Industrial Co., Limited with agreement with the relevant third parties under the claim cancellation agreement entered into on 11 February 2015 (Note 15).

Accruals and other payables are denominated in the following currencies:

	The Company			The Group		
	30 June 2016	31 December 2014	1 January 2014	**30 June 2016**	31 December 2014	1 January 2014
	RMB'000	RMB'000	RMB'000	**RMB'000**	RMB'000	RMB'000
		(Restated)	(Restated)		(Restated)	(Restated)
Renminbi	**1,279**	33,749	21,511	**1,279**	15,484	17,888
Hong Kong Dollar	**2,438**	3,247	2,242	**2,438**	10,377	2,650
Singapore Dollar	**2,385**	157	265	**2,385**	1,428	265
United States Dollar	**211**	3,392	5,347	**211**	5,347	5,347
	6,313	40,545	29,365	**6,313**	32,636	26,150

11 Amount due to former director/shareholder

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

12 Amounts due to associated companies

The Company and The Group	**30 June 2016 RMB'000**	31 December 2014 RMB'000
Amounts due to associated companies		
Rich Circles	**8**	–
CCMH	**4,043**	–
	4,051	–

The amounts due to associated companies represent advances which are unsecured, interest-free and repayable on demand.

13 Bonds payable / interest payable

The Company and The Group	**30 June 2016 RMB'000**	31 December 2014 RMB'000
Non-equity linked bonds		
Bonds payable	**–**	49,159
Interest payable	**–**	1,907
	–	51,066
Convertible bonds		
S$2.66 million convertible bond		
- bond payable	**13,217**	–
- interest payable	**448**	–
	13,665	–
HK$10 million straight bond		
- bond payable	**8,397**	–
- interest payable	**275**	–
	8,672	–
	22,337	51,066
Comprising:		
- current	**22,337**	–
- non-current	**–**	51,066
	22,337	51,066

13 Bonds payable / interest payable (Cont'd)

S$10 million non-equity linked bonds

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

During the financial period ended 30 June 2016, the Company has fully repaid the non-equity linked bonds issued to Ms. Li Yu Huan in cash of S$4.78 million (RMB 22.063 million) and settled the remaining balance of S$6 million (RMB 26.9 million) by way of issuance of 100,397,362 ordinary shares to Ms. Li Yu Huan (Note 8). The resultant effect in the transacted share price at 30 September 2015 of S$0.0271 per share and the price of the placement share at S$0.06 per share for the 100,397,362 new ordinary shares is a gain of RMB 14.8 million recorded in profit or loss.

S$2.66 million convertible bonds

On 5 March 2015, the Company (the issuer) entered into a convertible bond agreement with Alternus Capital Holdings Limited (bond holder) to issue S$2.66 million (RMB 11.864 million, net of transaction costs of RMB 0.125 million) of convertible bonds for a period of 2 years bearing an interest rate of 7% per annum. The maturity date of the convertible bond is 4 March 2017.

Terms of conversion and redemption

Voluntary Conversion: The bond holder may convert all or part of the outstanding bonds and any accrued and unpaid interest in respect of each bond into new ordinary shares at the conversion price at any time within the period commencing three (3) months from the issue date up until the maturity date, provided always that (i) the bond holder shall not have a conversion right in the event that the Company serves a redemption notice and the redemption conversion period has expired; and (ii) the minimum aggregate principal amount of bonds to be converted in any single conversion of bonds shall be S$177,000.

Mandatory Conversion: Upon the occurrence of the volume weighted average price trades done on the shares of the Company on the Singapore Exchange Securities Trading Limited ("SGX-ST") remaining at S$1.60 and above for a consecutive period of fifteen (15) business days on which the SGX-ST is open for securities trading ("Trading Day"), falling within the period commencing three (3) months from the date of issue of the bonds up until the maturity date, the bond holder shall be required to convert all of the outstanding bonds and any accrued and unpaid interest in respect of each bond into new ordinary shares at the conversion price. If trading is not available for a full Stock Exchange Business Day ("No Available Trading"), the volume weighted average price for trades done on the shares of the Company on the SGX-ST for that particular Trading Day shall be disregarded for the computation of the consecutive period of fifteen (15) Trading Day, and the consecutive period shall not be treated as being non-consecutive solely due to No Available Trading.

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

Redemption upon maturity: The bonds which are not previously redeemed or cancelled by the Company shall be redeemed by the Company at 100% of their principal amount together with all accrued and unpaid interest that was scheduled to be paid to the redemption date, on the date falling two years from the issue date. The bonds may not be redeemed prior to the maturity date other than in accordance with the conditions as stated in the convertible bond agreement. The Company shall deliver to the bond holder a notice of the maturity of the bonds no later than one month before the maturity date.

