GREAT GROUP
格来德集团

# ANNUAL REPORT TWO THOUSAND AND FOURTEEN

# CORPORATE PROFILE

Established in 1993, Great Group Holdings Limited and its subsidiaries (Collectively "Great Group" or the "Group") is one of the established producers of undergarment in the People's Republic of China ("PRC"). The Group engages principally in the design, manufacture, distribution and sale of men's and women's undergarments. It also designs, manufactures and sells children's and infants' apparel.

**Global Business Footprint**
Great Group's global customer base currently spans over 30 countries across four continents. Our customers' products are sold in Asia, Europe, North America, South America, Middle East, South East Asia and Australia.

**Branding Business**
The design, manufacture and sale of men's and women's undergarments take place under the Group's proprietary "GRAT.UNIC" brand in the PRC since 2005. The brand is sold in major provinces/ municipalities/autonomous regions in the PRC. These comprise specialty stores or dedicated shelf-spaces located strategically in shopping malls, department stores and commercial area of a number of major cities.

**Production Facility**
The production facility is strategically located at Jiangnan High-Tech Information Industrial Zone ("JHIIZ") in Quanzhou City in Fujian Province. The facility comprising three factory buildings and two staff dormitories has a built-up area of approximately 60,000 square meters. It houses our business and production operations, and acts as our manufacturing base in the PRC.

**Awards & Accreditations**
In recognition of our strong brand value, we have received numerous awards including "Provincial Famous Brand", "Quanzhou Famous Brand", "Men's Health 2011年度健身房大奖最佳装备奖" and "2011 Forbes China Top 200 Best Potential SMEs" in 2011. The "Oko-Tex Standard 100" certification, ISO9001, ISO14001, ISO18001 and SA8000 accreditation attained by the Group since 2008 testify that our products are of quality and conform to international standards. This attests to our Group's efforts to deliver high quality products in an environmentally responsible manner.

Great Group was incorporated on 29 February 2008 in Singapore as an investment holding company and subsequently listed on the SGX-ST on 25 September 2009.

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# CHAIRMAN'S MESSAGE

**Dear Shareholders,**
On behalf of the Board of Directors, I am pleased to present to you our audited financial results for the financial year ended 31 December 2014 ("FY2014").

**Financial Results and Dividend**
Given the continued weak market demand in both domestic and overseas markets, the textile industry in the People's Republic of China ("PRC") entered into a downturn with excess production capacity in FY2014. The Group's contract manufacturing business continued to face challenging market environment with shrinking overseas demand and keener competition from other manufacturing bases in Southeast Asia and Bangladesh with lower raw materials costs and labour wages.

This resulted in a decrease in the Group's revenue by RMB49.9 million, or 12.3%, from RMB406.5 million in FY2013 to RMB356.6 million in FY2014.

Despite the decrease in revenue in FY2014, the Group made an improvement in its gross profit. Its gross profit increased by RMB52.9 million from a gross loss of RMB28.2 million in FY2013 to a gross profit of RMB24.7 million in FY2014. Its gross profit margin was 6.9% compared to a gross loss margin of 6.9% in FY2013. Lower raw material costs was the primary reason for this improvement.

Overall, the Group's loss attributable to shareholders decreased by RMB218.9 million, or 90.7%, from RMB241.2 million in FY2013 to RMB22.3 million in FY2014. Consequently, net asset value per share declined from RMB0.16 as at 31 December 2013 to RMB0.06 as at 31 December 2014.

Towards the end of FY2014, the Group announced a proposed renounceable non-underwritten rights issue (the "**Proposed Rights Issue**") of up to 2,065,000,000 new ordinary shares in the capital of the Company (the "**Rights Shares**") at an issue price of S$0.005 for each Rights Share on the basis of seven (7) Rights Shares for every one (1) existing ordinary share in the capital of the Company held by the shareholders of the Company. The Proposed Rights Issue is an important step to raise funds to strengthen the Group's financial position to meet its working capital requirements and to enhance its financial flexibility to capitalise on potential growth and acquisition opportunities.

The Group will be seeking the approval of shareholders for the Proposed Rights Issue at an extraordinary general meeting to be convened.

No dividend was recommended for the financial year ended 31 December 2014 in view of the Group's net losses and negative working capital position.

**Industry Outlook**
Although the Group has shown an improvement in gross profit margin in FY2014, the Group's contract manufacturing business continues to face shrinking overseas demand particularly from America and Europe, rising labour cost pressure in China and intense price competition from lower-cost manufacturing bases in Southeast Asia and Bangladesh. Coupled with a slowdown in China's growth, the Group expects the weak global market sentiments and slow recovery to prevail.

Despite concerns over the slowdown, we are hopeful that the market will eventually bottom out and a turnaround will be in sight. The Group believes in the long term prospects of the industry as the Group manufactures products that are fundamentally catered for everyday needs.

**Strategies Going Forward**
While continuing to focus on cost rationalisation and improving its financial efficiencies such as inventory and cash flow management, the Group is constantly looking into various diversification and restructuring strategies.

The Group hopes to complete the Proposed Rights Issue which will set the platform for new potential investments and businesses through acquisitions, joint venture and/or collaborations in business. The Group and the new investor intend for these new potential investments and business to generate new streams of income.

**Acknowledgements**
Last but not least, on behalf of the Board of Directors, we would like to take this opportunity to express our heartfelt gratitude to all our stakeholders – from our valued shareholders, customers, business partners, bankers to our management and staff for their unwavering support, contribution and commitment.

**Mr Weng Wenwei**
Executive Chairman and CEO

While continuing to focus on cost rationalisation and improving its financial efficiencies such as inventory and cash flow management, the Group is constantly looking into various diversification and restructuring strategies.

# FINANCIAL REVIEW

| | FY2014 | FY2013 | Increase / (Decrease) | |
|---|---|---|---|---|
| | RMB'mil | RMB'mil | RMB'mil | % |
| Asia | 87.1 | 99.9 | (12.8) | (12.8) |
| Europe | 209.3 | 233.2 | (23.9) | (10.2) |
| America | 47.9 | 70.8 | (22.9) | (32.3) |
| Other | 12.3 | 2.6 | 9.7 | 373.1 |
| Total | 356.6 | 406.5 | (49.9) | (12.3) |

**Revenue and Gross Profit**
Revenue of the Group decreased by RMB49.9 million, from RMB 406.5 million in the financial year ended 31 December 2013 ("FY2013") to RMB356.6 million in the financial year ended 31 December 2014 ("FY2014"). This was mainly due to the weak market conditions in the textile manufacturing sector which resulted in the Group's customers ordering less of the Group's products and services.

Demands for the Group's products had declined due mainly to lower sales in the America and Europe markets, which dipped by 32.3% and 10.2% respectively in FY2014, as compared to FY2013.

Gross profit increased by RMB52.9 million from a gross loss of RMB28.2 million in FY2013 to a gross profit of RMB24.7 million in FY2014. The increase in gross profit was mainly due to an improvement in gross margin arising mainly from lower raw materials cost, and net allowances for impairment and write-off of advances to suppliers (included in cost of sales) of RMB19.1 million provided for the contract manufacturing business segment in FY2013.

**Expenses**
Selling and distribution expenses decreased by RMB1.9 million from RMB12.6 million in FY2013 to RMB10.7 million in F20Y14. The decrease was mainly due to the decrease in promotion and exhibition expenses for the contract manufacturing business segment, which was in line with the reduction in customers' orders.

Administrative expenses decreased by RMB136.6 million to RMB27.5 million in FY2014 from RMB164.1 million in FY2013. The decrease in administrative expenses was mainly due to the allowance for impairment of trade receivables of RMB134.1 million provided for the contract manufacturing business segment in FY2013.

Finance expenses of RMB10.1 million were marginally RMB0.2 million higher than RMB9.9 million in FY2013. This was mainly due to higher balance of net borrowings (after deducting pledged deposits) of RMB213.0 million as at 31 December 2014 as compared to RMB202.5 million as at 31 December 2013.

**Other gain/(losses), net**
The Group recorded other gains (net) of RMB6.0 million in FY2014. This was mainly due to higher interest income and government grant received, offset by a one-off loss on deconsolidation of a subsidiary.

**Total loss**
The Group reported a total loss of RMB21.6 million, a significant improvement of RMB219.3 million or 91.0%, as compared to the loss of RMB240.9 million in FY2013.

**Income tax expenses**
Income tax expenses decreased by RMB2.7 million from RMB 8.2 million in FY2013 to RMB5.5 million in FY2014. The reduction in income tax expense was mainly due to lower chargeable income derived by the Group's major subsidiaries.

**Profit from discontinued operations net of tax**
The Group's profit from discontinued operations, net of tax increased by RMB 0.8 million, or 139.5%, from RMB0.6 million in FY2013 to RMB 1.4 million in FY2014. The Company had on 23 October 2014, entered into a termination agreement with Christensen, Jens Fruelund to terminate the acquisition of 51% equity interest in Sinex Solutions Limited. Prior thereto, there was a loss of control culminating in the resignation of the Group's representative on the board of Sinex Solutions Limited in September 2014. Accordingly, the Company had deconsolidated the results of Sinex Solutions Limited.

## FINANCIAL POSITION

**Current assets**
Cash and cash equivalents decreased by RMB5.0 million from RMB118.6 million as at 31 December 2013 to RMB113.6 million as at 31 December 2014.

Trade and other receivables increased by RMB8.8 million, or 5.5%, to RMB168.2 million as at 31 December 2014 from RMB159.4 million as at 31 December 2013. The increase in trade and other receivables was mainly due to slow payment from a customer, which we will continue to monitor closely. Increase in advances to a few new suppliers for obtaining new raw materials at a lower cost also contributed to this increase.

Inventories as at 31 December 2014 were RMB52.8 million, representing a decrease of RMB5.9 million from RMB58.7 million as at 31 December 2013. This was mainly due to a reduction in work-in-progress of RMB 5.7 million.

**Non-current assets**
Non-current assets decreased by RMB 14.8 million, or 18.5% from RMB 80.2 million as at 31 December 2013 to RMB 65.4 million as at 31 December 2014. This decrease was mainly due to (i) the decrease in intangible assets of RMB 13.0 million as a result of the reversal of provisional goodwill recognised in FY2013 arising from the consolidation of Sinex Solutions Limited and (ii) the decrease in property, plant and equipment of RMB 1.8 million due mainly to depreciation expenses of RMB 6.1 million offset by the purchase of property, plant and equipment of RMB 4.9 million.

**Current liabilities**
As at 31 December 2014, current liabilities amounted to RMB386.7 million, an increase of 2.4% or RMB9.0 million compared to RMB377.7 million as at 31 December 2013. This was mainly due to the increase in borrowings of RMB39.4 million as at 31 December 2014, offset by the decrease in trade and other payables and provision for restructuring of RMB24.4 million and RMB6.4 million respectively.

**Shareholder's equity**
Total shareholders' equity decreased by RMB 25.6 million, or 61.6% from RMB 41.6 million as at 31 December 2013 to RMB 16.0 million as at 31 December 2014, mainly due to the total loss of RMB 22.3 million in FY2014.

**Working Capital**
The total current assets, total current liabilities and working capital of the Group as at 31 December 2014 and 31 December 2013 are as follows:

| | 31 December 2014 | 31 December 2013 | (Decrease) | |
|---|---|---|---|---|
| | RMB'mil | RMB'mil | RMB'mil | % |
| Total Current Assets | 337.3 | 339.5 | (2.2) | (0.6%) |
| Total Current Liabilities | (386.7) | (377.7) | 9.0 | 2.4% |
| Working Capital | (49.4) | (38.2) | (11.2) | (29.3%) |

The Group's working capital decreased by RMB 11.2 million from negative working capital of RMB 38.2 million as at 31 December 2013 to negative working capital of RMB 49.4 million as at 31 December 2014. This was mainly due to a decrease in current assets by RMB 2.2 million and an increase in current liabilities by RMB 9.0 million.

Current assets of the Group decreased by RMB 2.2 million as at 31 December 2014 as compared to as at 31 December 2013 due mainly to (i) a decrease in cash and bank balances by RMB 5.0 million; (ii) a decrease in inventories by RMB 5.9 million; and (iii) a decrease in other current assets of RMB 1.6 million. This was partially offset by (i) an increase in trade and other receivables by RMB 8.8 million; and (ii) an increase in derivative financial assets of RMB 1.5 million.

Current liabilities of the Group increased by RMB 9.0 million as at 31 December 2014 compared to as at 31 December 2013 due mainly to (i) increase in borrowings by RMB 39.4 million; and (ii) increase in current income tax liabilities of RMB 0.4 million. This was partially offset by (i) the decrease in trade and other payables by RMB 24.4 million; and (ii) the decrease in provision for restructuring of RMB 6.4 million

**Cash Flow**
The Group generated net cash from operating activities of RMB 136.3 million in FY2014. This was mainly due to (i) decrease in working capital requirements of RMB 140.9 million in FY2014; and (ii) interest received of RMB 2.6 million. This was, however, offset by (i) operating cash outflow before working capital changes of RMB 2.1 million; and (ii) income taxes paid of RMB 5.1 million.

The Group incurred net cash used in investing activities of RMB 4.7 million in FY2014. This was mainly due to the acquisition of property, plant and equipment of RMB 4.7 million.

The Group incurred net cash in financing activities of RMB 165.3 million in FY2014. This was mainly due to (i) the repayment of borrowings of RMB 611.5 million; (ii) interest paid of RMB 10.1 million; and (iii) increase in short term bank deposits pledged of RMB 28.9 million. This was partially offset by the proceeds from bank borrowings of RMB 485.1 million.

# FINANCIAL HIGHLIGHTS

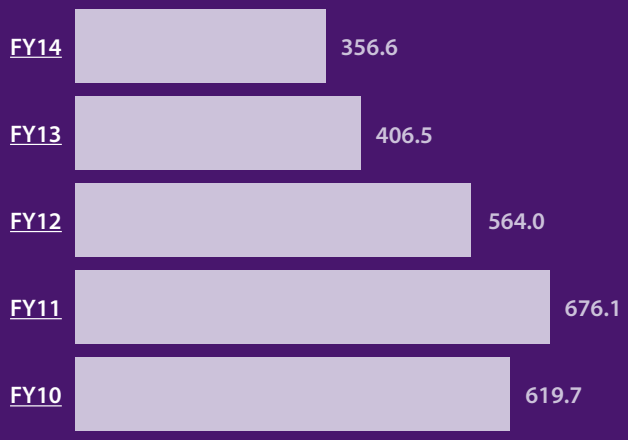
| **Summarised Income Statement (RMB'mil)**<br>**For Financial Year Ended 31 December** | **FY2014** | Restated FY2013 | FY2012 | Restated FY2011 | Restated FY2010 |
|---|---|---|---|---|---|
| **Revenue** | | | | | |
| - Contract Manufacturing* | **356.6** | 406.5 | 564.0 | 676.1 | 619.7 |
| Gross Profit/(Loss) | **24.7** | (28.2) | 60.2 | 117.9 | 103.5 |
| (Loss)/Profit Before Interest & Tax ("P(L)BIT") | **(7.5)** | (223.4) | (106.8) | 66.3 | 78.9 |
| Interest Income | **2.6** | 0.5 | 1.5 | 1.5 | 0.2 |
| Finance Expense | **(10.1)** | (9.9) | (11.9) | (6.6) | (2.5) |
| **(Loss)/Profit Before Income Tax ("P(L)BT")** | **(17.6)** | (233.3) | (118.7) | 59.7 | 76.6 |
| Income Tax Expense | **(5.5)** | (8.2) | (4.8) | (10.5) | (7.7) |
| **Net (Loss)/Profit from continuing operations** | **(23.1)** | (241.5) | (123.5) | 49.2 | 68.9 |
| Selling & Distribution expenses as a % over revenue | **(3.0%)** | (3.1%) | 3.7% | 2.6% | 1.4% |
| Administrative expenses as a % over revenue | **(7.7%)** | (40.4%) | 7.4% | 4.8% | 2.6% |

| **Summarised Balance Sheet (RMB'mil)**<br>**As At 31 December** | **FY2014** | FY2013 | FY2012 | FY2011 | FY2010 |
|---|---|---|---|---|---|
| Cash and cash equivalents | **113.6** | 118.6 | 81.3 | 92.3 | 125.1 |
| Property, plant and equipment | **47.9** | 49.7 | 61.4 | 164.4 | 73.2 |
| Current Assets | **337.3** | 339.5 | 454.3 | 466.4 | 436.5 |
| Non-current Assets | **65.4** | 80.2 | 80.0 | 187.4 | 93.8 |
| Current Liabilities | **386.7** | 377.8 | 256.6 | 252.6 | 157.1 |
| Equity | **16.0** | 41.9 | 277.7 | 401.2 | 373.2 |
| Inventories | **52.8** | 58.7 | 40.3 | 57.8 | 25.3 |

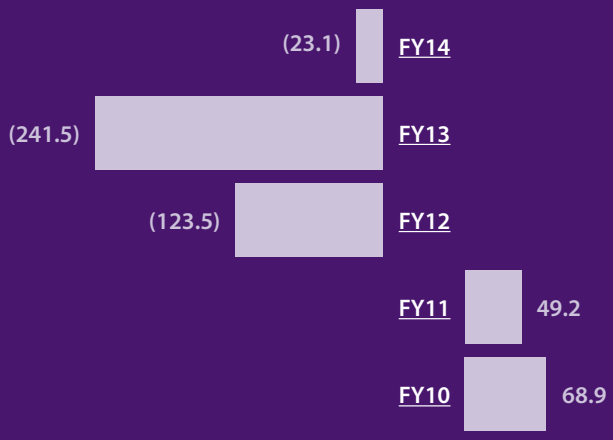
| **Financial Indicators/Ratios**<br>**For Financial Year Ended 31 December** | **FY2014** | FY2013 | FY2012 | FY2011 | FY2010 |
|---|---|---|---|---|---|
| (LBIT)/PBIT Margin | **(2.1%)** | (55.0%) | (18.9%) | 9.8% | 12.7% |
| (LBT)/PBT Margin | **(4.9%)** | (57.4%) | (21.0%) | 8.8% | 12.4% |
| (NL)/NP Margin | **(6.5%)** | (59.4%) | (21.9%) | 7.3% | 11.1% |
| (Losses)/Earnings Per Share (RMB cents) | **(8.70)** | (87.82) | (46.60) | 18.56 | 28.32 |
| Return on Equity (ROE) (%) | **(144.45)** | (575.85) | (44.47) | 12.26 | 18.46 |
| Return on Assets (ROA) (%) | **(5.73)** | (57.54) | (23.11) | 7.52 | 12.99 |
| Current Ratio (x) | **0.87** | 0.90 | 1.77 | 1.85 | 2.78 |
| Gearing Ratio (x) | **24.21** | 9.01 | 0.92 | 0.63 | 0.42 |
| Liquidity Ratio | **0.74** | 0.74 | 1.61 | 1.62 | 2.62 |
| Net Asset Value (NAV) Per Share (RMB cents) | **6.03** | 15.83 | 104.80 | 151.41 | 140.83 |
| Number of Ordinary Shares Issued (million)* | **265** | 265 | 265 | 265 | 265 |
| Average Trade Receivables Turnover (Days) | **61** | 117 | 115 | 84 | 84 |
| Average Trade and Bills Payables Turnover (Days) | **137** | 88 | 64 | 46 | 24 |
| Average Inventory Turnover (Days) | **61** | 42 | 36 | 27 | 20 |

* The contract manufacturing business segment includes the results of GRAT.UNIC

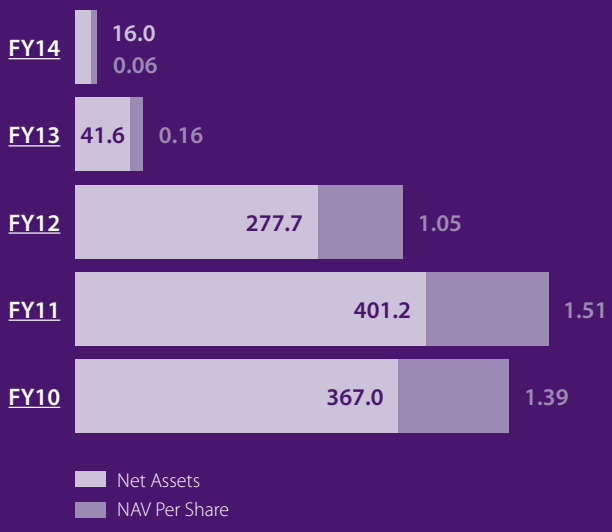
**Group Revenue** (RMB'mil)



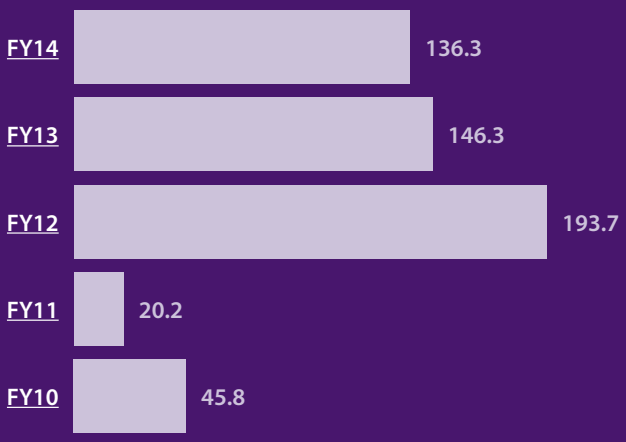

**Net (Loss) Profit** (RMB'mil)




**Net Assets / NAV Per Share** (RMB'mil / RMB Per Share)




**Operating Cash Flow** (RMB'mil)



# BOARD OF DIRECTORS

**Weng Wenwei**

Weng Wenwei is the Executive Chairman and CEO of our Group. He was appointed to our Board on 29 February 2008. Last re-elected in April 2013, he will be retiring at the Company's AGM in April 2015 and will be seeking re-election. He is responsible for the overall strategic and business management of our Group.

Weng Wenwei has more than 20 years of business and management experience in the textile industry. In May 2005, he founded Fujian Great and was appointed as its general manager responsible for its business strategies and development. In July 2000, he was appointed as the general manager of Quanzhou Great where he was responsible for its business operations and management. In January 1997, he founded Dachuan Textile Factory (大川织造厂) in Licheng District, Quanzhou City. Dachuan Textile Factory was engaged in the manufacture of undergarments for export to its overseas customers and as the director and head of the factory, Weng Wenwei was responsible for its management and business operations from January 1997 to April 2003. From February 1993 to December 1996, he was the head of Hesheng Apparel Factory in Yonghe town (永和镇和盛服装厂), a small workshop that manufactured clothing for clients.

He graduated from the Zimao Vocational High School (晋江市紫帽职业中学) in Jinjiang City, Fujian Province in 1988 with a high school graduation certification. He has been the vice president of the Industry and Commerce Association (Chamber of Commerce) of Licheng District (鲤城区工商业联合会(总商会)) since 2007.

**Lee Kim Lian, Juliana**

Lee Kim Lian, Juliana is our Independent Director. She was appointed to the Board on 18 June 2009. Last re-elected in April 2012, she will be retiring at the Company's coming AGM in April 2015 and is seeking re-election. Ms. Lee holds a Bachelor of Laws (Honours) degree from the National University of Singapore and is a member of the Singapore Institute of Directors. She has more than 20 years of experience in legal practice and is currently a director of Aptus Law Corporation, heading its corporate practice. Her main areas of practice are corporate law, corporate finance, mergers and acquisitions and venture capital.

Ms. Lee currently also serves on the boards of Lee Metal Group Ltd and Nordic Group Limited, having retired from the board of PSL Holdings Limited in December 2014.

**Chiang, Mike Chia-Peng**

Chiang, Mike Chia-Peng is our Non-Executive Non-Independent director. He was appointed to the Board on 1 January 2014 and was last re-elected at the Company's AGM in April 2014. He currently is an architect by profession. He holds a Bachelor's Degree in Architecture of University of Chung Yung in Taiwan, Master's Degree in Architecture Graduate School of University of Houston, Texas, USA and also a member of American Institute of Architects.

Mr. Chiang has more than 30 years extensive experience in Hong Kong, PRC, U.S. and Taiwan providing professional and corporate planning and consultancy to various clients and corporates. His expertise in land and property requisition encompasses conceptual master planning, building design, budget and construction administration and also high level advisory and consultancy involving strategic land use and remodeling of industrial facilities.

He has worked with various reputable institutions and listed companies as a consultant including Luen Thai Investment Group (HK), The United Lab. Ltd. (HK, Philipinnes), Tak Wing Investment (Holdings) Ltd. (HK), Hong Kong Industrial Technology Center Ltd. Co, KEVA Properties Ltd.(HK), Hong Kong Institute of Biotechnology (Chinese University of Hong Kong), Baylor College of Medicine (Houston, Texas, US), Scoular & Associates (Houston) and various architectural firms in US and Taiwan.

**San Meng Chee**

San Meng Chee is our Independent Director. He was appointed to the Board on 13 March 2014 and was last re-elected at the Company's AGM in April 2014.

Mr San has more than 20 years of experience in accounting, financial and corporate matters. He has held senior financial positions in listed companies and served as Chief Financial Officer of Superior Multi-Packaging Limited from September 2006 to August 2013. Prior to that, he was the Group Financial Controller of New Toyo International Holdings Ltd from October 2004 to August 2006.

He holds a Bachelor of Business degree in Accountancy from the Edith Cowan University, Western Australia and is a fellow member of CPA Australia.

# KEY MANAGEMENT

**Cai An'e**
**Group General Manager**

Cai An'e has been our General Manager (Production) since May 2000 and is responsible for overseeing the production process and day-to-day management of our Group's Production Department. Cai An'e has more than 10 years of experience in the textile industry. Between January 1997 and April 2003, she was assisting the head of Dachuan Textile Factory (大川织 造厂) in managing its operations. Between February 1993 and December 1996, she was an assistant to the head of Hesheng Apparel Factory in Yonghe town (永和镇和盛服装厂) and was assisting in the management of its production of clothing for clients. Prior to that, she worked as an apprentice for various garment manufacturing factories in the PRC to gain experience in the garment manufacturing business from September 1983 to February 1993.

Ms Cai is the wife of our Executive Chairman and CEO, Weng Wenwei.

**Lee Teck Kheng**
**Chief Financial Officer**

Lee Teck Kheng was appointed Chief Financial Officer of the Group in November 2011. Mr. Lee is based in Singapore and is responsible for overseeing the financial, accounting and taxation matters of the Group. Prior to this, from 2007 to 2011, Mr Lee was Group Financial Controller of Sei Woo Technologies Limited Singapore. From 1999 to 2007, Mr Lee was the Group Financial Controller of KIG Singapore, where apart from his duties in leading the financial and accounting functions of the Group's regional operations, he also undertook additional responsibility as the Chief Financial Officer of KIG Glass Berhad, a Malaysia Bursa-listed company.

From 1979 to 1997, he held various management positions in finance, overseeing the entire spectrum of finance and accounting, tax, risk management and investor relations, across a wide range of industries including multi-national and government-linked corporations.

Mr Lee has been a member of the Institute of Singapore Chartered Accountants (CA) since 1989. He received his Bachelor of Commerce (Accountancy) degree from Nanyang University in 1979.

**Jason Zhou Zhenjie**
**China General Manager**

Mr. Jason Zhou Zhenjie joined the Group in February 2013. He was appointed as China General Manager in May 2013. Mr Zhou is responsible for overseeing the Group's production process and the day-to-day management of the Group's operations in China. Mr. Zhou reports to the Executive Chairman and CEO of the Company Mr Weng Wenwei.

Prior to joining the Group, Mr. Zhou has worked for more than 20 years in the textile industry. He held various senior management positions, such as General Manager and Vice President of 浩沙集团 from May 2006 to June 2011.

# GROUP STRUCTURE



# CORPORATE INFORMATION

## Board of Directors

**Executive Directors**
Weng Wenwei (翁文伟)
*(Chairman and CEO)*

**Non-Executive Directors**
Lee Kim Lian, Juliana
*(Lead Independent Director)*
San Meng Chee
*(Independent Director)*
Chiang, Mike Chia-Peng
*(Non-Independent Non-Executive Director)*

## Audit Committee

San Meng Chee
*(Chairman)*
Lee Kim Lian, Juliana
Chiang, Mike Chia-Peng

## Remuneration Committee

Lee Kim Lian, Juliana
*(Chairman)*
San Meng Chee
Chiang, Mike Chia-Peng

## Nomination Committee

Lee Kim Lian, Juliana
*(Chairman)*
San Meng Chee
Chiang, Mike Chia-Peng

## Registered Office

75 High Street
Singapore 179435

## Singapore Office

75 High Street
Singapore 179435
Tel: (65) 62246339
Fax: (65) 62246465

## Head Office and Principal place of Business

No. 77, Xiantang District, Changtai Street,
Licheng District, Quanzhou City,
Fujian Province, China.
中国福建省泉州市鲤城区常泰街道路仙塘区77号

## Company Secretary

Ong Wei Jin, LL.B. (Hons)
Goh Pei Shan, LL.B.

## Share Registrar and Share Transfer Agent

Boardroom Corporate & Advisory
Services Pte. Ltd.
50 Raffles Place
#32-01 Singapore Land Tower
Singapore 048623

## Independent Auditor

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

Director-in-charge: Lee Look Ling
CPA Singapore
(appointed since: 2012)

## Internal Auditors

BDO LLP
21 Merchant Road #05-01
Merukh S.E.A Building
Singapore 058267

## Principal Bankers

**PRC**
Bank of China
*(Quanzhou Branch)*

Industrial Bank Co, Ltd
*(Quanzhou Branch)*

China Construction Bank Corporation
*(Quanzhou, Licheng Sub-branch)*

Industrial and Commercial Bank Co of China
*(Quanzhou, Licheng Sub-branch)*

Huaxia Bank
*(Quanzhou Branch)*

Bank of Quanzhou
*(Kaiyuan Sub-branch)*

Shanghai Pudong Development Bank
*(Quanzhou Branch)*

Xiamen International Bank
*(Xiamen City)*

China Merchant Bank
*(Quanzhou, Licheng Sub-branch)*

China Everbright Bank
*(Quanzhou, Licheng Sub-branch)*

**Hong Kong**
The Hong Kong & Shanghai
Banking Corporation Limited

**Singapore**
Overseas-Chinese Banking
Corporation Limited

Development Bank of Singapore Limited

Bank of China Singapore Branch

The Bank of East Asia, Limited

## Company Website

www.asia-great.com

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# CORPORATE GOVERNANCE REPORT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

Great Group Holdings Limited (the "Company") recognises the importance of a high standard of corporate governance within the Company and its subsidiaries (the "Group") and is committed to maintaining it. Good corporate governance establishes and maintains a legal and ethical environment, which strives to preserve and enhance the interests of all shareholders. This report outlines the Company's corporate governance framework and practices with specific reference to the Singapore Code of Corporate Governance 2012 (the "Code") for the financial year ended 31 December 2014 ("FY2014"). Explanations are provided where there are deviations from the Code. The Company has complied with the principles of the Code where appropriate.

## (A) BOARD MATTERS

### THE BOARD'S CONDUCT OF AFFAIRS

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

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

**Executive Directors**

| | |
|---|---|
| Weng Wenwei | Executive Chairman and Chief Executive Officer ("CEO") |

**Non-Executive Directors**

| | |
|---|---|
| Lee Kim Lian, Juliana | Lead Independent Director |
| San Meng Chee | Independent Director |
| Chiang, Mike Chia-Peng | Non-Independent Director |

The Board's primary role is to provide protection and enhancement of shareholders' long-term value. Apart from its statutory requirements, the Board performs the following principal functions:

- provides stewardship to the Company including charting its corporate strategies and business plans;
- supervises the management of the businesses and affairs of the Group;
- reviews and approves the Group's strategic plans, key operational initiatives, major funding and investment proposals;
- identifies principal risks of the Group's businesses and ensures appropriate systems are in place to manage these risks;
- oversees the evaluation of the adequacy of internal controls, addresses risk management, financial reporting and compliance, and satisfies itself as to the sufficiency of such processes;
- reviews the financial performance of the Group;
- evaluates the performance and compensation of senior management personnel of the Company; and
- assumes responsibility for corporate governance practices.

The Board has also adopted internal guidelines and financial authority limits structure setting forth matters that require Board approval. Matters specifically reserved to the Board for its approval include: -

(a) matters involving a conflict of interest for a substantial shareholder or a director;
(b) material acquisitions and disposal of assets;
(c) corporate or financial restructuring;
(d) share issuances, interim dividends and other returns to shareholders; and
(e) any material investments or expenditures not in the ordinary course of the Group's businesses.

To further assist in the execution of its responsibilities, the Board has established a number of Board committees, namely the Audit Committee ("AC"), the Nominating Committee ("NC") and the Remuneration Committee ("RC") (collectively, the "Board Committees"). These committees function within clearly defined terms of references and operating procedures, which are reviewed on a regular basis. The effectiveness of each committee is also constantly monitored. Minutes of all Board Committee meetings will be circulated to the Board so that the Directors are aware of and kept updated as to the proceedings and matters discussed during such meetings.

The Board meets at least on a quarterly basis and whenever necessary to discharge their duties. Dates of the Board meetings are normally set by the directors well in advance. In between the scheduled meetings, the Board may have ad-hoc Board meetings and/or informal discussions on matters requiring urgent attention, which would then be formally confirmed and approved by circulating resolutions in writing. Meetings of the Board and Board Committees may be conducted by way of telephone conferencing, if necessary. The Company's Articles of Association permit the Directors of the Company to attend meetings through the use of audio-visual communication equipment.

The number of meetings held by the Board and Board Committees and attendance for the FY2014 are summarized in the table below:

| | Board | | AC | | RC | | NC | |
|---|---|---|---|---|---|---|---|---|
| | Nos. of meeting | | Nos. of meeting | | Nos. of meeting | | Nos. of meeting | |
| Name of Director | Held | Attended | Held | Attended | Held | Attended | Held | Attended |
| Weng Wenwei | 10 | 10 | 4 | 4[3] | 1 | 1[3] | 2 | 2[3] |
| Lee Kim Lian, Juliana | 10 | 10 | 4 | 4 | 1 | 1 | 2 | 2 |
| Chiang, Mike Chia-Peng[1] | 10 | 4 | 4 | 1 | 1 | 1 | 2 | 0 |
| San Meng Chee[2] | 10 | 6 | 4 | 3 | 1 | 0 | 2 | 0 |
| Lim Yeow Hua @ Lim You Qin[4] | 10 | 4 | 4 | 1 | 1 | 1 | 2 | 2 |

[1] Appointed on 1 January 2014.
[2] Appointed on 13 March 2014.
[3] Attendance by invitation.
[4] Retired on 29 April 2014.

**Training for Directors**

The Executive Chairman updates the Board at each Board meeting on business and strategic developments. The management also highlights the salient issues as well as the risk management considerations for the industry the Group is in. During the financial year reported on, the Directors also received training and briefing (either in-house or externally by auditors, company secretary, management and/or other relevant professionals and during Board or ad hoc sessions) on changes to laws and regulations and accounting standards as well as commercial risks and development impacting on the Group.

Newly appointed directors will be briefed by the Executive Chairman and relevant members of the management team on the Group's businesses, the regulatory and commercial environment in which the Group operates and its governance policies. Familiarisation visits to the Group's factories and offices will be organised on a need basis, where necessary, to facilitate better understanding of the Group's operations and projects. Training is encouraged and will be given to first time director in areas such as accounting, legal and compliance. The Group sponsors relevant courses and seminars for new and existing Directors in issues beyond basic director's duties and liabilities. Our Directors, from time to time, attend appropriate courses, conferences and seminars.

**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.

The Board currently has four members, comprising one (1) executive director, one (1) non-independent non-executive director and two (2) independent directors. The Company fulfills the Code's requirement that at least one-third of the Board should comprise Independent Directors. Guideline 2.2 of the Code requiring that Independent Directors should constitute at least half of the Board where the Chairman is not an Independent Director is similarly fulfilled.

# CORPORATE GOVERNANCE REPORT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

The criterion for independence is based on the definition given in the Code. The Code defines an Independent Director as one who has no relationship with the Company, its related corporations, its 10% shareholders[1] 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 independence of each Director is reviewed annually by the NC in accordance with the definition of independence in the Code. The Independent Directors have confirmed their independence and they do not have any 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 their independent judgment.

The Non-Executive Directors provide oversight on Management performance by constructively challenging and helping to develop proposals on strategy. They monitor and review the reporting and performance of Management in meeting agreed goals and objectives. The Non-Executive Directors meet regularly on their own as warranted without the presence of Management.

The Board constantly examines its size and, with a view to determining the impact of the number upon effectiveness, decides on what it considers an appropriate size for the scope and nature of the Group's operations and for effective decision-making. The composition of the Board is reviewed on an annual basis by the NC to ensure that the Board has the appropriate mix of expertise and experience, and collectively possesses the necessary core competencies for effective functioning and informed decision-making.

The Board is of the view that the current Board members comprise persons whose diverse skills, experience and attributes provide for effective decision-making for the Group, taking into account the nature and scope of the Group's operations. Key information regarding the directors in office at the date of this Report is set out below:

| Name of Director | Date of initial Appointment | Date of last re-election | Directorships in other listed companies | | Other Principal Commitments |
|---|---|---|---|---|---|
| | | | Current | Past 3 Years | |
| Weng Wenwei | 19 February 2008 | 24 April 2013 | Nil | Nil | Chief executive officer of the Company |
| Lee Kim Lian, Juliana | 18 June 2009 | 25 April 2012 | – Lee Metal Group Ltd.<br>– Nordic Group Ltd. | PSL Holdings Ltd | Director, Aptus Law Corporation |
| Chiang, Mike Chia-Peng | 1 January 2014 | 29 April 2014 | Nil | Nil | Nil |
| San Meng Chee | 13 March 2014 | 29 April 2014 | Nil | Nil | Nil |

**CHAIRMAN AND CHIEF EXECUTIVE OFFICER**

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

Mr. Weng Wenwei is the Executive Chairman and CEO of the Company. He is responsible for the overall management and strategic development of the Group as well as the day-to-day running of the Group. The functions of the Executive Chairman and CEO are not separated given the strong element of independence present on the Board and the scope and nature of the operations of the Group. However, as good corporate governance practice and to ensure that there is no concentration of power and authority vested in one individual, the Group has appointed Ms. Lee Kim Lian, Juliana as the Lead Independent Director. The Lead Independent Director will be available to the shareholders where they have concerns which cannot be resolved through the normal channels of the Executive Chairman, the CEO or the Chief Financial Officer, or where such contact is not possible or inappropriate. Hence, the Board is of the opinion that there is adequate balance of power and safeguards in place against an uneven concentration of authority in a single or few individuals.

As Executive Chairman of the Board, Mr. Weng Wenwei bears responsibility for the effective working of the Board. He is responsible for, amongst others, ensuring that Board meetings are held when necessary, exercising control over the quality, quantity and timeliness of information flow between the Board and management, setting the Board meeting agenda in consultation with Chief Financial Officer, assisting in ensuring compliance with the Group's guidelines on corporate governance, acting as facilitator at Board meetings and maintaining regular dialogue with the management on all operational matters.