Purchase: The Company and/or any of its related corporations may at any time purchase bonds from the bond holder at any price. All bonds purchased by or on behalf of the Company or any of its related corporations may be surrendered for cancellation by and, if so surrendered, shall together with all bonds redeemed by the Company, be cancelled forthwith.

13 Bonds payable / interest payable (Cont'd)

Valuation of S$2.66 million convertible bonds

The convertible bonds do not contain any equity component or equity instrument as the conversion option in the convertible bonds is settled other than by the exchange of a fixed number of the Company's own equity instruments (ie. fixed for floating); the conversion option elements are derivatives liabilities. The following shows the Group's valuation technique used in measuring Level 3 fair values, as well as the insignificant unobservable inputs used.

The amortised cost of the convertible bonds was calculated using cash flows of the convertible bonds at their corresponding discount rates and the fair value of the option derivatives was calculated using the Binomial Option Pricing Model. The option derivatives consisting the conversion option were carried at fair value at the inception date and the end of each reporting period with change in fair value recognised in profit or loss. The fair value gain resulting from the change in fair value of the option derivatives of RMB 1,418,000 recognised in profit or loss during the financial period ended 30 June 2016 (Note 18).

Details of the variables and assumptions of the model are as follows:

	5 March 2015 (issue date)	**30 June 2016**
Risk-free rate	1.13%	**0.75%**
Volatility	42.83%	**49.28%**
Credit spread	7.91%	**12.46%**
Discount rate	13.537%	**17.71%**

The estimated fair value would increase/decrease if the variables are lower/higher, except for the volatility variable where the estimated fair value would increase/decrease if volatility is higher/lower.

The fair value of the convertible bond is valued by Asset Appraisal Ltd, an independent professional valuer not connected to the Group.

HK$10 million straight bond

On 4 March 2015, the Company (the issuer) issued a 2-year HK$10 million bond certificate to Prime Pacific Investments Limited (the bond holder) whereby the bond holder has agreed to subscribe for HK$10 million (RMB 7.908 million) of bond. The bond shall bear a simple interest rate from the issue date at the rate of 10% per annum from the issue date up to and including the date of redemption of the bonds.

The issuer may, having given not less than fifteen days' notice to the bond holder, redeem all or part of the bonds then outstanding at 100% of their principal amount, together with all accrued and unpaid interest at a nominal amount of not less than HK$2 million.

There is no conversion feature in the bond which enable the bond holder to convert the bond into the Company's equity.

Valuation of straight bond

Management has applied a discount rate of 13.537% and computed the fair value of the straight debt at RMB 8.672 million at amortised cost using effective interest rate. A fair value gain of RMB 420,000 is recorded in profit or loss as a result of the difference in fair valuation of the bond at inception and its face value (Note 18).

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

14 Discontinued operations and disposal group classified as held for sales

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

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

The carrying amount of assets and liabilities of the Disposal Group and the net results for the period/year then ended that were included in the consolidated financial statements of the Group and the statement of financial position of the Company were as follows:

	The Company		The Group	
	Period from 1 January 2015 to 30 June 2016	Year ended 31 December 2014	**Period from 1 January 2015 to 30 June 2016**	Year ended 31 December 2014
	RMB'000	RMB'000	**RMB'000**	RMB'000
Profit or (loss) from discontinued operations				
Discontinued operations from the Disposal Group	**–**	–	**–**	40

	The Company		The Group	
	30 June 2016	31 December 2014	**30 June 2016**	31 December 2014
	RMB'000	RMB'000	**RMB'000**	RMB'000
Assets				
Assets of Disposal Group classified as held-for-sale	**–**	3,251	**–**	153,002
Liabilities				
Liabilities of Disposal Group classified as held-for-sale	**–**	–	**–**	132,644

(a) The results of the discontinued operations of the Disposal Group were as follows:

The Group	**Period from 1 January 2015 to 30 June 2016 RMB'000**	Year ended 31 December 2014 RMB'000
Revenue	**–**	127,798
Operating costs	**–**	(127,758)
Profit before tax from discontinued operations	**–**	40
Tax	**–**	–
Profit after tax from discontinued operations	**–**	40

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

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

The Group	Period from 1 January 2015 to 30 June 2016 RMB'000	Year ended 31 December 2014 RMB'000
Operating cash outflows	–	(5,933)
Financing cash inflows	–	637
Total cash outflows	–	(5,296)

(c) Details of the assets in Disposal Group classified as held-for-sale were as follows:

The Group	30 June 2016 RMB'000	31 December 2014 RMB'000
Property, plant and equipment	–	37,633
Intangible assets	–	7,649
Inventories	–	11,043
Trade receivables	–	88,016
Prepayments and other receivables	–	4,107
Cash and cash equivalents	–	4,554
	–	153,002