The Directors have separate and independent access to the Company Secretary and to other senior management of the Group at all times in carrying out their functions. The Company Secretary attends or is represented at all meetings of the Board and Board Committees and ensures that Board procedures are followed and that applicable rules and regulations are complied with.

**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 is established for the purposes of ensuring that there is a formal and transparent process for all Board appointments and overseeing the Company's succession and leadership development plans. The NC is chaired by Ms. Lee Kim Lian, Juliana (Independent Director) with the following directors as members:

Mr. Chiang, Mike Chia-Peng (Appointed on 1 January 2014)
Mr. San Meng Chee (Appointed on 13 March 2014)

The NC functions under a set of written terms of reference which sets out its responsibilities as follows:

(a) To make recommendations to the Board on the appointment of new executive and non-executive Directors, including making recommendations on the composition of the Board generally and the balance between executive and non-executive Directors appointed to the Board.
(b) To regularly review the Board structure, size and composition and make recommendations to the Board with regards to any adjustments that are deemed necessary.
(c) To determine the process for search, nomination, selection and appointment of new board members and be responsible for assessing nominees or candidates for appointment or election to the Board, determining whether or not such nominee has the requisite qualifications and whether or not he/she is independent.
(d) To determine annually whether or not a Director is independent.
(e) To ensure that all Directors would be required to submit themselves for re-nomination and re-election at regular intervals and at least once in every three years, and to recommend Directors who are retiring by rotation to be put forward for re-election.
(f) To assess whether or not a director is able to and has been adequately carrying out his/her duties as a Director of the Company, particularly when he/she has multiple board representations.
(g) To develop the process for evaluation of the performance of the Board, its committees and directors and conduct a formal assessment of the effectiveness of the Board, Board Committees and contribution by each director.
(h) To review the training and professional development programs for the Board.

There is a formal and transparent process for the appointment of new Directors to the Board. The NC reviews and recommends all new Board appointments and also the re-nomination and re-appointment of Directors to the Board. The NC ensures that Directors appointed to the Board possess the background, experience and knowledge in technology, business, legal, finance and management skills critical to the Company's business and that each Director contributes and brings to the Board an independent and objective perspective to enable balanced and well-considered decisions to be made. In the nomination and selection process of a new director, the NC will also take into consideration the current Board size and its composition – including the mix of expertise, skills and attributes of the Directors – and determine if the candidate's background, experience and knowledge will bolster the core competencies of the Board.

The NC has considered and taken the view that it would not be appropriate to set a limit on the number of listed company directorships that a Director may hold because directors have different capabilities, the nature of the organisations in which they hold appointments and the kind of committees on which they serve are of different complexities, and accordingly, each Director would personally determine the demands of his or her competing directorships and obligations and assess the number of directorships they could hold and serve effectively.

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The Directors submit themselves for re-nomination and re-election at regular intervals of at least once every three years. The Company's Articles and Association provides that one third of the Board, or the number nearest to one third is to retire by rotation at every Annual General Meeting ("AGM"). In addition, the Company's Articles of Association also provides that new Directors appointed during the year either to fill a casual vacancy or as an addition to the Board are required to submit themselves for re-election at the next AGM of the Company. The following Directors are retiring at the forthcoming AGM:

i Weng Wenwei
ii Lee Kim Lian, Juliana

Mr. Weng Wenwei being eligible, has offered himself for re-election and the NC has recommended his re-election to the Board. Mr. Weng Wenwei abstained from the NC's recommendation pertaining to his re-election.

Ms. Lee Kim Lian, Juliana being eligible, has offered herself for re-election and the NC has recommended her re-election to the Board. Ms. Lee Kim Lian, Juliana abstained from the NC's recommendation pertaining to her re-election.

The dates of appointment and last re-election of each director are set out below.

| Directors | Designation | Date of Initial Appointment | Date of last Re-election |
|---|---|---|---|
| Weng Wenwei | Executive Chairman & CEO | 29 February 2008 | 24 April 2013 |
| Lee Kim Lian, Juliana | Independent Director | 18 June 2009 | 25 April 2012 |
| Chiang, Mike Chia-Peng | Non-Independent Non-Executive Director | 1 January 2014 | 29 April 2014 |
| San Meng Chee | Independent Director | 13 March 2014 | 29 April 2014 |

**BOARD PERFORMANCE**

**Principle 5:** There should be a formal 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.

Annually, the NC performs an evaluation of the overall effectiveness of the Board and the Board Committees. Each individual director also undertakes an evaluation of his contributions to the Board and Board Committees. The results of the evaluation exercise were considered by the NC, which then made recommendations to the Board, aimed at assisting the Board to discharge its duties more effectively.

The evaluation focuses on Board composition, maintenance of independence, Board's access to information, Board proceedings and processes, the discharge of Board functions, the communication and guidance given by the Board to management and standard of conduct.

**ACCESS TO INFORMATION**

**Principle 6:** In order to fulfill 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 Company recognises the importance of continual dissemination of relevant information which is explicit, accurate, timely and vital to the Board in carrying out its duties. The Management reports to the Board the Company's progress and drawbacks in meeting its strategic business objectives or financial targets and other information relevant to the strategic issues encountered by the Company in a timely and accurate manner to enable the Directors to be cognizant of the decisions and actions of the executive management. The Directors have unrestricted access to records and information of the Group, and have separate and independent access to the Company Secretary, independent auditors and to other senior management of the Group at all times in carrying out their functions.

The Company Secretary attends or is represented at all meetings of the Board and Board Committees, attends and ensures that Board procedures are followed and that applicable rules and regulations are complied with. The appointment and removal of the Company Secretary is subject to the approval of the Board.

Changes to regulations are closely monitored by management and for changes which have an important bearing on the Company or the Directors' disclosure obligations, the Directors are briefed during the Board meetings.

The Directors and the chairman of the respective Board Committees, whether as a group or individually, have the right to seek and obtain independent professional advice as and when necessary, at the expense of the Company, in furtherance of their duties and responsibilities as directors.

## (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 3 members, all of whom are non-executive and 2 of whom are independent Directors of the Company. It is chaired by Ms. Lee Kim Lian, Juliana, an independent director, with the following directors as members:

Mr. Chiang, Mike Chia-Peng (Appointed on 1 January 2014)
Mr. San Meng Chee (Appointed on 13 March 2014)

The RC functions under a set of written terms of reference which sets out its responsibilities as follows:

(a) To recommend to the Board a framework for remuneration for the Directors and key executives of the Company;
(b) To review and recommend directors' fee for non-executive and independent directors for approval at the annual general meeting;
(d) To determine specific remuneration packages for each Executive Director as well as key management personnel; and
(e) To review the compensation of employees related to directors and controlling shareholders of the Group.

All aspects of remuneration, including but not limited to directors' fee, salaries, allowances, bonuses and benefits in kind, will be reviewed by the RC. Each RC member will abstain from voting on any resolution in respect of his remuneration package.

The recommendations of the RC will be submitted to the Board for endorsement. The RC will be provided with access to expert professional advice on remuneration matters as and when necessary. The expense of such services shall be borne by the Company.

The RC may from time to time, and where necessary or required, engage independent external consultants in framing the remuneration policy and determining the level and mix of remuneration for Directors and management and ensure that existing relationships, if any, between the Company and its appointed consultants will not affect the independence and objectivity of the consultants. No independent external consultants have been engaged by the Company for this purpose for FY2014.

# CORPORATE GOVERNANCE REPORT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

## 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.

In setting remuneration packages, the Company takes into account pay and employment conditions within the same industry and in comparable companies, as well as the Group's relative performance and the performance of key management personnel.

The Independent Directors and Non-Executive Director of the Company do not have service agreements. They receive Directors' fees, which take into account their contribution and other factors such as effort, time spent and responsibilities. The RC recognises the need to pay competitive fees to attract, motivate and retain such Independent Directors and Non-Executive Director, yet not over-compensate them to the extent that their independence may be compromised. Directors' fees are recommended by the Board for approval by the shareholders at the Company's annual general meeting.

The Executive Chairman has service contracts covering the terms of employment, salaries and other benefits. The Executive Chairman has an employment term of not more than 3 years and remuneration package consisting of fixed salary and performance bonus linked to corporate and individual performance.

The Company's compensation framework comprises fixed pay and short-term and long-term incentives. The Company subscribes to linking executive remuneration to corporate and individual performance, based on an annual appraisal of employees and using indicators such as core values, competencies, key result areas, performance rating, and potential of the employees. Long-term incentive schemes are put in place to motivate and reward employees and align their interests to maximise long–term shareholder value. The Great Group Performance Share Scheme is administered by the RC with such discretion, powers and duties as are conferred on it by the Board. A member of the RC shall not be involved in the deliberations of the RC in respect of the grant of awards to him.

## DISCLOSURE ON REMUNERATION

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

The breakdown of remuneration of the Directors and key executives for FY2014 is set out below.

| Directors | Director Fees %[1] | Salary % | Bonus % | Total % | Total S$ '000 |
|---|---|---|---|---|---|
| Weng Wenwei | 16 | 84 | - | 100 | 245 |
| Lim Yeow Hua @ Lim You Qin[2] | 100 | - | - | 100 | 23 |
| Lee Kim Lian, Juliana | 100 | - | - | 100 | 70 |
| Chiang, Mike Chia-Peng[3] | 100 | | | | 10 |
| San Meng Chee[4] | 100 | - | - | 100 | 20 |

[1] The Directors' fees had been approved at the Company's Annual General Meeting held on 29th April 2014.
[2] Retired on 29 April 2014.
[3] Appointed on 1 January 2014.
[4] Appointed on 13 March 2014.

| Key Executives Below S$ 250,000 | Director Fees | Salary | Bonus | Total |
|---|---|---|---|---|
| Cai An'e | - | 100% | - | 100% |
| Zhou Zhen Jie | - | 100% | - | 100% |
| Wei Xuefen[5] | - | 100% | - | 100% |
| Lee Teck Kheng | - | 100% | - | 100% |
| Voon Choon Nie[6] | - | 100% | - | 100% |

[5] Resigned on 1 July 2014.
[6] Resigned on 8 September 2014.

The aggregate total remuneration paid to the top five key executives personnel (who are not directors or the CEO) for FY2014 is approximately RMB 2.06 million.

The aggregate amount of any termination (on the assumption that any termination by the Group would be with notice as contractually provided for and excluding termination by reason of redundancy), and post-employment benefits that may be granted to Directors (including the chief executive officer (the " CEO") and the top five key management personnel (who are not Directors or the CEO) is nil.

The following employees are immediate family members of Mr. Weng Wenwei:

| Name of employees who are immediate family members | Relationship with Mr. Weng Wenwei, the Executive Chairman and Substantial shareholder of the Company | Designation |
|---|---|---|
| **$50,000 to S$100,000** | | |
| Cai An'e | Wife | Group General Manager |
| **Below $50,000** | | |
| Weng Baoting | Sister | Finance Executive |
| Shi Rongxuan | Cousin | Sales Executive |

All directors and executives (save for those who are controlling shareholders) are eligible to participate in the Great Group Performance Share Scheme, details of which are set out in the Directors' Report. Pursuant to the above scheme, the Company had on 5th June 2013, granted 8,700,000 shares awards, of which 8,000,000 shares awards were granted to Non-Executive Directors and 700,000 shares awards were granted to selected employees.

There are no share awards outstanding as at 31 December 2014, for the following reasons:

- 2,000,000 shares awards has been granted to Mr. Lim Yeow Hua @ Lim You Qin, an ex-director of the Company. Upon his retirement from the Board, Mr. Lim is no longer entitled to 2,000,000 shares awards.
- A total of 4,300,000 shares awards were previously granted to three employees who have left the Company, hence they are no longer entitled to the 4,300,000 shares awards.
- 2,000,000 shares awards have been granted to Ms. Lee Kim Lian, Juliana, an Independent Director of the Company and 400,000 shares awards were granted to a key executive of the Company. On 26 December 2014, they have waived their rights to such shares awards, and accordingly, none of the 2,400,000 shares awards will be vested.

# CORPORATE GOVERNANCE REPORT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

## (C) ACCOUNTABILITY AND AUDIT

**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 and aims to provide the shareholders with a balanced and understandable assessment of the Group's performance, position and prospects by furnishing timely information and ensuring full disclosure of material information to shareholders in compliance with statutory requirements and the Listing Manual of the SGX-ST.

Price sensitive information will be publicly released either before the Company meets with any group of investors or analysts or simultaneously with such meetings. Financial results and annual reports will be announced or issued within legally prescribed periods.

### RISK MANAGEMENT AND INTERNAL CONTROLS

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

The Board recognizes the importance of sound internal controls and risk management practices to good corporate governance and the need to put in place a system of internal controls within the Group to safeguard shareholders' interests and the Group's assets, and to manage risks. The Board affirms its overall responsibility for the Group's system of internal controls and risk management. In this regards, the Board:

- ensures that Management maintains a sound system of risk management to safeguard shareholders' interest and the Group's assets;
- determines the nature and extend of significant risks that the Board is willing to take in achieving its strategic objective;
- determines the Company's levels of risk tolerance and risk policies;
- oversees Management in the design, implementation and monitoring of risk management and internal control systems (including financial, operational and compliance risk), and ensures that the necessary corrective actions are taken on a timely basis; and
- reviews annually the adequacy and effectiveness of the risk management policies and systems, and key internal controls.

There are formal procedures in place for both the internal and external auditors to report on the internal controls and risk management and to make recommendations to Management and to the AC independently in this regard.

The Board reviews the effectiveness of the Group's material internal controls, including financial, operational and compliance controls and risk management. In this respect, the AC reviews the audit plans, and the findings of both the internal and external auditors and will ensure that the Company follows up on the auditors' recommendations raised, if any, during the audit process. While no cost effective internal control system can provide absolute assurance against loss or misstatement, the AC, with the participation of the Board, has reviewed the adequacy of the Group's internal controls and systems to ensure that they are designed to provide reasonable assurance that assets are safeguarded, operational controls are in place, business risks are suitably managed, proper accounting records are maintained and the integrity of financial information used for business and publication are preserved.

For FY2014, the Board also received assurance from the Executive Chairman and the Chief Financial Officer that the financial records were properly maintained, the financial statements gave a true and fair view of the Company and the Group's operations and finances, and regarding the effectiveness of the company's risk management and internal controls system.

Based on the internal controls established and maintained by the Group, work performed by the Group's external and internal auditors and regular reviews performed by Management, the Board and the various Board committees, the Board, with the concurrence of the AC, is satisfied with the adequacy of the Group's internal controls in addressing financial, operational and compliance risks of the Group as at 31 December 2014.

### AUDIT COMMITTEE

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

The AC comprises three members, the majority of whom, including the Chairman, are independent directors. It is chaired by Mr. San Meng Chee (appointed on 13 March 2014) with the following directors as members:

Lee Kim Lian, Juliana
Chiang, Mike Chia-Peng (Appointed on 1 January 2014)

The AC functions under a set of written terms of reference which sets out its responsibilities as follows:-

(a) To review the audit plan of the external auditors so as to ensure integrity of the financial statements of the Company and any formal announcements relating to the Company's financial performance.
(b) To review the quarterly, half-yearly and full year financial results before submission to the Board for approval.
(c) To review the assistance and co-operation given by Management and the officers of the Group to the auditors.
(d) To review the internal audit programme and ensure co-ordination between the internal and independent auditors and Management.
(e) To review the scope and results of the internal audit procedures and the internal auditors' report on their findings directly to the AC.
(f) To discuss problems and concerns, if any, arising from audits, and any matters which the auditors may wish to discuss (in the absence of management, where necessary).
(g) To review and approve interested person transaction (if any) falling within the scope of Chapter 9 of the SGX Listing Manual, and to ensure that they are carried out on normal commercial terms and in accordance with the internal control procedures.
(h) To approve the internal control procedures and arrangements for all current and future related party transactions to ensure that they are carried out on arm's length basis and on normal commercial terms which will not be prejudicial to the interests of the Company and shareholders.
(i) To review potential conflicts of interests, if any.
(j) To review the independence of the auditors.
(k) To undertake such other reviews and projects as may be requested by the Board and report to the Board its findings from time to time on matters arising and requiring the attention of AC.
(l) To undertake such other functions and duties as may be required by statute or the Listing Manual, and by such amendments made thereto from time to time.
(m) To make recommendations to the Board on the appointment, re-appointment and removal of the independent auditors, and approving the remuneration and terms of engagement of the independent auditors.
(n) To review the adequacy of the Company's internal financial controls, operational and compliance controls, and risk management policies and systems established by the management.

The AC assists the Board in discharging its responsibility to safeguard assets, maintain adequate accounting records, and develop and maintain effective system of internal controls, with the overall objective of ensuring that management creates and maintains an effective control environment in the Company. The AC provides a channel of communication between the Board of Directors, the Management and the independent auditors of the Company on matters relating to audit.

The AC has the power to conduct or to authorise investigations into any matters within the AC's scope of responsibility. The AC is authorised to obtain independent professional advice if it deems necessary in the discharge of its responsibilities. Such expenses are to be borne by the Group. Each member of the AC will abstain from any deliberations and/or voting in respect of matters in which he is interested.

The AC is given full access to and co-operation of the Management, has full discretion to invite any Director or executive officer to attend its meetings, and reasonable resources to enable it to discharge its functions. It meets with the external and internal auditors, without the presence of Management, at least once a year.

The Company's independent auditor, Nexia TS, is an accounting firm registered with the Accounting and Corporate Regulatory Authority. The AC had recommended the re-appointment of Nexia TS Public Accounting Corporation as an independent auditor at the forthcoming AGM. The AC is satisfied that Nexia TS and the audit engagement team assigned to the audit have adequate resources and experience to meet its obligations. The AC has reviewed and noted that there was no non-audit service provided by the independent auditor during the financial year under review. In this connection, the Company has complied with Rule 712 and 715 of the listing Manual. The fees paid/payable to Nexia TS Public Accounting Corporation, the independent auditor, for the financial year ended 31 December 2014 was approximately S$120,000.

The Company will put in place a whistle-blowing policy to provide well-defined and accessible channels in the Group through which employees may raise concerns in good faith and in confidence about improper conduct within the Group, such as improprieties in matters of financial reporting, possible corruption, suspected fraud and other non-compliance issues.

**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 Group outsources its internal audit function to BDO LLP ("Internal Auditor"), a member firm of BDO International. The Internal Auditor reports directly to the AC on audit matters and performs its works in line with the Standards for the Professional Practice of Internal Auditing set by The Institute of Internal Auditors. The AC reviews and approves the annual internal audit plan as well as the internal audit reports and activities. The AC is of the view that the Internal Auditor has adequate resources to perform its functions and has, to the best of its ability, maintained its independence from the activities that it audits.

The AC, on an annual basis, assesses the effectiveness of the internal audit by examining the scope of the internal audit work, its independence and the internal auditor's findings.

## (D) SHAREHOLDERS RIGHT AND RESPONSIBILITIES; COMMUNICATION WITH SHAREHOLDERS; CONDUCT OF SHAREHOLDER MEETING

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

**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.

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

In line with continuous disclosure obligations of the Company, pursuant to the SGX-ST's Listing Rules and the Companies Act, Chapter 50 of Singapore, the Board's policy is that shareholders are informed of all major developments that impact the Group regularly and on a timely basis. The Company believes in timely, fair and adequate disclosure of relevant information to the Shareholders and investors so that they will be apprised of the developments that may have a material impact on the price or value of Company's securities. The Company does not practice selective disclosure.

Pertinent information is communicated to shareholders on a regular and timely basis through the following means:

- Results and annual reports are announced or issued within the mandatory period
- Material information are disclosed in a comprehensive, accurate and timely manner via SGXNET and the press
- The Company's annual and extraordinary general meetings

All shareholders of the Company receive annual reports and are informed of shareholders' meetings through notices published in the newspapers and reports or circulars sent to shareholders. Shareholders are invited at such meetings to put forth any questions they may have on the motions to be debated and decided upon. If any shareholder is unable to attend, he is allowed to appoint up to two proxies to vote on his behalf at the meeting through proxy forms sent in advance.

At shareholders' meetings, each distinct issue is proposed as a separate resolution.

Shareholders are encouraged to attend the AGM to ensure a high level of accountability and to stay informed of the Group's strategy and goals. The Directors regard AGMs as an opportunity to communicate directly with shareholders and encourage greater shareholder participation. The notice of the AGM is dispatched to shareholders, together with explanatory notes or a circular on items of special business, at least 14 days before the meeting. The Board welcomes questions from shareholders who have an opportunity to raise issues either informally or formally before or at the AGM. The Executive Chairman and other members of the Board will also engage in dialogue with shareholders at the AGM, to gather views or inputs and address shareholders' concerns. The Company is open to meetings with investors and analysts, and in conducting such meetings, is mindful to ensure fair disclosure.

The Chairpersons of the AC, RC and NC are normally available at shareholders' meetings to answer those questions relating to the work of these committees. The Company's independent auditors will also be present to assist the Directors in addressing queries by shareholders. To ensure that all the Shareholders have the opportunity to participate effectively in and vote at general meetings, voting at general meetings of the Company will henceforth be conducted by poll. The chairman of the meeting, with the assistance of service providers engaged by the Company, will brief shareholders on the procedures involved in voting by poll. An announcement of the detailed results of the poll showing the number of votes cast for and against each resolution and the respective percentages will be announced after the general meeting via SGXNet. Having undertaken a cost/benefit analysis, the Company has decided not to employ electronic polling at this juncture.

The Company records minutes of all general meetings and questions and comments from shareholders together with the responses of the Board and Management. These are available to shareholders at their request.

The Company does not have a policy on payment of dividends. The issue of the payment of dividend is deliberated by the Board annually having regard to various factors. Where dividends are not paid, the Company discloses the reasons.

## (E) MATERIAL CONTRACTS

Save as disclosed in paragraph G entitled Interested Party Transactions, there were no material contracts entered into by the Company or its subsidiaries involving the interests of the CEO, Directors or controlling shareholders, which are either still subsisting at the end of FY2014 or if not then subsisting, entered into since the end of the previous financial year.

## (F) DEALINGS IN SECURITIES

The Company has adopted a policy on dealings in securities in accordance with Rule 1207(19) of the Listing Manual. The Directors and officers are prohibited to deal in the Company's securities, during the period beginning one (1) month and two (2) weeks before the date of the announcement of the full year and quarterly results respectively and ending on the date of the announcement of the relevant results. In addition, the officers of the Company are reminded (i) not to deal with the Company's securities for a short term considerations or if they are in possession of unpublished material price-sensitive information; and (ii) that they are required to report on their dealings in shares of the Company. The Directors and employees are also advised to observe the insider trading laws at all times even when dealing in securities within the permitted trading periods.

## (G) INTERESTED PERSON TRANSACTIONS

The Group has established procedures to ensure that all transactions with interested persons are reported in a timely manner to the AC and that transactions are conducted on an arm's length basis that are not prejudicial to the interests of the shareholders. When a potential conflict of interest occurs, the Director concerned will be excluded from discussions and refrain from exercising any influence over other members of the Board.

During the financial period under review, the Group did not have a shareholders' mandate pursuant to Rule 920 of the Listing Manual.

The aggregate value of interested person transactions for the year ended 31 December 2014 is as follows:

| Name of interested person | Aggregate value of all interested person transaction during the financial year under review (excluding transactions less than S$100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920) | Aggregate value of all interested person transactions conducted under shareholders' mandate pursuant to Rule 920 (excluding transactions less than S$100,000) |
|---|---|---|
| Purchases from Quanzhou Honghao Colour Printing Co., Ltd., a company in which our Ex-Director Mr Weng Wenju owns 50% of the interest. Mr Weng Wenju is brother of Mr Weng Wenwei. | RMB0.88 million | NA |

Mr. Weng Wengwei had, in connection with banking facilities granted by various banks to the Group, provided personal guarantees to secure such facilities. No fees were paid or are payable by the Group to Mr. Weng Wengwei in connection with such guarantees.

# DIRECTORS' REPORT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

The directors present their report to the members together with the audited financial statements of the Group for the financial year ended 31 December 2014 and the balance sheet of the Company as at 31 December 2014.

## DIRECTORS

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

| | |
|---|---|
| Mr Weng Wenwei | |
| Ms Lee Kim Lian, Juliana | |
| Mr Chiang, Mike Chia-Peng | (Appointed on 1 January 2014) |
| Mr San Meng Chee | (Appointed on 13 March 2014) |

## ARRANGEMENTS TO ENABLE DIRECTORS TO ACQUIRE SHARES AND DEBENTURES

Neither at the end of nor at any time during the financial year was the Company a party to any arrangement whose object was to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate other than as disclosed under "Performance share plan" in this report.

## DIRECTORS' INTERESTS IN SHARES OR DEBENTURES

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

| | Holdings registered in name of director or nominee | | Holdings in which director is deemed to have an interest | |
|---|---|---|---|---|
| | At 31.12.2014 | At 1.1.2014 | At 31.12.2014 | At 1.1.2014 |
| **Company** | | | | |
| (No. of ordinary shares) | | | | |
| Mr Weng Wenwei | 81,500,000 | 81,500,000 | 100,000,000 | 100,000,000 |
| **Immediate and Ultimate Holding Corporation – G & W Investment Management Co., Ltd** | | | | |
| (No. of ordinary shares of US$1 each) | | | | |
| Mr Weng Wenwei | 1 | 1 | - | - |

By virtue of section 7 of the Singapore Companies Act Cap. 50, Mr Weng Wenwei is deemed to have an interest in the shares of the subsidiaries held by the Company.

The directors' interests in the ordinary shares of the Company as at 21 January 2015 were the same as those as at 31 December 2014.

## WARRANTS

On 20 May 2013, the Company issued 30,000,000 warrants at an issue price of $0.005 for each warrant, each warrant carrying the right to subscribe for one ordinary share in the capital of the Company at an exercise price of S$0.075 for each new share, on the basis of one warrant for one ordinary share. As at 31 December 2014, no warrant was exercised and converted into ordinary share of the Company. The warrants will expire on 18 July 2016.

## DIRECTORS' CONTRACTUAL BENEFITS

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

## PERFORMANCE SHARE PLAN

Great Group Performance Share Scheme

The Great Group Performance Share Scheme (the "PSS" or the "Plan") for Executive Directors, Non-Executive Directors (including Independent Directors) and employees of the Group was approved by members of the Company at an Extraordinary General Meeting on 18 June 2009. The PSS is administered by the Remuneration Committee of the Company, comprising two independent directors and a non-independent and non-executive director of the Company, namely, Lee Kim Lian, Juliana (Chairman), San Meng Chee and Chiang, Mike Chia-Peng. The purpose of the PSS is to provide an opportunity for Directors (including Non-Executive Directors) and employees of the Group, who have met performance targets, to be remunerated not just through cash bonuses but also by an equity stake in the Company so as to motivate them to greater dedication, loyalty and higher standards of performance, and to give recognition to those who have contributed to success and development of the Company and of the Group.

Under the PSS, a participant will be awarded the right to receive fully paid shares free of charge (the "Awards"), upon the participant achieving prescribed performance targets. Awards may only be vested, and consequently any shares comprised in such Awards shall only be delivered, upon the committee being satisfied that the prescribed performance targets have been achieved. There are no vesting periods beyond the performance achievement periods. The selection of participant and the number of shares which are the subject of each Award to be granted to a participant in accordance with the PSS shall be determined at the absolute discretion of the Remuneration Committee, which shall take into account criteria such as rank, job performance, years of service and potential for future development, contribution to the success and development of the Group and the extent of effort required to achieve the performance target within the performance period. The Remuneration Committee shall decide, in relation to each Award to be granted to a participant; (a) the date on which the Award is to be vested; (b) the number of shares which are the subject of the Award; (c) prescribed performance targets; (d) the performance period during which the prescribed performance targets are to be satisfied; and (e) the extent to which the Company's shares under that award shall be released on the prescribed performance targets being satisfied. Awards may be granted at any time in the course of a financial year.

The total number of new shares which may be issued pursuant to Awards granted under the PSS shall not exceed 15% of the issued share capital of the Company on the day preceding the relevant date of awards. Subject to such adjustment as may be made to the PSS as a result of any variation in the capital structure of the Company, no more than 25% of the total number of shares in respect of which the Company may grant Awards under the PSS may be offered in aggregate to the Associates of Controlling Shareholders (as defined in the PSS) and the total number of Shares to be offered to each of its Associates must not exceed 10% of the total number of shares in respect of which the Company may grant Awards in the future.

On 5 June 2013, 8,700,000 performance shares were granted to non-executive directors and employees under the Plan. The vesting of the share awards is subject to achieving pre-determined performance targets over the relevant performance periods.

All the Shares Awards granted have lapsed as at 31 December 2014 due to the following reasons:

(a) 2,000,000 Shares Awards have been granted to Mr. Lim Yeow Hua @ Lim You Qin, an ex-Director of the Company. Upon his retirement from the Board, Mr. Lim is no longer entitled to 2,000,000 Shares Awards;

(b) A total of 4,300,000 Shares Awards were previously granted to three employees who have left the Company, hence they are no longer entitled to the 4,300,000 Shares Awards;

(c) 2,000,000 Shares Awards have been granted to Ms. Lee Kim Lian, Juliana, an Independent Director of the Company and 400,000 Shares Awards were granted to a key executive of the Company. On 26 December 2014, they have waived their rights to such Shares Awards, and accordingly, none of the 2,400,000 Shares Awards will be vested.

Details of the Directors' performance share awards are set out as follows:

| Name of director | Granted during financial year ended 31 December 2014 | Aggregate granted since commencement of Plan to 31 December 2014 | Aggregate released since commencement of Plan to 31 December 2014 | Aggregate lapsed/ waived since commencement of Plan to 31 December 2014 | Aggregate outstanding as at 31 December 2014 |
|---|---|---|---|---|---|
| Lim Yeow Hua @ Lim You Qin* | - | 2,000,000 | - | 2,000,000 | - |
| Lee Kim Lian, Juliana | - | 2,000,000 | - | 2,000,000 | - |

* Retired on 29 April 2014

No participant was granted 5% or more of the total awards available under the Plan.

No performance shares were awarded to controlling shareholders of the Company or their associates.

## SHARE OPTIONS

There were no options granted during the financial year to subscribe for unissued shares of the Company or its subsidiaries.

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

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

**AUDIT COMMITTEE**

The members of the Audit Committee at the end of the financial year and at the date of this report were as follows:

| | |
|---|---|
| Mr San Meng Chee (Chairman) | (Appointed on 13 March 2014) |
| Ms Lee Kim Lian, Juliana | |
| Mr Chiang, Mike Chia-Peng | (Appointed on 1 January 2014) |

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

The Audit Committee carried out its functions in accordance with Section 201B(5) of the Singapore Companies Act, SGX Listing Manual and the Code of Corporate Governance included the following:

- reviewed the audit plan and results of the internal auditors' examination and evaluation of the Group's systems of internal accounting controls;
- reviewed the audit plan of the Company's independent auditor and any recommendation on internal accounting controls arising from the statutory audit;
- reviewed the assistance given by the Company's management to the independent auditor;
- reviewed the balance sheet of the Company and the consolidated financial statements of the Group for the financial year ended 31 December 2014 before their submission to the Board of Directors, as well as the independent auditor's report on the balance sheet of the Company and the consolidated financial statements of the Group;
- reviewed the quarterly, half-yearly and annual announcements as well as the related press releases on the results and financial position of the Company and the Group;
- met with the independent 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;
- evaluated the quality of the works performed by the independent auditor of the Company;
- reviewed the re-appointment of the independent auditor of the Company; and
- reviewed the interested person transactions (as defined in Chapter 9 of the SGX listing manual).

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

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

**INDEPENDENT AUDITOR**

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

On behalf of the directors

**Weng Wenwei**
Director

**San Meng Chee**
Director

2 April 2015

# STATEMENT BY DIRECTORS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

In the opinion of the directors,

(a) the balance sheet of the Company and the consolidated financial statements of the Group as set out on pages 32 to 71 are drawn up so as to give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2014 and of the results of the business, changes in equity and cash flows of the Group for the financial year then ended; and

(b) at the date of this statement, based on the factors as described in Note 4, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

The directors have, on the date of this statement, authorised these financial statements for issue.

On behalf of the directors

**Weng Wenwei**
Director

**San Meng Chee**
Director

2 April 2015

# INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF GREAT GROUP HOLDINGS LIMITED

**Report on the Financial Statements**

We have audited the accompanying financial statements of Great Group Holdings Limited (the "Company") and its subsidiaries (the "Group") set out on pages 32 to 71, which comprise the consolidated balance sheet of the Group and balance sheet of the Company as at 31 December 2014, the consolidated statement of comprehensive income, statement of changes in equity and statement of cash flows of the Group for the financial year then ended, and a summary of significant accounting policies and other explanatory information.

*Management's Responsibility for the Financial Statements*

Management is responsible for the preparation of financial statements that gives a true and fair view in accordance with the provisions of the Singapore Companies Act (the "Act") and Singapore Financial Reporting Standards, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair profit and loss accounts and balance sheets and to maintain accountability of assets.

*Auditor's Responsibility*

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

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

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

*Basis for Qualified Opinion*

As disclosed in Note 11 to the financial statements, the Group was unable to access to the financial information of its subsidiary, Sinex Solutions Limited ("Sinex") since July 2014 and the Group's representative on the board of Sinex has resigned with effective from 25 September 2014. In view of these, the Group is deemed to have lost control over Sinex and has formally terminated the acquisition of Sinex on 23 October 2014. Consequently, we were unable to obtain sufficient appropriate audit evidence over the carrying amounts of assets and liabilities of Sinex as at 25 September 2014 as well as the results of its operations for the financial period then ended as we were unable to gain access to the documentation supporting the financial information as disclosed in the unaudited management accounts of Sinex. During the financial year ended 31 December 2014, the Group recognised profit from Sinex's operations and loss from deconsolidation of Sinex of RMB1,425,000 and RMB1,030,000 (2013: RMB595,000 and Nil) respectively. Accordingly, we were not able to determine whether adjustments to these amounts, if any, might have been necessary.

*Opinion*

In our opinion, except for the effects of the matter described in the Basis for Qualified Opinion paragraph, the consolidated financial statements of the Group and the balance sheet of the Company are properly drawn up in accordance with the provisions of the Act and Singapore Financial Reporting Standards so as to give a true and fair view of the state of affairs of the Group and of the Company as at 31 December 2014, and of the results, changes in equity and cash flows of the Group for the financial year ended on that date.

*Emphasis of Matter*

We draw attention to Note 4 to the financial statements. The Group incurred total loss of RMB21,647,000 (2013: RMB240,915,000) for the financial year ended 31 December 2014 mainly due to reduction in sales volume and impairment losses recognised for certain assets. Furthermore, the Group's and the Company's current liabilities exceeded current assets by RMB49,396,000 and RMB16,031,000 (2013: RMB38,246,000 and RMB5,949,000) respectively as at 31 December 2014. The Group is dependent on short-term bank borrowings to meet its working capital and operating cash flows requirements. As at 31 December 2014, short-term bank borrowings amount to RMB306,387,000 (2013: RMB266,979,000). These bank borrowings are significantly higher than the Group's cash and cash equivalents of RMB113,569,000 (2013: RMB118,584,000) as at 31 December 2014 and are due for repayment within twelve months from the balance sheet date.

The above conditions indicate the existence of a material uncertainty which may cast significant doubt on the Group's and of the Company's abilities to continue as going concerns and discharge their liabilities in the ordinary course of business. Nevertheless, the directors of the Company believe that the use of the going concern assumption in the preparation of the financial statements for the financial year ended 31 December 2014 is appropriate after taking into consideration the following factors:

(i) The Group continues to tighten the controls over credit sales, advances to suppliers, inventories management and reduction of various operating expenses. With these measures, the Group has projected that it would be able to generate positive cash flows from its operations for the next twelve months.

(ii) The Group continues to maintain its credit facilities with the relevant financial institutions and has been able to refinance the short-term bank borrowings when they fall due. Management is not aware of any adverse circumstances that might cause the financial institutions not to renew the short-term bank borrowings.

(iii) On 31 December 2014, the Company announced to raise funds of up to $9,665,000 (net of share issue expenses) or approximately RMB44,842,000 from proposed Rights Issue of up to 2,065,000,000 new ordinary shares at an issue price of $0.005 each. In relation to the proposed Rights Issue, the investor, Forise Capital Group Limited has provided irrevocable undertaking to procure the subscription and payment, in full for the aggregate of 1,130,500,000 Rights Shares to be provisionally allotted to Weng Wenwei and G&W Investment Management Co., Ltd. and the investor has deposited $5,653,000 (equivalent to approximately RMB26,228,000) with the Issue Manager on 30 January 2015.

*Emphasis of Matter (cont'd)*

If the Group and the Company are unable to continue their operational existences and/or unable to maintain their credit facilities, the Group and the Company may be unable to discharge their liabilities in the normal course of business and 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 currently recorded in the balance sheets. In addition, the Group and the Company may have to reclassify non-current assets as current assets. The financial statements do not include any adjustment which may arise from these uncertainties. In forming our opinion, we have considered the adequacy of the disclosure of these matters in the financial statements. Our opinion is not qualified with respect to this matter.