(d) Details of the liabilities directly associated with Disposal Group classified as held-for-sale were as follows:

The Group	30 June 2016 RMB'000	31 December 2014 RMB'000
Trade payables	–	42,024
Other payables and accruals	–	9,905
Compensation payables - current portion	–	17,400
Bank loans	–	10,000
Compensation payables	–	53,315
	–	132,644

(e) Cumulative income/(expense) recognised in other comprehensive income/(expense) relating to Disposal Group classified as held-for-sale were as follows:

The Group	Period from 1 January 2015 to 30 June 2016 RMB'000	Year ended 31 December 2014 RMB'000
Nil	–	–

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

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

The Company	**30 June 2016 RMB'000**	31 December 2014 RMB'000
Investment in subsidiary	**–**	3,251

Following the approval of the shareholders in the special general meeting of the Company on 2 February 2015 for the disposal of QIL and its subsidiaries by the Company, the transaction was completed on 3 February 2015. Upon completion, QIL and its subsidiaries ceased to be subsidiaries of the Company.

See Note 15 to the financial statements for details to the gain/loss on disposal of QIL and its subsidiaries.

15 Disposal of Qianfeng International Limited and its subsidiaries

The disposal involved the disposal of Qianfeng International Limited and its subsidiaries, Fujian Qianfeng Textile Technology Co. Ltd and Fujian Jiamei Textile Company Limited (Note 14). The aggregate consideration sum for the purchase of the sale shares including the accruals for compensations to distributors and the minimum guaranteed royalty fees payable (Note 10) assumed by the purchaser, Chengde Industrial Co., Limited, is an amount of S$2.4 million (equivalent to approximately RMB 10.9 million) in cash and transfer of liabilities assumed for accruals of RMB 13.9 million.

The Company's gain on disposal and the Group's loss on disposal is summarised as follows:

	The Company		**The Group**	
	30 June 2016 RMB'000	31 December 2014 RMB'000	**30 June 2016 RMB'000**	31 December 2014 RMB'000
Consideration	**24,816**	–	**24,816**	–
Less:				
Net assets disposed of	**(4,558)**	–	**(31,250)**	–
Gain/(loss) on disposal	**20,259**	–	**(6,434)**	–

Following the disposal of Qianfeng group, the Company was released and discharged from all liabilities including the carried forward amount owing to Qianfeng group of RMB9.6 million.

Qianfeng group has been deconsolidated from the Group for the financial period ended 30 June 2016.

16 Administrative expenses

The Group	Note	Period from 1 January 2015 to 30 June 2016 RMB'000	Year ended 31 December 2014 RMB'000 (restated)
Legal and professional fees		**3,352**	4,723
Staff costs	19	**3,978**	2,849
Waiver of loan interest charged to an associated company	18	**1,851**	–
Impairment loss on investments in associated companies	5,18	**37**	–
Travelling expense		**–**	335
Bank charges		**12**	–
Other expenses		**1,212**	1,921
		10,442	9,828

17 Finance costs

The Group	Period from 1 January 2015 to 30 June 2016 RMB'000	Year ended 31 December 2014 RMB'000
Interest on bonds payable	**5,318**	1,907

18 (Loss)/profit before tax from continuing operations

The Group	Note	Period from 1 January 2015 to 30 June 2016 RMB'000	Year ended 31 December 2014 RMB'000
(Loss)/profit before tax from continuing operations has been arrived at after charging:			
Loss on disposal of subsidiaries	15	**6,434**	–
Waiver of loan interest charged to an associated company	16	**1,851**	–
Impairment loss on investments in associated companies	16	**37**	–
Staff costs	19	**3,978**	2,849
and crediting:			
Exchange gain		**2,488**	–
Gain arising from the difference in carrying amount of non-equity-linked bond liability extinguished and settlement made	3,13	**14,766**	–
Fair value gains on:			
- S$2.66 million convertible bonds	13	**1,418**	–
- HK$10 million straight bond	13	**420**	–

19 Staff costs

The Group	Period from 1 January 2015 to 30 June 2016 RMB'000	Year ended 31 December 2014 RMB'000
Key management personnel		
- Directors		
- directors' fees	**1,250**	478
- salaries and related costs	**1,050**	949
- Executive officers		
- salaries and related costs	**1,236**	1,296
Other than key management personnel		
- salaries and related costs	**442**	126
Total staff costs	**3,978**	2,849

20 Taxation

Reconciliation of effective tax rate

The Group	Period from 1 January 2015 to 30 June 2016 RMB'000	Year ended 31 December 2014 RMB'000 (Restated)
(Loss)/profit before taxation from		
- continuing operations	**(28,393)**	17,470
- discontinued operations	**–**	40
	(28,393)	17,510
Share of loss/(profit) from associated companies	**27,354**	(27,354)
Accounting profit/(loss) before taxation	**(1,039)**	(9,844)
Tax calculated at tax rate of 25%	**(260)**	(2,461)
Tax effect on non-deductible expenses	**2,081**	–
Utilisation of deferred tax asset previously not recognised	**(1,821)**	–
Deferred tax asset on losses not recognised	**–**	2,461
	–	–

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

The subsidiary, Asia Fashion International Limited (formerly known as Qianfeng Energy Co., Limited), incorporated in the PRC, is subject to a tax rate of 25% (2014 - 25%).