**Report on other Legal and Regulatory Requirements**

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

**Nexia TS Public Accounting Corporation**
Public Accountants and Chartered Accountants

**Director in-charge: Lee Look Ling**
Appointed since financial year ended 31 December 2012

Singapore
2 April 2015

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

| | Note | 2014 RMB'000 | 2013 RMB'000 |
|---|---|---|---|
| **Continuing operations** | | | |
| Sales | 5 | 356,634 | 406,535 |
| Cost of sales | | (331,964) | (434,746) |
| Gross profit/(loss) | | 24,670 | (28,211) |
| Other gains/(losses), net | 6 | 6,040 | (18,501) |
| Expenses | | | |
| - Selling and distribution | | (10,726) | (12,592) |
| - Administrative | | (27,510) | (164,070) |
| - Finance | 9 | (10,092) | (9,917) |
| Loss before income tax | | (17,618) | (233,291) |
| Income tax expense | 10 | (5,454) | (8,219) |
| **Net loss** | | (23,072) | (241,510) |
| **Discontinued operations** | | | |
| Profit from discontinued operations, net of tax | 11 | 1,425 | 595 |
| **Total loss** | | (21,647) | (240,915) |
| **Other comprehensive income:** | | | |
| Items that may be reclassified subsequently to profit or loss: | | | |
| Currency translation differences arising from consolidation | | | |
| - Gains | | - | 172 |
| - Reclassification | | 21 | - |
| **Other comprehensive income, net of tax** | 26 | 21 | 172 |
| **Total comprehensive loss** | | (21,626) | (240,743) |
| **(Loss)/profit attributable to :** | | | |
| - Equity holders of the Company | | (22,337) | (241,206) |
| - Non-controlling interests | | 690 | 291 |
| | | (21,647) | (240,915) |
| **Total comprehensive (loss)/income attributable to :** | | | |
| - Equity holders of the Company | | (22,316) | (241,034) |
| - Non-controlling interests | | 690 | 291 |
| | | (21,626) | (240,743) |
| **(Losses)/earnings per share attributable to equity holders of the Company (RMB cents per share)** | 12 | | |
| - Basic (losses)/earnings per share | | | |
| Continuing operations | | (8.70) | (87.82) |
| Discontinued operations | | 0.27 | 0.11 |
| - Diluted (losses)/earnings per share | | | |
| Continuing operations | | (8.70) | (87.82) |
| Discontinued operations | | 0.27 | 0.10 |

The accompanying notes form an integral part of these financial statements

# BALANCE SHEETS

AS AT 31 DECEMBER 2014

| | Note | Group 2014 RMB'000 | Group 2013 RMB'000 | Company 2014 RMB'000 | Company 2013 RMB'000 |
|---|---|---|---|---|---|
| **ASSETS** | | | | | |
| **Current assets** | | | | | |
| Cash and cash equivalents | 13 | 113,569 | 118,584 | 1,047 | 48 |
| Trade and other receivables | 14 | 168,252 | 159,420 | 1,401 | 8,919 |
| Inventories | 15 | 52,828 | 58,695 | - | - |
| Other current assets | 16 | 404 | 1,998 | 390 | 129 |
| Derivative financial assets | 17 | 2,293 | 817 | - | - |
| | | 337,346 | 339,514 | 2,838 | 9,096 |
| **Non-current assets** | | | | | |
| Investments in subsidiaries | 18 | - | - | 47,827 | 47,827 |
| Property, plant and equipment | 19 | 47,915 | 49,670 | 7 | 38 |
| Intangible assets | 20 | 15,990 | 28,941 | - | - |
| Deposit for machinery and equipment | | 1,463 | 1,575 | - | - |
| | | 65,368 | 80,186 | 47,834 | 47,865 |
| **Total assets** | | 402,714 | 419,700 | 50,672 | 56,961 |
| **LIABILITIES** | | | | | |
| **Current liabilities** | | | | | |
| Trade and other payables | 21 | 77,838 | 102,244 | 18,869 | 14,533 |
| Borrowings | 22 | 306,387 | 266,979 | - | - |
| Current income tax liabilities | | 2,517 | 2,161 | - | - |
| Provision for restructuring | 23 | - | 6,376 | - | 512 |
| **Total liabilities** | | 386,742 | 377,760 | 18,869 | 15,045 |
| **NET ASSETS** | | 15,972 | 41,940 | 31,803 | 41,916 |
| **EQUITY** | | | | | |
| **Capital and reserves attributable to equity holders of the Company** | | | | | |
| Share capital | 24 | 104,766 | 104,766 | 104,766 | 104,766 |
| Restructuring reserve | 25 | 114,040 | 114,040 | 114,040 | 114,040 |
| Currency translation reserve | 26 | 178 | 157 | - | - |
| Warrant reserve | 27 | 727 | 727 | 727 | 727 |
| Performance shares | 28 | - | 886 | - | 886 |
| Shares to be issued | 29 | - | 3,349 | - | 3,349 |
| Accumulated losses | 30 | (203,731) | (182,280) | (187,730) | (181,852) |
| | | 15,980 | 41,645 | 31,803 | 41,916 |
| **Non-controlling interests** | | (8) | 295 | - | - |
| **Total equity** | | 15,972 | 41,940 | 31,803 | 41,916 |

The accompanying notes form an integral part of these financial statements

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

| | Attributable to equity holders of the Company | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Share capital RMB'000 | Shares to be issued RMB'000 | Restructuring reserve RMB'000 | Performance shares RMB'000 | Warrant reserve RMB'000 | Currency translation reserve RMB'000 | Retained profits/ (accumulated losses) RMB'000 | Total RMB'000 | Non-controlling interests RMB'000 | Total equity RMB'000 |
| **2014** | | | | | | | | | | |
| Beginning of financial year | 104,766 | 3,349 | 114,040 | 886 | 727 | 157 | (182,280) | 41,645 | 295 | 41,940 |
| Performance shares expense (Note 28) | - | - | - | (886) | - | - | 886 | - | - | - |
| Deconsolidation of a subsidiary (Note 13) | - | (3,349) | - | - | - | - | - | (3,349) | (993) | (4,342) |
| Total comprehensive income/(loss) for the financial year | - | - | - | - | - | 21 | (22,337) | (22,316) | 690 | (21,626) |
| End of financial year | 104,766 | - | 114,040 | - | 727 | 178 | (203,731) | 15,980 | (8) | 15,972 |
| **2013** | | | | | | | | | | |
| Beginning of financial year | 104,766 | - | 114,040 | - | - | (15) | 58,926 | 277,717 | - | 277,717 |
| Acquisition of a subsidiary (Note 35) | - | - | - | - | - | - | - | - | 4 | 4 |
| Performance shares expense (Note 28) | - | - | - | 886 | - | - | - | 886 | - | 886 |
| Issuance of warrants (Note 27) | - | - | - | - | 727 | - | - | 727 | - | 727 |
| Shares to be issued (Note 29) | - | 3,349 | - | - | - | - | - | 3,349 | - | 3,349 |
| Total comprehensive income/(loss) for the financial year | - | - | - | - | - | 172 | (241,206) | (241,034) | 291 | (240,743) |
| End of financial year | 104,766 | 3,349 | 114,040 | 886 | 727 | 157 | (182,280) | 41,645 | 295 | 41,940 |

The accompanying notes form an integral part of these financial statements

# CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

| | Note | 2014 RMB'000 | 2013 RMB'000 |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Total loss | | (21,647) | (240,915) |
| Adjustments for: | | | |
| - Income tax expense | | 5,454 | 8,219 |
| - Amortisation and depreciation | | 6,591 | 6,719 |
| - Loss on disposal of property, plant and equipment | | 256 | 123 |
| - Property, plant and equipment written-off | | - | 108 |
| - Allowance for impairment of property, plant and equipment | | - | 9,988 |
| - Reversal of allowance for impairment of property, plant and equipment | | - | (1,572) |
| - Loss on deconsolidation of a subsidiary | | 1,030 | - |
| - Interest expense | | 10,092 | 9,917 |
| - Interest income | | (2,587) | (489) |
| - Fair value (losses)/gains on derivative financial instruments | | (1,476) | 185 |
| - Performance share expenses | | - | 886 |
| - Unrealised currency translation losses | | 166 | 1,536 |
| | | (2,121) | (205,295) |
| Change in working capital | | | |
| - Trade and other receivables | | 154,376 | 318,973 |
| - Inventories | | 5,866 | (18,381) |
| - Other current assets | | 1,593 | (158) |
| - Trade and other payables | | (14,449) | 51,372 |
| - Provision for restructuring | | (6,501) | 6,376 |
| Cash generated from operations | | 138,764 | 152,887 |
| Interest received | | 2,587 | 489 |
| Income tax paid | | (5,098) | (7,058) |
| **Net cash provided by operating activities** | | 136,253 | 146,318 |
| **Cash flows from investing activities** | | | |
| Net cash outflow on deconsolidation of a subsidiary, net of cash deconsolidated | 13 | (198) | - |
| Additions to property, plant and equipment | 19(d) | (4,745) | (4,610) |
| Deposits for machinery and equipment | | (7) | (414) |
| Proceeds from disposal of property, plant and equipment | | 289 | 1,945 |
| Acquisition of a subsidiary, net of cash acquired | 35 | - | 772 |
| **Net cash used in investing activities** | | (4,661) | (2,307) |
| **Cash flows from financing activities** | | | |
| Proceeds from borrowings | | 485,122 | 450,876 |
| Repayment of borrowings | | (611,470) | (547,068) |
| Interest paid | | (10,092) | (9,917) |
| Increase in short-term bank deposits pledged | | (28,893) | (37,463) |
| Proceeds from issuance of warrants | | - | 727 |
| **Net cash used in financing activities** | | (165,333) | (142,845) |
| Net (decrease)/increase in cash and cash equivalents | | (33,741) | 1,166 |
| Cash and cash equivalents at beginning of financial year | | 54,098 | 54,289 |
| Effects on currency translation on cash and cash equivalents | | (167) | (1,357) |
| **Cash and cash equivalents at end of financial year** | 13 | 20,190 | 54,098 |

The accompanying notes form an integral part of these financial statements

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

The financial statements of the Group and the Company for the financial year ended 31 December 2014 were authorised for issue in accordance with a resolution of the directors on 2 April 2015.

## 1 CORPORATE INFORMATION

Great Group Holdings Limited (the "Company") is listed on the Singapore Exchange and incorporated and domiciled in Singapore. The address of its registered office is 75 High Street, Singapore 179435. The principal place of business is located at No. 77 Taikang Road, Xiangtang Community, Changtai Street, Licheng District, Quanzhou City, Fujian Province, the People's Republic of China ("PRC").

The principal activities of the Company is investment holding. The principal activities of the subsidiaries are disclosed in Note 18.

The Company's immediate and ultimate holding corporation is G & W Investment Management Co., Ltd, incorporated in the British Virgin Islands.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### 2.1 Basis of preparation

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

The preparation of financial statements in conformity with FRS requires management to exercise its judgement in the process of applying the Group's accounting policies. It also requires the use of certain critical accounting estimates and assumptions. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 3 and Note 4.

***Interpretations and amendments to published standards effective in 2014***

On 1 January 2014, the Group adopted the new or amended FRS and Interpretations to FRS ("INT FRS") that are mandatory for application from that date. Changes to the Group's accounting policies have been made as required, in accordance with the transitional provisions in the respective FRS and INT FRS.

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

**FRS 112 Disclosures of Interests in Other Entities**

The Group has adopted the above new FRS on 1 January 2014. The amendment is applicable for annual periods beginning on or after 1 January 2014. It sets out the required disclosures for entities reporting under the new FRS 110 *Consolidated Financial Statements* and FRS 111 *Joint Arrangements*, and replaces the disclosure requirements currently found in FRS 27 (revised 2011) *Separate Financial Statements* and FRS 28 (revised 2011) *Investments in Associates and Joint Ventures*.

The Group has applied FRS 112 retrospectively in accordance with the transitional provisions (as amended subsequent to the issuance of FRS 112 in September 2011) in FRS 112 and amended for consolidation exceptions for 'investment entity' from 1 January 2014. The Group has incorporated the additional required disclosures into the financial statements.

### 2.2 Group accounting

***(a) Subsidiaries***

*(i) Consolidation*

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

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

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

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 2.2 Group accounting (cont'd)

***(a) Subsidiaries (cont'd)***

*(ii) Acquisition*

The acquisition method of accounting is used to account for business combinations by the Group, except for business combination under common control.

For business combinations under acquisition method of accounting, the consideration transferred for the acquisition of a subsidiary or business comprises the fair value of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred also includes any contingent consideration arrangement and any pre-existing equity interest in the subsidiary measured at their fair values at the acquisition date.

Acquisition-related costs are expensed as incurred.

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

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

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

Acquisition of entities under common control has been accounted for using the pooling-of-interest method. Under this method:-

- The financial statement of the Group have been prepared as if the Group structure immediately after the transaction has been in existence since the earliest date the entities are under common control;
- The assets and liabilities are brought into the financial statements at their existing carrying amounts from the perspective of the controlling party;
- The income statements includes the results of the acquired entities since the earliest date the entities are under common control;
- The comparative figures of the Group represent the income statement, statement of comprehensive income, statements of cash flows and statement of changes in equity have been prepared as if the combination had occurred from the date when the combining entities or businesses first came under common control;
- The cost of investment is recorded at the aggregate of the nominal value of the equity shares issued, cash and cash equivalents and fair values of other consideration; and
- On consolidation, the difference between the cost of investment and the nominal value of the share capital of the merged subsidiary is taken to restructuring reserve. Cash paid/payable arising from the acquisition under common control is also taken to the restructuring reserve.

*(iii) Disposal*

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

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

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

***(b) Transactions with non-controlling interests***

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

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 2.3 Revenue recognition

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

The Group recognises revenue when the amount of revenue and related cost can be reliably measured, it is probable that the collectability of the related receivables is reasonably assured and when the specific criteria for each of the Group's activities are met as follows:

***(a) Sale of goods – Garments***

The Group sells garments through retail stores or dedicated shelf-spaces in shopping malls and wholesalers.

Revenue from sales through retail stores or dedicated shelf-spaces in shopping malls is recognised when the garments are sold to individual end-buyers as there is no right to return the garments once they are sold. Revenue from sale of goods to wholesales is recognised when the Group has delivered the products to its customers and the customers have accepted the products in accordance with the sales contract.

***(b) Interest income***

Interest income is recognised using the effective interest method.

### 2.4 Property, plant and equipment

***(a) Measurement***

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

The cost of an item of property, plant and equipment initially recognised includes its purchase price and any cost that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Costs also include borrowing costs (refer to Note 2.6 on borrowing costs).

***(b) Depreciation***

Construction in-progress is not depreciated. Depreciation on other items of property, plant and equipment is calculated on a straight-line method to allocate their depreciable amounts over their estimated useful lives as follows:

| | Useful lives |
|---|---|
| Machinery and equipment | 5-10 years |
| Leasehold buildings and workshops | 20 years |
| Furniture & fitting and office equipment | 3-5 years |
| Motor vehicles | 5 years |

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

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

***(c) Subsequent expenditure***

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

***(d) Disposal***

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

### 2.5 Intangible assets

***(a) Land-use rights***

Land-use rights are initially recognised at cost and are subsequently carried at cost less accumulated amortisation and accumulated impairment losses. These costs are amortised to profit or loss using the straight-line method over 50 years, which is the shorter of the estimated useful lives and periods of contractual rights.

***(b) Acquired computer software licenses***

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

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

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 2.5 Intangible assets (cont'd)

***(c) Goodwill on acquisitions***

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

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

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

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

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

### 2.6 Borrowing costs

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

### 2.7 Investments in subsidiaries

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

### 2.8 Impairment of non-financial assets

*(a) Goodwill*

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

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

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

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

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

*(b) Property, plant and equipment*
*Intangible assets*
*Investments in subsidiaries*

Property, plant and equipment, intangible assets and investments in subsidiaries are tested for impairment whenever there is any objective evidence or indication that these assets may be impaired.

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

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

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

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

A reversal of impairment loss for an asset other than goodwill is recognised in profit or loss.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 2.9 Inventories

Inventories are carried at the lower of cost and net realisable value. Cost is determined using the weighted average method. The cost of finished goods and work-in-progress comprises raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity) but excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and applicable variable selling expenses. The amount of any write-down of inventories to net realisable value and all losses of inventories shall be recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value, shall be recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

### 2.10 Trade and other payables

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

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

### 2.11 Financial assets

#### *(a) Classification*

The Group classifies its financial assets in loans and receivables. The classification depends on the nature of the assets and the purpose for which the assets were acquired.

*Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are presented as current assets, except for those expected to be realised later than 12 months after the balance sheet date which are presented as non-current assets. Loans and receivables are presented as "trade and other receivables" (Note 14) and "cash and cash equivalents" (Note 13).

#### *(b) Recognition and derecognition*

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

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

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

#### *(c) Measurement*

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

#### *(d) Impairment*

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

*Loans and receivables*

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

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

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

### 2.12 Borrowings

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

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

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 2.13 Research cost

Research cost is recognised as an expense in profit or loss when incurred.

### 2.14 Employee compensation

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

***(a) Defined contribution plans***

*Singapore*

The Company makes contribution to Central Provident Fund ("CPF") scheme in Singapore, a defined contribution pension scheme. Contributions to defined contribution pension schemes. Contribution to defined contribution pension schemes are recognised as an expense in the period in which the related service is performed.

*People's Republic of China ("PRC")*

The subsidiaries, incorporated and operating in the PRC, are required to provide certain retirement plan contribution to their employees under the PRC regulations. Contributions are provided at rates stipulated by PRC regulations and are contributed to a pension fund managed by government agencies, which are responsible for administering these amounts for the subsidiaries' employees. The Group has no further payment obligations once the contributions have been paid. Contributions to defined contribution retirement plans are recognised as expenses in the period in which the related services are performed.

***(b) Termination benefits***

Termination benefits are those benefits which are payable when employment is terminated before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits when it is demonstrably committed to either: terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal; or providing termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after balance sheet date are discounted to present value.

***(c) Performance shares***

Benefits to employees including the directors are provided in the form of share-based payment transactions, whereby certain prescribed performance targets are met and/or upon expiry of prescribe vesting periods.

The fair value of the employee services rendered is determined by reference to the fair value of the share awarded or granted. The amounts is determined by reference to the fair value of the performance shares on the grant date.

The fair value is recognised in profit or loss over the remaining vesting period of the performance shares scheme, with the corresponding increase in equity. The value of charge is adjusted in profit or loss over the remaining vesting period to reflect expected and actual levels of shares vesting, with the adjustment made in equity. Cancellations of grants of equity instruments during the vesting period (other than a grant cancelled by forfeiture when the vesting conditions are not satisfied) are accounted as an acceleration of vesting, therefore any amount unrecognised that would otherwise have been charged is recognised immediately in profit or loss.

### 2.15 Leases

When the Group is the lessee:

The Group leases factories and offices under the operating leases from non-related parties.

***Operating leases***

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

Contingent rents are recognised as an expense in profit or loss when incurred.

When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognised as an expense in the financial year in which termination takes place.

### 2.16 Income taxes

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

Deferred income tax is recognised for all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements except when the deferred income tax arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and affects neither accounting nor taxable profit or loss at the time of the transaction.

A deferred income tax liability is recognised on temporary differences arising on investments in subsidiaries, 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.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 2.16 Income taxes (cont'd)

Deferred income tax is measured:

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

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

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

### 2.17 Provisions

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

Restructuring provisions comprise lease termination penalties and employee termination payments. Provisions are not recognised for future operating losses.

### 2.18 Currency translation

***(a) Functional and presentation currency***

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

***(b) Transactions and balances***

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

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

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

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

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

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

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

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

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

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

### 2.19 Cash and cash equivalents

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

### 2.20 Share capital

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

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 2.21 Dividends to Company's shareholders

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

### 2.22 Government grants

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

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

Government grants relating to assets are presented in the balance sheet as a deferred income, and amortised to profit or loss on the straight-line basis over the estimated useful lives of the relevant assets.

### 2.23 Fair value estimation of financial assets and liabilities

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

The fair values of currency forwards are determined using actively quoted forward exchange rates.

### 2.24 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker has been identified as the Executive Chairman and Chief Executive Officer ("CEO") who makes strategic decisions.

### 2.25 Derivative financial instruments

A derivative financial instrument is initially recognised at its fair value on the date the contract is entered into and is subsequently carried at its fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. Fair value changes on derivatives that are not designated or do not qualify for hedge accounting are recognised in profit or loss or when the changes arise.

Derivative financial instruments are reported in the financial statements on a net basis where legal right of setoff exists. Derivative financial instruments are carried as assets when fair value is positive and as liabilities when fair value is negative.

## 3 CRITICAL ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGEMENTS

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

Areas involving a higher degree of judgement or complexity, or area where estimates and assumptions are significant to the financial statements are disclosed below.

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

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

The recoverable amounts of these assets and, where applicable, CGU, have been determined based on higher of the fair value less costs to sell or value-in-use calculations. If the carrying amounts exceed the recoverable amounts, an impairment loss is recognised to profit or loss for the differences.

*Impairment of intangible assets (other than goodwill)*

No impairment losses were recognised in respect of intangible assets (other than goodwill) for the financial years ended 31 December 2014 and 2013 as the fair value less cost to sell valued by independent third party valuer is higher than the carrying amount.

The carrying amount of intangible assets as at 31 December 2014 is RMB15,990,000 (2013: RMB16,507,000).

If the valuation of intangible assets (other than goodwill) had been lower by 11.7%, the fair value would be equivalent to the carrying amount.

*Impairment of property, plant and equipment*

The recoverable amount of property, plant and equipment has been determined based on the fair value less costs to sell valued by independent third party valuer. No impairment charge was recognised for property, plant and equipment in the financial year ended 31 December 2014 (2013: RMB8,416,000). The carrying amount of property, plant and equipment as at 31 December 2014 is RMB47,915,000 (2013: RMB49,670,000). If the valuation of property, plant and equipment had been lower by 10%, the Group would have reduced the carrying value of property, plant and equipment by RMB1,631,000 (2013: RMB4,967,000).

## 3 CRITICAL ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGEMENTS (CONT'D)

### (a) Estimated impairment of non-financial assets (cont'd)

*Impairment of investments in subsidiaries*

The recoverable amount of investments in subsidiaries has been determined based on value-in-use. No impairment charge was recognised for investments in subsidiaries in the financial year ended 31 December 2014 (2013: RMB162,148,000). The carrying amount of investments in subsidiaries as at 31 December 2014 is RMB47,827,000 (2013: RMB47,827,000).

If the management's estimated gross margin used in the value-in-use calculation for the investments in subsidiaries as at 31 December 2014 had been lowered by 1%, the carrying amount of investments in subsidiaries would have been reduced by RMB16,732,000 (2013: RMB15,139,000).

If the management's estimated pre-tax discount rate applied to the discounted cash flows for the investments in subsidiaries as at 31 December 2014 had been raised by 1%, the carrying amount of investments in subsidiaries would have been reduced by RMB1,320,000 (2013: RMB1,709,000).

If the management's estimated growth rate used in deriving the terminal value in the value-in-use calculation for the investments in subsidiaries as at 31 December 2014 had been lowered by 1%, the carrying amount of investments in subsidiaries would have been reduced by RMB231,000 (2013: RMB243,000).

### (b) Net realisable value of inventories

A review is made periodically on inventories for excess inventory, obsolescence and declines in net realisable value below cost. These require management to estimate future demand for products and their selling prices. In any case the realisable value represents the best estimate of the recoverable amount and is based on the most reliable evidence available at the end of the reporting year and inherently involves estimates regarding the future expected realisable value. The usual considerations for determining the amount to write-down includes ageing analysis, utilisation of inventories, the purpose of the inventories held, category and conditions of inventories and subsequent events. In general, such an evaluation process requires significant judgement which may materially affects the carrying amount of inventories at the end of the financial year. Possible changes in these estimates could result in revisions to the valuation of inventories. The carrying amount of the inventories at the balance sheet date is disclosed in Note 15.

A write-down in inventories of finished goods approximately RMB1,653,000 (2013: RMB1,554,000) and a reversal of RMB1,270,000 (2013: RMB 1,374,000), being part of inventories write-down made in prior financial years, was recognised in the financial year ended 31 December 2014 based on management's estimates which reduced the carrying amount of inventories of finished goods from RMB16,001,000 to RMB7,549,000 (2013: RMB21,243,000 to RMB13,174,000). If the management's estimates had been lower by 10%, the Group would have reduced the net realisable value of inventories by RMB615,000 (2013: RMB1,317,000).

### (c) Impairment of trade receivables and advances to suppliers

An allowance is made for doubtful accounts for estimated losses resulting from the subsequent inability of the customers to make required payments and inability of the suppliers to deliver the goods or to refund the advances paid. If the financial conditions of the customers and suppliers were to deteriorate, resulting in an impairment of their ability to make payments and deliver the goods or refund the advances paid, additional allowances may be required in future periods. Management generally evaluate the adequacy of allowance for impairment for trade receivables and advances to suppliers through analysis of historical bad debt, customer and supplier concentrations, and changes in customer payment terms and suppliers' delivery and refund commitment.

Management reviews its trade receivables and advances to suppliers for objective evidence of impairment at least annually. Significant financial difficulties of the debtor and supplier, the probability that the debtor and supplier will enter bankruptcy, and default or significant delay in payments and deliveries are considered objective evidence that a receivable or an advance to supplier is impaired. In determining this, management makes judgements as to whether there is observable date indicating that there has been a significant change in the payment ability of the debtor and delivery ability of supplier, or whether there have been significant changes with adverse effect in the market, economic or legal environment in which the debtor and supplier operates in. Where there is objective evidence of impairment, management makes judgements as to whether an impairment loss should be recognised in profit or loss. The carrying amounts of trade receivables and advances to suppliers at the balance sheet date are disclosed in Note 14.

If the net present values of estimated cash flows increase/decrease by 10% (2013: 10%) from management's estimates for all past due receivables and advances to suppliers, the Group's allowance for impairment will decrease/increase by RMB1,378,000/RMB1,864,000 and RMB339,000/RMB6,391,000 (2013: RMB1,369,000/RMB1,145,000 and RMB357,000/RMB3,816,000) for trade receivables and advances to suppliers respectively.

### (d) Uncertain tax positions

The Group is subject to income tax in the PRC and significant judgement is required in determining the provision for tax. There are transactions and calculations for which the ultimate tax determination is uncertain ("uncertain tax positions"). The Group recognises provisions for tax based on estimates of the taxes that are likely to become due. Where the final tax outcome is different from the amounts that were initially recorded, such differences will impact the current income tax in the period in which such determination is made.

The Group has open tax assessments with the PRC tax authority at the balance sheet date. As management believes that the tax positions are sustainable and the impact would not be significant to the financial statements, the Group has not recognised any additional tax liability on these uncertain tax positions.

## 3 CRITICAL ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGEMENTS (CONT'D)

**(e) Useful lives of machinery and equipment**

The costs of machinery and equipment are depreciated on a straight-line basis over their useful lives, which management estimates to be of 5 to 10 years. The Group reviews the residual values and useful lives of machinery and equipment at each reporting date in accordance with the accounting policies in Note 2.4. The estimation of the residual values and useful lives involves significant judgements. The carrying amount of the Group's machinery and equipment as at 31 December 2014 was RMB5,674,000 (2013: RMB3,728,000).

If the actual useful lives of the machinery and equipment differ by one year from management's estimates, the carrying amount of the Group's machinery and equipment will be increased by RMB974,000 (2013: RMB645,000) or decreased by RMB522,000 (2013: RMB871,000) correspondingly to profit or loss.

## 4 GOING CONCERN ASSUMPTION

The Group incurred total loss of RMB21,647,000 (2013: RMB240,915,000) for the financial year ended 31 December 2014 mainly due to reduction in sales volume and impairment losses recognised for certain assets. Furthermore, the Group's and the Company's current liabilities exceeded current assets by RMB49,396,000 and RMB16,031,000 (2013: RMB38,246,000 and RMB5,949,000) respectively as at 31 December 2014. The Group is dependent on short-term bank borrowings to meet its working capital and operating cash flows requirements. As at 31 December 2014, short-term bank borrowings amount to RMB306,387,000 (2013: RMB266,979,000). These bank borrowings are significantly higher than the Group's cash and cash equivalents of RMB113,569,000 (2013: RMB118,584,000) as at 31 December 2014 and are due for repayment within twelve months from the balance sheet date.

The above conditions indicate the existence of a material uncertainty which may cast significant doubt on the Group's and of the Company's abilities to continue as going concerns and discharge their liabilities in the ordinary course of business. Nevertheless, the directors of the Company believe that the use of the going concern assumption in the preparation of the financial statements for the financial year ended 31 December 2014 is appropriate after taking into consideration the following factors:

(i) The Group continues to tighten the controls over credit sales, advances to suppliers, inventories management and reduction of various operating expenses. With these measures, the Group has projected that it would be able to generate positive cash flows from its operations for the next twelve months.

(ii) The Group continues to maintain its credit facilities with the relevant financial institutions and has been able to refinance the short-term bank borrowings when they fall due. Management is not aware of any adverse circumstances that might cause the financial institutions not to renew the short-term bank borrowings.

(iii) On 31 December 2014, the Company announced to raise funds of up to $9,665,000 (net of share issue expenses) or approximately RMB44,842,000 from proposed Rights Issue of up to 2,065,000,000 new ordinary shares at an issue price of $0.005 each. In relation to the proposed Rights Issue, the investor, Forise Capital Group Limited has provided irrevocable undertaking to procure the subscription and payment, in full for the aggregate of 1,130,500,000 Rights Shares to be provisionally allotted to Weng Wenwei and G&W Investment Management Co., Ltd. and the investor has deposited $5,653,000 (equivalent to approximately RMB26,228,000) with the Issue Manager on 30 January 2015.

If the Group is unable to obtain continuing financing from existing financial institutions and as a result, it is unable to continue their operational existence for the foreseeable future, the Group may be unable to discharge their liabilities in the normal course of business and 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 currently recorded in the balance sheets. In addition, the Group may have to reclassify non-current assets as current assets.

## 5 SALES

| | Group | |
|---|---|---|
| | 2014 RMB'000 | 2013 RMB'000 |
| Sale of goods - Contract manufacturing | 356,634 | 406,535 |

## 6 OTHER GAINS/(LOSSES), NET

| | Group | |
|---|---|---|
| | 2014 RMB'000 | 2013 RMB'000 |
| Bank interest income | 2,587 | 489 |
| Government grants [(a)] | 3,308 | 934 |
| Fair value gains/(losses) on derivative financial instruments | 1,476 | (185) |
| Currency translation gains/(losses), net | 140 | (5,389) |
| Allowance for impairment of property, plant and equipment (Note 19) | - | (9,988) |
| Reversal of allowance for impairment of property, plant and equipment (Note 19) | - | 1,572 |
| Loss on disposal of property, plant and equipment | (256) | (123) |
| Property, plant and equipment written-off | - | (108) |
| Provision for restructuring (Note 23) | - | (6,376) |
| Loss on deconsolidation of a subsidiary (Note 13) | (1,030) | - |
| Other | (185) | 673 |
| | 6,040 | (18,501) |

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

## 7 EXPENSES BY NATURE

| | Group | |
|---|---|---|
| | 2014 RMB'000 | 2013 RMB'000 |
| Purchases of inventories | 250,201 | 364,994 |
| Allowance for impairment of trade receivables [Note 32(b)(ii)] | 2,302 | 134,316 |
| Write back of allowance for impairment of trade receivables [Note 32(b)(ii)] | (1,414) | (257) |
| Allowances for impairment of advances to suppliers [Note 32(b)(ii)] | 1,603 | 2,416 |
| Write back of allowance for impairment of advances to suppliers [Note 32(b)(ii)] | (1,778) | (839) |
| Amortisation of intangible assets [Note 20(c)] | 517 | 517 |
| Depreciation of property, plant and equipment (Note 19) | 6,074 | 6,202 |
| Total allowance, amortisation and depreciation | 7,304 | 142,355 |
| Advances to suppliers written-off | - | 17,311 |
| Bank charges and related expenses | 5,820 | 3,296 |
| Courier, freight, custom and port charges | 4,456 | 4,829 |
| Directors' fees | 794 | 1,268 |
| Employee compensation (Note 8) | 79,445 | 75,609 |
| Entertainment and travelling expenses | 1,234 | 2,081 |
| Inventories written-down (Note 15) | 1,653 | 1,554 |
| Reversal of inventories written-down (Note 15) | (1,270) | (1,374) |
| Listing compliance expenses | 327 | 470 |
| Professional and consultancy fees | 3,150 | 2,603 |
| Fees on audit services paid/payable to: | | |
| - Auditor of the Company | 652 | 687 |
| - Other auditors | 160 | 258 |
| | 812 | 945 |
| Marketing, advertising and exhibition | 672 | 1,870 |
| Rental expenses on operating leases | 518 | 888 |
| Stamp duties and other taxes | 1,047 | 3,888 |
| Training costs | 605 | 638 |
| Utilities and office expenses | 3,296 | 4,359 |
| Insurance charges | 748 | 676 |
| Consumables and low value items | 815 | 476 |
| Inspection, testing and certification expenses | 563 | 828 |
| License fees | 1,454 | - |
| Commission | 1,072 | - |
| Other expenses | - | 405 |
| Changes in inventories | 5,484 | (18,561) |
| Total cost of sales, selling and distribution and administrative expenses | 370,200 | 611,408 |

## 8 EMPLOYEE COMPENSATION

| | Group | |
|---|---|---|
| | 2014 RMB'000 | 2013 RMB'000 |
| Wages and salaries | 68,667 | 67,866 |
| Employee performance share | - | 886 |
| Employer's contribution to defined contribution plans, including Central Provident Fund ("CPF") | 2,138 | 2,161 |
| Termination benefits | 214 | 5,864 |
| Other short-term benefits | 8,426 | 4,696 |
| | 79,445 | 81,473 |
| Less: amounts recognised in "Other gains/(losses), net" and included in provision for restructuring | - | (5,864) |
| Amounts attributable to continuing operations (Note 7) | 79,445 | 75,609 |

## 9 FINANCE EXPENSES

| | Group | |
|---|---|---|
| | 2014 RMB'000 | 2013 RMB'000 |
| Interest expense: | | |
| - Bank borrowings | 6,375 | 6,014 |
| - Trade financing | 3,717 | 3,903 |
| | 10,092 | 9,917 |

## 10 INCOME TAX EXPENSE

| | Group | |
|---|---|---|
| | 2014 RMB'000 | 2013 RMB'000 |
| Tax expense attributable to profit is made up of: | | |
| - Current income tax – PRC | 3,788 | 5,130 |
| - Under-provision of current income tax in prior financial years | 1,666 | 3,089 |
| | 5,454 | 8,219 |

The tax on the Group's loss before income tax differs from the theoretical amount that would arise using PRC's statutory rate of income tax as explained below:

| | Group | |
|---|---|---|
| | 2014 RMB'000 | 2013 RMB'000 |
| (Loss)/Profit before income tax from | | |
| - continuing operations | (17,618) | (233,291) |
| - discontinued operations [Note 11(a)] | 1,425 | 595 |
| Loss before income tax | (16,193) | (232,696) |
| Tax calculated at tax rate of 25% (2013: 25%) | (4,048) | (58,174) |
| Effects of: | | |
| - Different tax rates in other countries | 526 | 1,189 |
| - Expenses not deductible for tax purpose | 6,983 | 55,726 |
| - Income not subject to tax | (902) | - |
| - Deferred income tax assets not recognised | 1,426 | 6,575 |
| - Other | (197) | (186) |
| | 3,788 | 5,130 |

Deferred income tax assets are recognised for tax losses carried forward to the extent that realisation of the related tax benefits through future taxable profits is probable. The Group has unrecognised tax losses of approximately RMB54,647,000 (2013: RMB48,943,000) at the balance sheet date which can be carried forward and used to offset against future taxable income subject to meeting certain statutory requirements by those companies with unrecognised tax losses in their respective countries of incorporation. The tax losses have no expiry date and are not recognised as it is not probable that future taxable profits will be available against which those companies can utilise the benefits.

Deferred income tax liabilities of RMB205,000 (2013: RMB490,000) have not been recognised for the withholding and other taxes that will be payable on the earnings of certain subsidiaries when remitted to the holding corporation. These unremitted earnings amounted to RMB241,585,000 (2013: RMB237,484,000) and are permanently reinvested in the subsidiaries as at end of reporting period.

## 11 DISCONTINUED OPERATIONS

The Group was unable to access the financial information of its subsidiary, Sinex Solutions Limited ("Sinex") since July 2014, and the Group's representative on the board of Sinex has resigned with effective from 25 September 2014. In view of these, the Group is deemed to have lost control over Sinex and has formally terminated the acquisition of Sinex on 23 October 2014. Consequently, the Company has deconsolidated the results of Sinex and its results are classified as discontinued operations. As a result of the deconsolidation, the Group has recognised a loss on deconsolidation of RMB1.0 million under "other gains/(losses), net" (Note 6).

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

| | Group | |
|---|---|---|
| | For the financial period from 1 January 2014 to 25 September 2014 RMB'000 | For the financial year ended 31 December 2014 RMB'000 |
| Sales | 21,617 | 9,420 |
| Expenses | (20,192) | (8,825) |
| Profit before income tax from discontinued operations | 1,425 | 595 |
| Income tax expense | - | - |
| **Net profit for the financial year from discontinued operations** | 1,425 | 595 |
| (Loss)/profit attributable to equity holders of the Company relates to: | | |
| - (Loss) from continuing operations | (23,064) | (241,510) |
| - Profit from discontinued operations | 727 | 304 |
| Total | (22,337) | (241,206) |

## 11 DISCONTINUED OPERATIONS (CONT'D)

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

| | Group | |
|---|---|---|
| | 2014 RMB'000 | 2013 RMB'000 |
| Operating cash (outflow)/inflow | (36) | 226 |
| Investing cash inflow | - | 8 |
| Total cash (outflow)/inflow | (36) | 234 |

## 12 (LOSS)/EARNINGS PER SHARE

Basic (loss)/earnings per share are calculated by dividing the net (loss)/profit attributable to equity holders of the Company by the weighted average number of ordinary shares outstanding during the financial year. For the purpose of calculating diluted losses per share, loss attributable to equity holders of the Company and the weighted average number of ordinary shares outstanding are adjusted for the effects of all potential dilutive ordinary shares.

Performance shares are included from the beginning of the period and included in the calculation of diluted losses per share, however warrants have not been included in the calculation of diluted losses per share because they are anti-dilutive. No adjustment is made to the net loss.

| | Group | | |
|---|---|---|---|
| | Continuing operations | Discontinued operations | Total |
| **2014** | | | |
| Net (loss)/profit attributable to equity holders of the Company (RMB'000) | (23,064) | 727 | (22,337) |
| Weighted average number of ordinary shares outstanding for basic and diluted (losses)/ earnings per share ('000) | 265,000 | 265,000 | 265,000 |
| Basic and diluted (losses)/earnings per share (RMB cents) | (8.70)** | 0.27 | (8.43)** |
| **2013** | | | |
| Net (loss)/profit attributable to equity holders of the Company (RMB'000) | (241,510) | 304 | (241,206) |
| Weighted average number of ordinary shares outstanding for basic (losses)/earnings per share ('000) | 275,000* | 275,000* | 275,000* |
| Adjustment for performance shares (Note 28) | 8,700 | 8,700 | 8,700 |
| Weighted average number of ordinary shares outstanding for diluted (losses)/earnings per shares ('000) | 283,700 | 283,700 | 283,700 |
| Basic (losses)/earnings per share (RMB cents) | (87.82) | 0.11 | (87.71) |
| Basic and diluted (losses)/earnings per share (RMB cents) | (87.82)** | 0.10 | (87.71)** |

* The weighted average number of ordinary shares included the shares to be issued for the acquisition of Sinex of 10,000,000 ordinary shares.

** As loss was recorded in 2014 and 2013, the dilutive potential shares from performance shares are anti-dilutive and no change is made to the diluted loss per share for continuing operations and total.

## 13 CASH AND CASH EQUIVALENTS

| | Group | | Company | |
|---|---|---|---|---|
| | 2014 RMB'000 | 2013 RMB'000 | 2014 RMB'000 | 2013 RMB'000 |
| Cash at bank and on hand | 13,861 | 12,125 | 1,047 | 48 |
| Short-term bank deposits | 99,708 | 106,459 | - | - |
| | 113,569 | 118,584 | 1,047 | 48 |

## 13 CASH AND CASH EQUIVALENTS (CONT'D)

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

| | Group | |
|---|---|---|
| | 2014 RMB'000 | 2013 RMB'000 |
| Cash and bank balances (as above) | 113,569 | 118,584 |
| Less: Bank deposits pledged | (93,379) | (64,486) |
| Cash and cash equivalents per consolidated statement of cash flows | 20,190 | 54,098 |

Bank deposits pledged relate to bank balances that the Group has to maintain with the banks for obtaining short-term bank facilities for letters of credit relating to the purchase of raw materials of RMB85,840,000 (2013: RMB57,285,000) (Note 22).

Acquisition and disposal of subsidiary

Please refer to Note 35 for the effects of acquisition of subsidiary on the cash flows of the Group in financial year ended 31 December 2013.