Tax effect on non-deductible expenses relates to disallowed expenditures arising from the loss on disposal of subsidiaries, waiver of loan interest charged to an associated company and impairment loss on investments in associated companies.

20 Taxation (Cont'd)

The Group had not recognised a deferred tax asset in respect of tax losses of RMB 28 million (2014 - Nil) because it was not probable that future profits would be available to utilise the losses. All tax losses would expire after five years from the year of assessment they related to.

The tax losses amounting to RMB 410.8 million were disregarded upon disposal of Qianfeng group.

21 (Loss)/earnings per share

		Continuing operations		Discontinued operations		Total	
		30 June 2016	31 December 2014 (Restated)	**30 June 2016**	31 December 2014	**30 June 2016**	31 December 2014 (Restated)
Net (loss)/profit attributable to equity holders of the Company (RMB'000)	(A)	**(28,393)**	17,470	**–**	40	**(28,393)**	17,510
Weighted average number of ordinary shares outstanding for basic earnings per share	(B)	**46,050,590**	548,802,638	**46,050,590**	548,802,638	**68,886,636**	548,802,638
Weighted average number of ordinary shares outstanding for diluted earnings per share	(C)	**46,050,590**	548,802,638	**46,050,590**	548,802,638	**68,886,636**	548,802,638
Basic (loss)/earnings per share (fen per share)	(A)/(C)	**(61.66)**	3.18	**–**	0.01	**(61.66)**	3.19
Diluted (loss)/earnings per share (fen per share)	(A)/(B)	**(61.66)**	3.18	**–**	0.01	**(61.66)**	3.19

(a) Discontinued operations

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

(b) Earnings per share from continuing operations

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

The weighted average number of ordinary shares outstanding during the period is the number of ordinary shares outstanding at the beginning of the period, adjusted by the number of ordinary shares issued in share placements and share consolidation (Note 8) during the period multiplied by a time-weighting factor. The time-weighting factor is the number of days that the shares are outstanding as a proportion of the total number of days in the period.

22 Financial risk management objectives and policies

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

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

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

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

(i) Credit risk

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

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

<u>Bank balances</u>

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

<u>Financial assets that are neither past due nor impaired</u>

Loans to associated company are neither past due nor impaired.

<u>Financial assets that are past due and/or impaired</u>

There is no class of financial assets that is past due and/or impaired.

(ii) Liquidity risk

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

The Group's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities.

The Company and the Group are dependent on the ability to obtain adequate fund raising exercise for the sum of RMB 25 million. Refer to Note 2(a) on going concern for further details of liquidity requirements.

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

(ii) Liquidity risk (Cont'd)

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

	Contractual cash flows			
The Group	Total RMB'000	Less than 1 year RMB'000	Between 2 and 5 years RMB'000	Over 5 years RMB'000
At 30 June 2016				
Accruals and other payables	**6,313**	**6,313**	**–**	**–**
Amount due to former director/shareholder	**1,221**	**1,221**	**–**	**–**
Amount due to associated companies	**4,051**	**4,051**	**–**	**–**
Bonds payable	**21,614**	**21,614**	**–**	**–**
Interest payable	**723**	**723**	**–**	**–**
	33,922	**33,922**	**–**	**–**
At 31 December 2014 (Restated)				
Accruals and other payables	32,636	32,636	–	–
Compensation payables	–	–	–	–
Amount due to former director/shareholder	1,221	1,221	–	–
Bank loans	–	–	–	–
Bonds payable	49,159	–	49,159	–
Interest payable	1,907	–	1,907	–
	84,923	33,857	51,066	–
The Company				
At 30 June 2016				
Accruals and other payables	**6,313**	**6,313**	**–**	**–**
Amount due to former director/shareholder	**1,221**	**1,221**	**–**	**–**
Amount due to associated companies	**4,051**	**4,051**	**–**	**–**
Bonds payable	**21,614**	**21,614**	**–**	**–**
Interest payable	**723**	**723**	**–**	**–**
	33,922	**33,922**	**–**	**–**
At 31 December 2014 (Restated)				
Accruals and other payables	40,545	40,545	–	–
Amount due to former director/shareholder	1,221	1,221	–	–
Bonds payable	49,159	–	49,159	–
Interest payable	1,907	–	1,907	–
	92,832	41,766	51,066	–

(iii) Interest rate risk

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

The Group's exposure to interest rate risk arises from its fixed rate bonds payable amounting to RMB 21.614 million (2014 - RMB 49.159 million).