On 30 September 2014, the Group deconsolidated its 51% equity interests in Sinex as the Group was considered to have lost control of Sinex. Please refer to Note 11 for details on deconsolidation of Sinex. The effects of the deconsolidation on the cash flows of the Group were:

| | Group 2014 RMB'000 |
|---|---|
| Carrying amounts of assets and liabilities deconsolidated | |
| Cash and cash equivalents | 198 |
| Trade and other receivables | 2,547 |
| Goodwill [Note 20(d)] | 12,434 |
| Total assets | 15,179 |
| Shares to be issued (Note 29) | 3,349 |
| Trade and other payables | 739 |
| Purchase consideration (Note 21) | 3,049 |
| Contingent consideration (Note 21) | 6,040 |
| Total equity and liabilities | 13,177 |
| Net assets derecognised | 2,002 |
| Less: Non-controlling interests | (993) |
| Net assets deconsolidated | 1,009 |

The aggregate cash inflows arising from the deconsolidation of Sinex were:-

| | Group 2014 RMB'000 |
|---|---|
| Net assets deconsolidated (as above) | 1,009 |
| Reclassification of currency translation reserve (Note 26) | 21 |
| | 1,030 |
| Loss on deconsolidation (Note 6) | (1,030) |
| Less: cash and cash equivalents in subsidiary deconsolidated | (198) |
| Net cash outflow on deconsolidation of subsidiary | (198) |

## 14 TRADE AND OTHER RECEIVABLES

| | Group | | Company | |
|---|---|---|---|---|
| | 2014 RMB'000 | 2013 RMB'000 | 2014 RMB'000 | 2013 RMB'000 |
| Trade receivables | | | | |
| - Non-related parties | 186,249 | 180,988 | - | - |
| Less: Allowance for impairment of trade receivables – Non-related parties [Note 32(b)(ii)] | (137,793) | (136,905) | - | - |
| Trade receivables - net | 48,456 | 44,083 | | |
| Advances to suppliers | | | | |
| - Non-related parties | 103,222 | 98,973 | - | - |
| - Related parties | - | 130 | - | - |
| | 103,222 | 99,103 | - | - |
| Less: Allowance for impairment of advances to suppliers – Non-related parties [Note 32(b)(ii)] | (3,393) | (3,568) | - | - |
| | 99,829 | 95,535 | - | - |
| Non-trade receivables | | | | |
| - Non-related parties | 8,090 | 4,490 | - | 1,454 |
| - Subsidiaries | - | - | 1,401 | 7,465 |
| | 8,090 | 4,490 | 1,401 | 8,919 |
| Value added tax receivables | 11,877 | 15,312 | - | - |
| | 168,252 | 159,420 | 1,401 | 8,919 |

Certain subsidiaries of the Group have factored trade receivables to banks in exchange for cash during the financial year ended 31 December 2014. These transactions have been accounted for as collateralised borrowings as the banks have full recourse to the Group in the event of default by the debtors (Note 22).

The non-trade receivables from subsidiaries and advances to related parties are unsecured, interest-free and are receivable on demand.

## 15 INVENTORIES

| | Group | | Company | |
|---|---|---|---|---|
| | 2014 RMB'000 | 2013 RMB'000 | 2014 RMB'000 | 2013 RMB'000 |
| Raw materials | 42,794 | 37,373 | - | - |
| Work-in-progress | 2,485 | 8,148 | - | - |
| Finished goods | 7,549 | 13,174 | - | - |
| | 52,828 | 58,695 | - | - |

The cost of inventories recognised as an expense and included in "cost of sales" amounted to RMB331,140,000 (2013: RMB424,296,000).

During the financial year ended 31 December 2014, the Group recognised a write-down in inventories of approximately RMB1,653,000 (2013: RMB1,554,000) (Note 7), included within "cost of sales" in the statement of comprehensive income. The write-down of inventories was for finished goods which were considered obsolete.

Inventories, that were written down in prior years, amounting to RMB1,270,000 (2013: RMB1,374,000) (Note 7) were reversed during the financial year. These were mainly due to the goods sold to third parties at original cost and the amounts have been included in "cost of sales".

## 16 OTHER CURRENT ASSETS

| | Group | | Company | |
|---|---|---|---|---|
| | 2014 RMB'000 | 2013 RMB'000 | 2014 RMB'000 | 2013 RMB'000 |
| Refundable deposits | 54 | 279 | 31 | 32 |
| Prepayments | 350 | 1,719 | 359 | 97 |
| | 404 | 1,998 | 390 | 129 |

## 17 DERIVATIVE FINANCIAL INSTRUMENTS

| | Group | | |
|---|---|---|---|
| | Contract Notional Amount RMB'000 | Fair Value Asset RMB'000 | Fair Value Liability RMB'000 |
| **2014** | | | |
| *Non-hedging instruments* | | | |
| - Currency forwards | 124,673 | 2,293 | - |
| **2013** | | | |
| *Non-hedging instruments* | | | |
| - Currency forwards | 40,534 | 817 | - |

***Currency forwards***

The Group enters into currency forwards to reduce the impact of changes in the foreign currency exchange rate of highly probable forecast transactions denominated in foreign currency. While the currency forwards provide hedging effects as required by the Group's risk management policy, the derivatives do not meet the criteria for hedge accounting under the specific rules in FRS 39 – *Financial Instruments: Recognition and Measurement*. Fair value changes on these derivatives are recognised in profit or loss when the changes arose.

## 18 INVESTMENTS IN SUBSIDIARIES

| | Company | |
|---|---|---|
| | 2014 RMB'000 | 2013 RMB'000 |
| *Equity investments at cost:* | | |
| Beginning and end of financial year | 209,975 | 209,975 |
| *Less: Allowance for impairment* | | |
| Beginning of financial year | 162,148 | - |
| Allowance charge | - | 162,148 |
| End of financial year | 162,148 | 162,148 |
| *Carrying amount* | | |
| End of financial year | 47,827 | 47,827 |

Despite the internal restructuring performed by the Group, the subsidiaries that operate in the contract manufacturing business segment in the People's Republic of China continued to make losses in the financial year ended 31 December 2014. Management has performed impairment test to assess whether additional allowance for impairment is required for the Company's investments in subsidiaries. No impairment charge was recognised for investments in subsidiaries in the financial year ended 31 December 2014 (2013: RMB162,148,000).

The recoverable amounts of the Company's investments in these subsidiaries were determined based on value-in-use. Cash flow projections used in the value-in-use calculations were based on financial projection approved by management covering a four-year period. Cash flows beyond the four-year period were extrapolated using the estimated growth rates stated below. The growth rate did not exceed the long-term average growth rate for the contract manufacturing business in which these subsidiaries operate.

*Key assumption used for value-in-use calculations:*

| | Company | |
|---|---|---|
| | 2014 | 2013 |
| Gross margin [1] | 8% - 9.5% | 7.5% -13.5% |
| Growth rate [2] | 3% | 3% |
| Discount rate [3] | 30.9% | 18.7% |

(1) Budgeted gross margin

(2) Weighted average growth rate used to extrapolate cash flows beyond the budget period

(3) Pre-tax discount rate applied to the pre-tax cash flow projections

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

**18 INVESTMENTS IN SUBSIDIARIES (CONT'D)**

Details of subsidiaries are as follows:

| Name of Companies | Principal Activities | Country of Business/ Incorporation | Proportion of ordinary shares directly held by the parent | | Proportion of ordinary shares held by non-controlling interests | |
|---|---|---|---|---|---|---|
| | | | 2014 % | 2013 % | 2014 % | 2013 % |
| Held by the Company | | | | | | |
| Quanzhou Great Garments Co.,Ltd [a] | Producing garments, weaving, ribbon, printing, shoes, hats and bags (exporting the commodity which is not related with the management of the export permit quota) | The People's Republic of China | 100 | 100 | - | - |
| Fujian Great Fashion Industry Co., Ltd [a] | Producing garments, apparel products and weaving | The People's Republic of China | 100 | 100 | - | - |
| Great Worldwide (Trading) Limited [b] | Sale and distribution of garments and apparel production | The British Virgin Islands | 100 | 100 | - | - |
| Great Holding Limited [c] | Sale and distribution of garments and apparel production | Hong Kong | 100 | 100 | - | - |
| Great (Hong Kong) Limited [c] (formerly known as Grixpro International Trading Limited) | Trading | Hong Kong | 100 | 100 | - | - |
| 3W Life Investment Pte Ltd [g] (formerly known as Great International Investments Pte Ltd) | Trading | Singapore | 100 | 100 | - | - |
| Grandus Pte Ltd [g] | Currently dormant | Singapore | 100 | - | - | - |
| Held by 3W Life Investment Pte Ltd | | | | | | |
| Fashvacation Pte Ltd [g] | Fashion Branding | Singapore | 100 | 100 | - | - |
| Sinex Solutions Limited [f] | Sourcing, procurement and advisory services to the garment and fashion industry | Hong Kong | - | 51 | - | 49 |
| 183Art Media Pte Ltd [h] | Other investment holding company | Singapore | 51 | - | 49 | - |
| Held by 183Art Media Pte Ltd | | | | | | |
| 183Art Media (Xiamen) Pte Ltd [h] | Promotion of arts and culture, creative products design and events management | The People's Republic of China | 100 | - | 49 | - |
| Held by Great Holding Limited | | | | | | |
| Great Fashion Trading (Shanghai) Limited [d] | Trading of clothes, import and export activities | The People's Republic of China | 100 | 100 | - | - |
| Great Brand Management Limited [b] | Brand management and operation | The British Virgin Islands | 100 | 100 | - | - |
| Held by Great (Hong Kong) Limited | | | | | | |
| Grixpro Trading (Xiamen) Co., Ltd [e] | Wholesale of apparel, footwear, headwear, boxes, fabrics and accessories, as well as the import and export business | The People's Republic of China | 100 | 100 | - | - |
| Great (Fujian) Textile Technology Co., Ltd | Production, trading, sales and distribution of textile and apparels | The People's Republic of China | 100 | 100 | - | - |

## 18 INVESTMENTS IN SUBSIDIARIES (CONT'D)

(a) Audited by Quanzhou Huatian Tax Agents Limited for local statutory purposes. For the purpose of preparing the consolidated financial statements, these financial statements have been audited by Nexia TS Public Accounting Corporation, Singapore.

(b) Not required to be audited under the laws of the country of incorporation. For the purpose of preparing the consolidated financial statements, these financial statements have been audited by Nexia TS Public Accounting Corporation, Singapore.

(c) Audited by Charles H.C. Cheung & CPA Limited for local statutory purposes.

(d) Audited by Shanghai Lang Teng Certified Public Accountants for local statutory purposes.

(e) Audited by Xiamen Yong Da Certified Public Accountants for local statutory purposes.

(f) Deemed to be a subsidiary as the Group has the power to govern its financial and operating policies. Audited by Sinomix & Co., CPAs for local statutory purposes.

(g) Audited by Nexia TS Public Accounting Corporation, Singapore.

(h) Newly incorporated entities and no independent auditor has been appointed for financial year ended 31 December 2014.

***Significant restrictions***

Cash and short-term deposits of RMB113,569,000 (2013: RMB118,584,000) are held in the People's Republic of China and are subject to local exchange control regulations. These local exchange control regulations provide for restrictions on exporting capital from the country, other than through normal dividends.

*Carrying value of non-controlling interests*

| | 2014 RMB'000 | 2013 RMB'000 |
|---|---|---|
| Sinex Solutions Limited | - | 295 |
| 183Art Media Pte Ltd | (8) | - |

Management considers that non-controlling interests of the Group is not material, the disclosure of the summarised financial information of subsidiary that has non-controlling interests is not considered necessary.

## 19 PROPERTY, PLANT AND EQUIPMENT

| | Machinery and equipment RMB'000 | Leasehold buildings and workshops RMB'000 | Furniture & fitting and office equipment RMB'000 | Motor vehicles RMB'000 | Total RMB'000 |
|---|---|---|---|---|---|
| **Group** | | | | | |
| **2014** | | | | | |
| ***Cost*** | | | | | |
| Beginning of financial year | 16,478 | 167,913 | 6,669 | 2,977 | 194,037 |
| Additions | 3,768 | 130 | 966 | - | 4,864 |
| Disposal/write-off | (1,899) | - | (201) | - | (2,100) |
| End of financial year | 18,347 | 168,043 | 7,434 | 2,977 | 196,801 |
| ***Accumulated depreciation and impairment*** | | | | | |
| Beginning of financial year | 12,750 | 123,850 | 5,706 | 2,061 | 144,367 |
| Depreciation charge (Note 7) | 1,405 | 3,336 | 1,078 | 255 | 6,074 |
| Disposal/write-off | (1,482) | - | (73) | - | (1,555) |
| End of financial year | 12,673 | 127,186 | 6,711 | 2,316 | 148,886 |
| ***Net book value*** | | | | | |
| End of financial year | 5,674 | 40,857 | 723 | 661 | 47,915 |

## 19 PROPERTY, PLANT AND EQUIPMENT (CONT'D)

| | Machinery and equipment RMB'000 | Leasehold buildings and workshops RMB'000 | Furniture & fitting and office equipment RMB'000 | Motor vehicles RMB'000 | Total RMB'000 |
|---|---|---|---|---|---|
| **Group** | | | | | |
| **2013** | | | | | |
| ***Cost*** | | | | | |
| Beginning of financial year | 20,034 | 164,527 | 6,664 | 2,745 | 193,970 |
| Additions | 518 | 4,225 | 42 | 232 | 5,017 |
| Disposal/write-off | (4,074) | (839) | (37) | - | (4,950) |
| End of financial year | 16,478 | 167,913 | 6,669 | 2,977 | 194,037 |
| ***Accumulated depreciation and impairment*** | | | | | |
| Beginning of financial year | 14,688 | 111 ,176 | 4,842 | 1,817 | 132,523 |
| Depreciation charge (Note 7) | 1,495 | 3,449 | 1,014 | 244 | 6,202 |
| Allowance for impairment (Note 6) | - | 9,988 | - | - | 9,988 |
| Reversal of allowance for impairment (Note 6) | (1,422) | - | (150) | - | (1,572) |
| Disposal/write-off | (2,011) | (763) | - | - | (2,774) |
| End of financial year | 12,750 | 123,850 | 5,706 | 2,061 | 144,367 |
| ***Net book value*** | | | | | |
| End of financial year | 3,728 | 44,063 | 963 | 916 | 49,670 |

| | Furniture & fitting and office equipment RMB'000 |
|---|---|
| **Company** | |
| **2014** | |
| ***Cost*** | |
| Beginning and end of financial year | 117 |
| ***Accumulated depreciation*** | |
| Beginning of financial year | 79 |
| Depreciation charge | 31 |
| End of financial year | 110 |
| ***Net book value*** | |
| End of financial year | 7 |
| **2013** | |
| ***Cost*** | |
| Beginning and end of financial year | 117 |
| ***Accumulated depreciation*** | |
| Beginning of financial year | 48 |
| Depreciation charge | 31 |
| End of financial year | 79 |
| ***Net book value*** | |
| End of financial year | 38 |

(a) Bank borrowings of the Group are secured by the leasehold buildings and workshops of the Group with carrying amounts of approximately RMB1,971,000 (2013: RMB2,159,000) (Note 22). There are no terms and conditions stated in the loan agreements relating to this pledge.

(b) The recoverable amounts of property, plant and equipment has been determined based on the fair value less costs to sell valued by independent third party valuer. No impairment charge was recognised for property, plant and equipment in the financial year ended 31 December 2014 (2013: RMB9,988,000).

(c) During the financial year ended 31 December 2014, no reversal of impairment charge for certain property, plant and equipment previously impaired was recognised (2013: RMB1,572,000).

(d) During the financial year ended 31 December 2014, the Group acquired property, plant and equipment with an aggregate cost of RMB4,864,000 (2013: RMB5,017,000). Cash payments of RMB4,745,000 (2013: RMB4,610,000) were made to purchase property, plant and equipment and the balance of RMB119,000 (2013: RMB407,000) were settled through deposit paid in prior financial year.

As at 31 December 2014, the unutilised deposit for machinery and equipment is RMB1,463,000 (2013: RMB1,575,000). The carrying amounts of deposit for machinery and equipment is approximate its fair value.

## 19 PROPERTY, PLANT AND EQUIPMENT (CONT'D)

***Impairment test for property, plant and equipment***

Property, plant and equipment is allocated to the Group's cash-generating units ("CGUs") identified according to countries of operations and business segments. For the purpose of impairment test, the recoverable amount of the Group's property, plant and equipment was determined based on fair value less costs to sell.

***Valuation processes and techniques of the Group***

The Group engages external, independent and qualified valuer to determine the fair value of the Group's leasehold buildings located at Fujian Jiangnan Hightech Information Industrial Zone ("JHIIZ leasehold property") at 31 December 2014 based on the properties' highest and best use. As at 31 December 2014, the fair values of the properties have been determined by the valuer, Fujian Guangming Assets Assessment & Real Estate Appraisal Co., Ltd as RMB41,281,000 (2013: RMB41,904,000).

JHIIZ leasehold property is located at developing industrial area and was constructed by contractor engaged by the Group as factory building which was completed and put into use during financial year ended 31 December 2012, there were no comparable recent sale transactions. Therefore the valuer has adopted cost approach to value the building, i.e. estimation of the building replacement costs. This valuation approach involves site inspection of the building and estimation of construction costs, including preliminary and consultancy costs, management costs, facilities costs, interest expenses and tax expenses, and estimation of useful lives. The fair value measurement used by the valuer is classified under level 3 of the fair value hierarchy as it involves significant unobservable inputs.

The fair values of other categories of property, plant and equipment are measured internally by management based on observable market information for identical assets, therefore, are classified under level 2. The most significant input into this valuation approach is the estimated selling prices.

There were no changes in valuation techniques during the financial year.

***Fair value hierarchy***

| | Fair value measurements at 31 December 2014 using | | |
|---|---|---|---|
| Description | Quoted prices in active markets for identical assets (Level 1) RMB'000 | Significant other observable inputs (Level 2) RMB'000 | Significant unobservable inputs (Level 3) RMB'000 |
| Non-recurring fair value measurements: | | | |
| - JHIIZ leasehold property | - | - | 38,886 |
| - Other property, plant and equipment | - | 9,029 | - |

| | Fair value measurements at 31 December 2013 using | | |
|---|---|---|---|
| Description | Quoted prices in active markets for identical assets (Level 1) RMB'000 | Significant other observable inputs (Level 2) RMB'000 | Significant unobservable inputs (Level 3) RMB'000 |
| Non-recurring fair value measurements: | | | |
| - JHIIZ leasehold property | - | - | 41,904 |
| - Other property, plant and equipment | - | 7,766 | - |

Movement of fair value measurement

| | Group | |
|---|---|---|
| | 2014 RMB'000 | 2013 RMB'000 |
| Beginning of financial year | 49,670 | 61,447 |
| Change in fair value less depreciation charge | (1,755) | (3,361) |
| Charges recognised in profit or loss, under "Other gains/(losses), net" (Note 6) | - | (9,988) |
| Reversal recognised in profit or loss, under "Other gains/(losses), net" (Note 6) | - | 1,572 |
| End of financial year | 47,915 | 49,670 |

The following table presents the key inputs that were used to determine the fair value of JHIIZ leasehold property categorised under Level 3 of the fair value hierarchy:

| Unobservable inputs | Range of unobservable inputs (probability weighted average) | Relationship of unobservable inputs to fair value |
|---|---|---|
| Estimated construction costs for replacement per square meter | RMB823.24 - RMB899.82 (2013: RMB823.24 – RMB899.82) (RMB861.53) (2013: RMB861.53) | The higher the estimated costs, the higher the fair value. |
| Estimated remaining useful lives | 45 years – 56 years (2013: 46 years – 57 years) (46 years) (2013: 47 years) | The higher the estimated remaining useful lives, the higher the fair value. |

## 20 INTANGIBLE ASSETS

| | Group | | Company | |
|---|---|---|---|---|
| | 2014 RMB'000 | 2013 RMB'000 | 2014 RMB'000 | 2013 RMB'000 |
| Composition: | | | | |
| Land-use rights | 15,710 | 16,062 | - | - |
| Computer software licenses | 280 | 445 | - | - |
| Goodwill arising on consolidation | - | 12,434 | - | - |
| | 15,990 | 28,941 | - | - |

(a) Land-use rights

| | Group | | Company | |
|---|---|---|---|---|
| | 2014 RMB'000 | 2013 RMB'000 | 2014 RMB'000 | 2013 RMB'000 |
| ***Cost*** | | | | |
| Beginning and end of financial year | 17,631 | 17,631 | - | - |
| ***Accumulated amortisation*** | | | | |
| Beginning of financial year | 1,569 | 1,216 | - | - |
| Amortisation charge | 352 | 353 | - | - |
| End of financial year | 1,921 | 1,569 | - | - |
| ***Net book value*** | | | | |
| End of financial year | 15,710 | 16,062 | - | - |

The land-use rights represent medium-term land-use rights for plots of land in the PRC.