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

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

(iv) Foreign currency risk

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

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

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

Sensitivity analysis for foreign currency risk

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

	The Company		The Group	
	Loss before tax Increase/ (decrease) RMB'000	Equity Increase/ (decrease) RMB'000	Loss before tax Increase/ (decrease) RMB'000	Equity Increase/ (decrease) RMB'000
30 June 2016				
SGD against RMB				
- strengthened	**799**	**799**	**799**	**799**
- weakened	**(799)**	**(799)**	**(799)**	**(799)**
HKD against RMB				
- strengthened	**550**	**550**	**538**	**538**
- weakened	**(550)**	**(550)**	**(538)**	**(538)**
USD against RMB				
- strengthened	**11**	**11**	**11**	**11**
- weakened	**(11)**	**(11)**	**(11)**	**(11)**
31 December 2014 (Restated)				
SGD against RMB				
- strengthened	2,555	2,555	2,618	2,618
- weakened	(2,555)	(2,555)	(2,618)	(2,618)
HKD against RMB				
- strengthened	162	162	516	516
- weakened	(162)	(162)	(516)	(516)
USD against RMB				
- strengthened	170	170	267	267
- weakened	(170)	(170)	(267)	(267)

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

(v) Market price risk

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

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

(vi) Fair value measurements

The level of fair value measurement hierarchy are as follows:

(a) quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1)

(b) inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices) (Level 2); and

(c) inputs for the asset or liability that are not based on unobservable market data (unobservable inputs) (Level 3)

See Note 13 for disclosure of the convertible bonds that are measured at fair value and disclosure of information about the valuation technique and fair value measurements using significant unobservable inputs (Level 3).

(vii) Classification of financial assets and liabilities

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

	The Company		The Group	
	30 June 2016	31 December 2014	**30 June 2016**	31 December 2014
	RMB'000	RMB'000	**RMB'000**	RMB'000
		(Restated)		(Restated)
Financial assets:				
Cash and cash equivalents	**67**	131	**311**	182
Other receivables	**102**	–	**111**	–
Amounts due from associated companies	**–**	–	**302**	1,634
Loans to associated company	**61,000**	49,000	**61,000**	49,000
Amount due from subsidiary	**547**	–	**–**	–
Interest receivable	**–**	1,851	**–**	1,851
	61,716	50,982	**61,724**	52,667
Financial liabilities:				
Accruals and other payables	**6,313**	40,545	**6,313**	32,636
Amount due to former director/shareholder	**1,221**	1,221	**1,221**	1,221
Amounts due to associated companies	**4,051**	–	**4,051**	–
Bonds payable	**21,614**	49,159	**21,614**	49,159
Interest payable	**723**	1,907	**723**	1,907
	33,922	92,832	**33,922**	84,923

23 Capital management

The Group's objectives when managing capital are:

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

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

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

(d) To provide an adequate return to shareholders.

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

The Board of Directors monitors capital on the basis of its equity ratio, which is calculated as a percentage of total assets. The Group's equity ratio is as follows.

	The Company		**The Group**	
	30 June 2016	31 December 2014	**30 June 2016**	31 December 2014
	RMB'000	RMB'000	**RMB'000**	RMB'000
Total equity	**27,802**	(38,561)	**27,802**	15,486
Total assets	**61,724**	54,271	**61,724**	233,053
Equity ratio	**45.0%**	Not applicable	**45.0%**	6.6%

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

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

24 Significant related party transactions

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

The Group	**Period from 1 January 2015 to 30 June 2016** **RMB'000**	Year ended 31 December 2014 RMB'000
Loan to an associated company		
- Rich Circles	**12,000**	49,000
Interest charged on loan to an associated company		
- Rich Circles	**–**	1,851
Waiver of loan interest charged to an associated company		
- Rich Circles	**1,851**	–
Payments on behalf for an associated company		
- CCMH	**302**	–

25 Auditors' fees

The Group	**30 June 2016 RMB'000**	31 December 2014 RMB'000 (Restated)
Auditor's remuneration paid/payable to:		
- Auditor of the Company	**1,301**	1,166
Other fees paid/payable to:		
- Auditor of the Company	**–**	–

26 Prior years adjustments and comparative figures

(a) Prior years adjustments

The Company and the Group reported certain adjustments arising from errors in of recording of transactions in accordance with FRS 8 Accounting Policies, Changes in Accounting Estimates and Errors as follows:

	31 December 2014 RMB'000	31 December 2013 RMB'000
Error in recording of transactions		
Under accrual of legal and professional fees		
- accruals and other payables	193	265
Understatement of administrative expenses		
- legal and professional fees	193	265

26 Prior years adjustments and comparative figures (Cont'd)

b) Comparative figures

The following comparative figures have been restated due to prior years adjustments as mentioned in (a) above and certain comparative figures have been reclassified to conform with the current period's presentation.

	31 December 2014			
	As reported RMB'000	Prior years adjustments RMB'000	Reclassifications RMB'000	As restated RMB'000
The Company				
Statements of financial position				
Current liabilities				
Accruals and other payables	40,087	458	–	40,545
Equity				
Reserves				
- accumulated losses	(57,323)	(458)	–	(57,781)
The Group				
Statements of financial position				
Current liabilities				
Accruals and other payables	32,178	458	–	32,636
Equity				
Reserves				
- accumulated losses	(3,276)	(458)	–	(3,734)
Consolidated statement of profit or loss and other comprehensive income				
Administrative expenses	(9,635)	(193)	–	(9,828)
Consolidated statement of cash flows				
Cash Flows from Operating Activities				
Profit before taxation from continuing operations	17,663	(193)	–	17,470
Changes in trade receivables	(20,379)	–	20,379	–
Changes in prepayments and other receivables	(396)	–	396	–
Changes in operating receivables	–	–		(20,775)
Changes in trade payables	17,528	–	(17,528)	–
Changes in accruals and other payables	14,706	193	(14,899)	–
Changes in operating payables	–	–	–	32,427

27 Subsequent events

On 8 September 2016 and 14 September 2016 respectively, the Company incorporated two wholly-owned subsidiaries "Asia Entertainment Limited", a British Virgin Islands incorporated company, with a paid up capital of US$50,000 and "Asia Entertainment (Hong Kong) Limited", a Hong Kong incorporated company, with a paid up capital of HK$1 respectively. The principal activity of the subsidiaries are that of investment holding.

STATISTICS OF
SHAREHOLDINGS
AS AT 31 OCTOBER 2016

Class of shares : Common share
No. of shares : 50,500,000
Voting rights : One vote per share

As at 31 October 2016, the Company did not hold any treasury shares.

DISTRIBUTION OF SHAREHOLDINGS

Size of Shareholdings	No. of Shareholders	%	No. of Shares	%
1 - 99	64	18.71	3,917	0.01
100 – 1,000	71	20.76	24,991	0.05
1,001 - 10,000	131	38.31	516,985	1.02
10,001 - 1,000,000	66	19.30	4,630,913	9.17
1,000,001 and above	10	2.92	45,323,194	89.75
	342	100.00	50,500,000	100.00

TWENTY LARGEST SHAREHOLDERS

No.	Name of Shareholder	No. of Shares	%
1	DBS Vickers Securities (S) Pte Ltd	23,877,742	47.28
2	Li Yu Huan	6,274,835	12.43
3	Phillip Securities Pte Ltd	3,750,831	7.43
4	HL Bank Nominees (S) Pte Ltd	2,001,063	3.96
5	Baota Investment Holdings Limited	1,800,000	3.56
6	Link Profits Limited	1,800,000	3.56
7	UOB Kay Hian Pte Ltd	1,734,912	3.44
8	Feng Jiachen	1,562,500	3.09
9	Guo Wenqi	1,325,000	2.62
10	OCBC Securities Private Ltd	1,196,311	2.37
11	Citibank Nominees Singapore Pte Ltd	783,999	1.55
12	Lim Boon Guan	625,000	1.24
13	Png Cheng Heng Edwin	355,937	0.70
14	Chan Lai Hung Josephine	292,625	0.58
15	Tan Lye Seng	215,500	0.43
16	Leow Lay Choo	144,625	0.29
17	Guo Shujuan	143,318	0.28
18	Lim & Tan Securities Pte Ltd	125,000	0.25
19	Yim Yeuk King Claire	105,218	0.21
20	Pook Jyh Long	100,187	0.20
	TOTAL	48,214,603	95.47

SUBSTANTIAL SHAREHOLDERS

	Direct Interest		Deemed Interest	
	No. of shares	%	No. of shares	%
Yong Tai Investment Company Limited	14,765,797	29.24		
Yuan Limin(1)			14,765,797	29.24
Li Yu Huan	6,274,835	12.43		
Link Profits Limited	5,328,571	10.55		
Wang Chunzhi(2)			5,328,571	10.55
Asia Brand Capital Pte. Ltd.(3)			3,675,030	7.28
Liu Yanlong(4)			3,675,030	7.28

(1) Mr. Yuan Limin is deemed to be interested in 14,765,797 shares in the Company held by Yong Tai Investment Company Limited ("Yong Tai"). Mr. Yuan Limin is the sole shareholder of Yong Tai.

(2) Mr. Wang Chunzhi is deemed to be interested in 5,328,571 shares in the Company held by Link Profits Limited ("Link Profits"). Mr. Wang Chunzhi is the sole shareholder of Link Profits.

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

(4) Mr. Liu Yanlong is deemed to be interested in 3,675,030 shares in the Company held by Asia Brand. Mr. Liu Yanlong is the sole shareholder of Asia Brand.

PERCENTAGE OF SHAREHOLDING IN PUBLIC'S HANDS

As at 31 October 2016, 40.5% of the Company's shares are held in the hands of public. Accordingly, the Company has complied with Rule 723 of the Listing Manual of the SGX-ST which requires 10% of the equity securities (excluding preference shares and convertible equity securities) in a class that is listed to be in the hands of the public.

NOTICE OF
ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Annual General Meeting (this "**Annual General Meeting**") of Asia Fashion Holdings Limited (the "**Company**") will be held at Maxwell Chambers Pte Ltd, Level 3, 32 Maxwell Road, Singapore 069115 on Thursday, 8 December 2016 at 10:00 a.m. (Singapore time) for the following purposes:

AS ORDINARY BUSINESS

1. To receive and adopt the directors' report and the audited financial statements of the Company and the Group for the 18 months' period ended 30 June 2016 together with the auditors' report thereon. **(Resolution 1)**

2. To re-elect the following persons as directors of the Company who were appointed by the board of directors of the Company as new directors of the Company at the time between the date of the 2015 annual general meeting and this Annual General Meeting and who will retire pursuant to Bye-law 85(6) of the Bye-Laws of the Company and who, being eligible, will offer themselves for re-election:

    (i) Chong Tin Yam, Alex **(Resolution 2)**

    (ii) Lee Ka Shao **(Resolution 3)**

    (iii) Wang Huai Dong **(Resolution 4)**

3. To re-elect Kwok Wei Woon as a director of the Company, who will retire pursuant to Bye-law 86(1) of the Bye-Laws of the Company and who, being eligible, will offer himself for re-election. **(Resolution 5)**

4. To approve the payment of directors' fees of the Company of S$150,000 for the financial year ending 30 June 2017, to be paid quarterly in arrears. (18 months for FY2015: S$182,000) **(Resolution 6)**

5. To re-appoint Foo Kon Tan LLP, Public Accountants and Certified Public Accountants, as the auditors of the Company, until the conclusion of the next annual general meeting of the Company, and to authorize the directors of the Company to fix their remuneration. **(Resolution 7)**

AS SPECIAL BUSINESS

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

6. Authority to issue and allot shares and/or convertible securities

That pursuant to the rules, guidelines and measures issued by the Singapore Exchange Securities Trading Limited ("**SGX-ST**"), authority be and is hereby given to the Directors of the Company to issue:

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

(ii) convertible securities (including, but not limited to, options, warrants, debentures or other instruments convertible into shares);

(iii) additional convertible securities issued pursuant to Rule 829 of the Listing Manual of the SGX-ST; and/or

(iv) Shares arising from the conversion of the securities in (ii) and (iii) above,

(whether by way of rights, bonus or otherwise or in pursuance of any offer, agreement or option made or granted by the directors of the Company during the continuance of this authority or thereafter) at any time and upon such terms and conditions and for such purposes and to such persons as the directors of the Company may in their absolute discretion deem fit (notwithstanding that such issue of Shares pursuant to the offer, agreement or option or the conversion of the convertible securities and/or additional convertible securities may occur after the expiration of the authority contained in this Resolution), provided that:

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

(2) (subject to such manner of calculation as may be prescribed by the SGX-ST) for the purpose of determining the aggregate number of Shares and/or convertible securities to be issued pursuant to this Resolution (including Shares to be issued in pursuance of convertible securities made or granted pursuant to this Resolution) that may be issued under sub-paragraph (1) above, the percentage of issued Shares and/or convertible securities to be issued pursuant to this Resolution (including Shares to be issued in pursuance of convertible securities made or granted pursuant to this Resolution) shall be based on the total number of issued Shares (excluding treasury shares) in the capital of the Company at the time of the passing of this Resolution, after adjusting for:

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

(b) new Shares arising from exercising 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 the Listing Manual of the SGX-ST; and

(c) any subsequent bonus issue, consolidation or subdivision of Shares;

(3) in exercising the authority conferred by this Resolution, the Company shall comply with the rules, guidelines and measures issued by the SGX-ST for the time being in force (unless such compliance has been waived by the SGX-ST), all applicable legal requirements under the Companies Act 1981 of Bermuda (as amended) and the Bye-Laws for the time being of the Company; and

(4) unless revoked or varied by the Company in a general meeting, the authority conferred by this Resolution shall continue in force until the conclusion of the next Annual General Meeting of the Company .

(Resolution 8)
[See Explanatory Note (i)]

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

By Order of the Board

Mak Tin Sang
Company Secretary
Singapore, 22 November 2016

Explanatory Notes:

(i) **Resolution 8**

Resolution 8, if passed, will empower the Directors of the Company from the date of this Annual General Meeting until the date of the next annual general meeting of the Company, or the date such authority is varied or revoked by the Company in a general meeting, whichever is the earlier, to issue Shares and/or convertible securities (including Shares to be issued in pursuance of convertible securities made or granted pursuant to this Resolution) up to a number not exceeding, in total, fifty per cent. (50%) of the total number of issued Shares (excluding treasury shares) in the capital of the Company, of which the total number of Shares and/or convertible securities (including Shares to be issued in pursuance of convertible securities made or granted pursuant to this Resolution) issued other than on a pro-rata basis to existing shareholders shall not exceed twenty per cent. (20%) of the total number of issued Shares (excluding treasury shares) of the Company at the time the resolution is passed, for such purposes as they consider would be in the interests of the Company.

For determining the aggregate number of shares that may be issued pursuant to Resolution 8, the percentage of issued shares in the capital of the Company will be calculated based on the total number of issued shares (excluding treasury shares) in the capital of the Company at the time this Resolution is passed after adjusting for new shares arising from the conversion or exercise of the any convertible securities, the exercise of share options or the vesting of share awards outstanding or subsisting at the time when this Resolution is passed and any subsequent bonus issue, consolidation or subdivision of shares.

Notes:

1. If a Shareholder who is not a Depositor is unable to attend this Annual General Meeting and wishes to appoint a proxy/proxies to attend and vote on his behalf, he could complete, sign and return the proxy form the proxy form despatched to Shareholders who are not Depositors ("**Shareholder Proxy Form**") in accordance with the instructions printed thereon. With the exception of The Central Depository (Pte) Limited ("**CDP**") who may appoint more than two proxies, a Shareholder entitled to attend and vote at the Annual General Meeting who holds two (2) or more shares is entitled to appoint no more than two proxies to attend and vote on his behalf. A proxy need not be a Shareholder.

2. Where a form of proxy appoints more than one proxy (including the case where such appointment results from a nomination by CDP), the proportion of the shareholding concerned to be represented by each proxy shall be specified in the form of proxy.

3. If a Depositor who is an individual and whose name appears in the Depository Register (as defined in Section 81SF of the Securities and Futures Act (Cap. 289) of Singapore) as at a time not earlier than forty-eight (48) hours before the time appointed for the Annual General Meeting and is unable to attend this Annual General Meeting personally and wishes to appoint a proxy/proxies to attend and vote on his behalf, he should complete, sign and deposit the proxy form despatched to Depositors (the "**Depositor Proxy Form**") in accordance with the instructions printed thereon.

4. A Depositor who is not an individual can only be represented at this Annual General Meeting if its nominee is/are appointed as CDP's proxy/proxies. To appoint its nominee/nominees as proxy/proxies of CDP and to enable its nominee/nominees to attend and vote at the Annual General Meeting, such Depositor should complete, execute and deposit the Depositor Proxy Form in accordance with the instructions therein.

5. A corporation which is a Shareholder may authorise by resolution of its directors or other governing body such person as it thinks fit to act as its corporate representative at this Annual General Meeting.

6. To be valid, the Shareholder Proxy Form or the Depositor Proxy Form, together with the power of attorney or other authority, if any, under which it is signed on behalf of the appointor, or a certified copy of such power or authority, shall be delivered at the Company's Share Transfer Agent, M&C Services Private Limited, at 112 Robinson Road, #05-01, Singapore 068902 not less than forty-eight (48) hours before the time appointed for holding the Annual General Meeting or at any adjournment thereof. Detailed instructions can be found on the Shareholder Proxy Form and Depositor Proxy Form.

7. The completion and return of a Shareholder Proxy Form by a Shareholder who is not a Depositor, or a Depositor Proxy Form by a Depositor who is individual, shall not preclude him from attending and voting in person at this Annual General Meeting if he wishes to do so, in place of his proxy/proxies.

Personal Data Privacy

Where a Shareholder of the Company submits an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at this Annual General Meeting and/or any adjournment thereof, such Shareholder of the Company (i) consents to the collection, use and disclosure of the Shareholder's personal data by the Company (or its agents) for the purpose of the processing, administration and analysis by the Company (or its agents) of proxies and representatives appointed for this Annual General Meeting (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the Annual General Meeting (including any adjournment thereof), and in order for the Company (or its agents) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the "**Purposes**"), (ii) warrants that where the Shareholder discloses the personal data of the Shareholder's proxy(ies) and/or representative(s) to the Company (or its agents), the Shareholder 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 Shareholder will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the Shareholder's breach of warranty.