Bank borrowings of the Group are secured by the land-use rights of the Group with carrying amounts of approximately RMB15,710,000 (2013: RMB16,062,000) (Note 22). There are no terms and conditions stated in the loan agreements relating to this pledge.

(b) Computer software licenses

| | Group | | Company | |
|---|---|---|---|---|
| | 2014 RMB'000 | 2013 RMB'000 | 2014 RMB'000 | 2013 RMB'000 |
| ***Cost*** | | | | |
| Beginning and end of financial year | 1,020 | 1,020 | 3 | 3 |
| ***Accumulated amortisation*** | | | | |
| Beginning of financial year | 575 | 411 | 3 | 3 |
| Amortisation charge | 165 | 164 | - | - |
| End of financial year | 740 | 575 | 3 | 3 |
| ***Net book value*** | | | | |
| End of financial year | 280 | 445 | - | - |

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

| | Group | |
|---|---|---|
| | 2014 RMB'000 | 2013 RMB'000 |
| Cost of sales | 153 | 153 |
| Selling and distribution expenses | 12 | 11 |
| Administrative expenses | 352 | 353 |
| Total (Note 7) | 517 | 517 |

## 20 INTANGIBLE ASSETS (CONT'D)

(d) Goodwill arising on consolidation

| | Group | | Company | |
|---|---|---|---|---|
| | 2014 RMB'000 | 2013 RMB'000 | 2014 RMB'000 | 2013 RMB'000 |
| Beginning of financial year | 12,434 | - | - | - |
| Goodwill arising on consolidation | - | 12,434 | - | - |
| Deconsolidation of a subsidiary (Note 11) | (12,434) | - | | - |
| End of financial year | - | 12,434 | - | - |

On 31 December 2013, the Company entered into a sale and purchase agreement with Christensen, Jens Fruelund for the purchase of 5,100 shares of Sinex, representing 51% of the issued share capital of Sinex, for an estimated total consideration of US$2,040,000 or equivalent to RMB12,438,000. Sinex was deemed to be a subsidiary of the Group as the Group has the power to govern its financial and operating policies, accordingly the results of Sinex was consolidated into the Group's financial statements and goodwill arising on consolidation of RMB12,434,000 determined provisionally was recognised.

On 23 October 2014, the Company entered into a termination agreement with Christensen, Jens Fruelund to terminate the acquisition of Sinex. Prior thereto, there was loss of control culminating in the resignation of the Group's representative on the board of Sinex in September 2014. Accordingly, the Company has deconsolidated the results of Sinex for the financial period from 1 January 2014 to 25 September 2014 and derecognised the provisional goodwill on consolidation of RMB12,434,000.

## 21 TRADE AND OTHER PAYABLES

| | Group | | Company | |
|---|---|---|---|---|
| | 2014 RMB'000 | 2013 RMB'000 | 2014 RMB'000 | 2013 RMB'000 |
| Trade payables – Non-related parties | 41,927 | 64,322 | - | - |
| Accrued operating expenses | | | | |
| - Salaries and wages | 17,622 | 9,496 | 449 | 238 |
| - Professional fees | 1,954 | 1,027 | 1,954 | 969 |
| - Directors' fees | 215 | 307 | 215 | 307 |
| - Others | 252 | 215 | 197 | 178 |
| | 20,043 | 11,045 | 2,815 | 1,692 |
| Advances from customers – Non-related parties | 10,820 | 8,715 | - | - |
| Non-trade payables | | | | |
| - Non-related parties | 5,048 | 9,073 | - | - |
| - Subsidiaries | - | - | 16,054 | 12,841 |
| | 5,048 | 9,073 | 16,054 | 12,841 |
| Purchase consideration [Note 35(a)] | - | 3,049 | - | - |
| Contingent consideration payable [Note 35(a)] | - | 6,040 | - | - |
| | 77,838 | 102,244 | 18,869 | 14,533 |

The non-trade payables to subsidiaries are unsecured, interest-free and are payable on demand.

As a result of the deconsolidation of Sinex, the Group has derecognised the outstanding purchase consideration and contingent consideration amounting to RMB3,049,000 and RMB6,040,000 respectively during the financial year ended 31 December 2014 (Note 11).

## 22 BORROWINGS

| | Group | |
|---|---|---|
| | 2014 RMB'000 | 2013 RMB'000 |
| *Current* | | |
| Bank borrowings | 90,380 | 85,600 |
| Bills payable | 85,840 | 57,285 |
| Trade financing | 130,167 | 124,094 |
| Total borrowings | 306,387 | 266,979 |

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

| | Group | |
|---|---|---|
| | 2014 RMB'000 | 2013 RMB'000 |
| 6 months or less | 199,351 | 235,379 |
| 6 – 12 months | 107,036 | 31,600 |
| | 306,387 | 266,979 |

Bank borrowings of the Group are secured over leasehold buildings and workshops (Note 19) and land-use rights [Note 20(a)] of the Group and joint and several guarantees from a shareholder and its related parties. Bills payable of the Group are secured by certain short-term bank deposits of the Group (Note 13) and corporate guarantee from certain subsidiaries. Trade financing of the Group are secured by certain trade receivables (Note 14) and joint and several guarantees from a shareholder and its related parties.

## 23 PROVISION FOR RESTRUCTURING

During the financial year ended 31 December 2013, the Board of Directors approved a restructuring plan to restructure its contract manufacturing business segment in the PRC due to a decrease in customer demand as a result of the economic crisis. The Group recognised a provision of RMB6,376,000 for expected restructuring costs, including consulting fees and employee termination benefits. Estimated costs were based on the terms of the relevant contracts and compensation agreed with employees. The provision for restructuring has been fully utilised during the financial year ended 31 December 2014.

Movement in provision for restructuring is as follows:

| | Group | |
|---|---|---|
| | 2014 RMB'000 | 2013 RMB'000 |
| Beginning of financial year | 6,376 | - |
| Provision made (Note 6) | - | 6,376 |
| Provision utilised | (6,376) | - |
| End of financial year | - | 6,376 |

## 24 SHARE CAPITAL

| | No. of ordinary shares | Amount RMB'000 |
|---|---|---|
| **Group and Company** | | |
| **2014** | | |
| Beginning and end of financial year | 265,000,000 | 104,766 |
| **2013** | | |
| Beginning and end of financial year | 265,000,000 | 104,766 |

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

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

## 25 RESTRUCTURING RESERVE

Business combination involving entities under common control are accounted for under the "pooling-of-interest" method. The acquisitions of the subsidiaries by the Company were pursuant to the Restructuring Exercise in connection with the listing of the Company on the SGX-ST.

The restructuring reserve represents the differences between the cost of investment and nominal value of share capital of the merged subsidiaries. The restructuring reserve is non-distributable.

## 26 CURRENCY TRANSLATION RESERVE

| | Group | |
|---|---|---|
| | 2014 RMB'000 | 2013 RMB'000 |
| Beginning of financial year | 157 | (15) |
| Reclassification on deconsolidation of a subsidiary (Note 13) | 21 | - |
| Net currency translation differences of financial statements of foreign subsidiaries | - | 172 |
| End of financial year | 178 | 157 |

Currency translation reserve is non-distributable.

## 27 WARRANT RESERVE

On 20 May 2013, the Company issued 30,000,000 warrants at an issue price of S$0.005 for each warrant for a total of S$150,000 (or equivalent to RMB727,000). Each warrant carries the right to subscribe for one new ordinary share in the capital of the Company at an exercise price of S$0.075 for each new share totaling S$2,250,000 (or equivalent to RMB10,439,000), on the basis of one warrant for one share of the Company.

The value of the warrants is credited as a reserve in equity under warrant reserve and an appropriate amount is transferred to the share capital as and when the warrants are exercised. The warrant exercise period starts from 1 January 2014 and expires on 18 July 2016.

As at 31 December 2014, no warrant was exercised and converted into ordinary share of the Company. The number of warrants outstanding as at 31 December 2014 was 30,000,000 (2013: 30,000,000).

Warrant reserve is non-distributable.

## 28 PERFORMANCE SHARES

The Great Group Performance Share Scheme (the "PSS" or the "Plan") was approved by members of the Company at an Extraordinary General Meeting on 18 June 2009 under which awards (the "Award") of fully-paid shares, will be issued free of charge, to the Directors (including Non-Executive Directors) and employees of the Group, provided that certain prescribed performance targets are met and/or upon the prescribed vesting periods.

On 5 June 2013, 8,700,000 performance shares were granted to Non-Executive Directors and employees under the Plan. The vesting of the share awards is subject to achieving pre-determined performance targets over the relevant performance periods. The fair value of the performance shares was determined to be RMB886,000 based on the market price of the Company's share at the grant date. The shares vest over one year from the grant date. As mentioned previously, all the shares awards granted have lapsed as at 31 December 2014.

Movements in the number of performance shares during the financial year were as follows:

| Grant date | Outstanding at 1 January 2014 ('000) | Granted ('000) | Vested and released ('000) | Cancelled ('000) | Outstanding at 31 December 2014 ('000) |
|---|---|---|---|---|---|
| 5 June 2013 | 8,700 | - | - | (8,700) | - |

| Grant date | Outstanding at 1 January 2013 ('000) | Granted ('000) | Vested and released ('000) | Cancelled ('000) | Outstanding at 31 December 2013 ('000) |
|---|---|---|---|---|---|
| 5 June 2013 | - | 8,700 | - | - | 8,700 |

## 29 SHARES TO BE ISSUED

On 31 December 2013, the Company entered into a sale and purchase agreement ("Agreement") with Christensen Jens Fruelund ("Jens" of the "Vendor") for the acquisition of 51% equity interests in Sinex for total consideration of US$2.04 million (equivalent to RMB12,438,000). Part of the consideration will be settled via the issuance of 10,000,000 new ordinary shares of the Company ("Consideration Shares") which is payable upon the transfer of legal shareholdings of Sinex to the Group. The Consideration Shares at a fair value of S$0.07 each, amounting to S$700,000 (or approximately RMB3,349,000) to be issued subsequent to 31 December 2013 has been accounted for as equity instruments under shareholders' funds as "Shares to be issued" (Note 35).

As a result of deconsolidation of Sinex, the Group has derecognised the shares to be issued. Movements in the shares to be issued during the financial were as follows:

| | Group | | Company | |
|---|---|---|---|---|
| | 2014 RMB'000 | 2013 RMB'000 | 2014 RMB'000 | 2013 RMB'000 |
| Beginning of financial year | 3,349 | - | 3,349 | - |
| Consolidation of a subsidiary | - | 3,349 | - | 3,349 |
| Deconsolidation of a subsidiary (Note 13) | (3,349) | - | (3,349) | - |
| End of financial year | - | 3,349 | - | 3,349 |

## 30 ACCUMULATED LOSSES

Movement in accumulated losses of the Company is as follows:

| | Company | |
|---|---|---|
| | 2014 RMB'000 | 2013 RMB'000 |
| Beginning of financial year | (181,852) | (6,095) |
| Net loss | (5,878) | (175,757) |
| End of financial year | (187,730) | (181,852) |

## 31 COMMITMENTS AND CONTINGENCIES

(a) Commitments

*(i) Operating lease commitments – where the Group and the Company are the lessees*

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

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

| | Group | | Company | |
|---|---|---|---|---|
| | 2014 RMB'000 | 2013 RMB'000 | 2014 RMB'000 | 2013 RMB'000 |
| Not later than one year | 44 | 167 | 41 | 118 |

*(ii) Capital commitments*

The Company has on 6 May 2013 signed a License Agreement with SAPO investment Pte Ltd (the "Licensor"), pursuant to which the Company has been granted a license by the Licensor to perform a show for total license fee of S$2,000,000 (or equivalent to RMB9,694,000). The license is valid till 31 December 2013 which was extended to 31 December 2014 pursuant to Amendment Agreement signed on 31 December 2013.

On 18 November 2014, the Company through its legal counsel notified the Licensor of its rights to terminate the Amendment Agreement which expired on 18 December 2014. Pursuant to the clause 8.2 of the License Agreement, the Company is considered to have properly terminated the License Agreement and is not obliged to pay the remaining license fee. As at 31 December 2013, the amounts contracted for but not recognised in the financial statements amount to S$1,700,000 (or equivalent to RMB8,239,000).

## 31 COMMITMENTS AND CONTINGENCIES (CONT'D)

(b) Contingencies

On 31 December 2014, Quanzhou Tax Bureau issued a notification to the Company to complete the administrative procedures at Quanzhou Tax Bureau to act as the withholding agent of the Withholding Tax Payable amounting to RMB5,718,000 (the" Withholding Agent") arising from a share transfer agreement with Great Holdings HK Limited ("Great HK") for the acquisition of 100% equity interests in Fujian Great Fashion Industry Co., Ltd ("Fujian Great") and Quanzhou Great Garments Co., Ltd ("Quanzhou Great") (collectively, the "Share Transfer") for consideration of HK$15million and HK$10 million respectively (collectively the "Acquisition Consideration"). This notification further states that as the Company is deemed to be the Withholding Agent, it is responsible for the payment for the Withholding Tax Payable before 4 January 2015 (the "Tax Treatment Notification"). On 12 January 2015, Quanzhou Tax Bureau had notified the Company to make payment for the Withholding Tax Payable which is due on 27 January 2015. As at the date of this report, the Company has not made payment for Withholding Tax Payable as management is advised by the legal counsel that pursuant to the relevant and applicable PRC Tax Laws and Regulations, the party responsible for the payment of Withholding Tax Payable should be Great HK, instead of the Company and/or any of its subsidiaries.

Subsequently, on 28 January 2015, Quanzhou Tax Bureau had notified Great Holdings to pay an administrative penalty of approximately RMB5,718,000 (the" Withholding Tax Penalty") for its failure to withhold and make payment for the Withholding Tax Payable (the "Penalty Notice").

Management is of the view that pursuant to the provisions of Law of the People's Republic of China on the Administration of Tax Collection, the time limit to impose any administrative penalties (the "Statutory Limit") shall within five years of such violations of the laws or administrative regulations on the tax collection which deserves administrative penalties and as the shares transfer took place on 7 October 2008, being more than five years from the date of the Penalty Notice, the statutory limit has expired, the Company has reasonable ground to defend itself. Accordingly, the Company had submitted the hearing application to Quanzhou State Tax Bureau which had been held on 13 February 2015. The results of the hearing have not been concluded by Quanzhou State Tax Bureau as at the date of this report.

The Company has been advised by its legal counsel that it is possible, but not probable, that Quanzhou State Tax Bureau would accept the defence and therefore the Company, based on the legal advice, are of the opinion that no provision for any liability has been made in these financial statements.

## 32 FINANCIAL RISK MANAGEMENT

*Financial risk factors*

The Group's activities expose it to market risk (including currency risk, interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management strategy seeks to minimise adverse effects from the unpredictability of financial markets on the Group's financial performance.

The Board of Directors is responsible for setting the objectives and underlying principles of financial risk management for the Group. This includes establishing policies such as authority levels, oversight responsibilities, risk identification and measurement and exposure limits.

(a) Market risk

*(i) Currency risk*

The Group operates in the PRC with most of the transactions settled in RMB. However, the Group sells to overseas customers mostly in United States Dollar ("USD"), it is therefore exposed to currency risk. In addition, the Group is exposed to currency translation risk on the net assets of the Group's operations outside the PRC. To manage the currency risk, the Group enters into currency forwards with local banks.

Currency risk arises within entities in the Group when transactions are denominated in foreign currencies such as the Singapore Dollar ("SGD"), United Stated Dollar ("USD"), Hong Kong Dollar ("HKD") and Euro Dollar ("EUR"). To manage the currency risk, individual Group entities enter into currency forwards with Group Treasury. Group Treasury in turn manages the overall currency exposure mainly by entering into currency forwards with banks.

The Group's risk management policy is to hedge between 30% to 50% of highly probable forecast transactions (mainly export sales and collection in USD) in the next three to twelve months. The management monitors the requirement to enter into currency forward agreements based on the current exchange rates between USD and RMB taking into consideration the quotation from local banks, past trends and anticipated fluctuation in the exchange rates and current PRC and world market conditions.

## 32 FINANCIAL RISK MANAGEMENT (CONT'D)

(a) Market risk (cont'd)

*(i) Currency risk (cont'd)*

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

| | RMB RMB'000 | USD RMB'000 | Other RMB'000 | Total RMB'000 |
|---|---|---|---|---|
| **Group** | | | | |
| **At 31 December 2014** | | | | |
| **Financial assets** | | | | |
| Cash and cash equivalents | 105,118 | 7,247 | 1,204 | 113,569 |
| Trade and other receivables | 151,196 | 5,179 | - | 156,375 |
| Receivables from subsidiaries | 127,806 | - | - | 127,806 |
| Other financial assets | 31 | - | 23 | 54 |
| Derivative financial assets | - | 2,293 | - | 2,293 |
| | 384,151 | 14,719 | 1,227 | 400,097 |
| **Financial liabilities** | | | | |
| Borrowings | 248,626 | 57,761 | - | 306,387 |
| Payables to subsidiaries | 127,806 | - | - | 127,806 |
| Other financial liabilities | 64,046 | 14 | 2,958 | 67,018 |
| | 440,478 | 57,775 | 2,958 | 501,211 |
| **Net financial liabilities** | (56,327) | (43,056) | (1,731) | (101,114) |
| Add: Net non-financial assets | 127,155 | (10,076) | 7 | 117,086 |
| **Net assets/(liabilities)** | 70,828 | (53,132) | (1,724) | 15,972 |
| Add: Currency forwards | - | 124,673 | - | 124,673 |
| **Currency profile including non-financial assets/(liabilities)** | 70,828 | 71,541 | (1,724) | 140,645 |
| **Currency exposure of financial assets/(liabilities), net of those denominated in the respective entities' functional currencies** | - | 71,541 | (1,828) | (69,713) |
| **At 31 December 2013** | | | | |
| **Financial assets** | | | | |
| Cash and cash equivalents | 71,105 | 47,346 | 133 | 118,584 |
| Trade and other receivables | 122,573 | 19,750 | 1,785 | 144,108 |
| Receivables from subsidiaries | 121,284 | - | - | 121,284 |
| Other financial assets | - | - | 279 | 279 |
| Derivative financial assets | - | 817 | - | 817 |
| | 314,962 | 67,913 | 2,197 | 385,072 |
| **Financial liabilities** | | | | |
| Borrowings | 155,652 | 111,327 | - | 266,979 |
| Payables to subsidiaries | 121,284 | - | - | 121,284 |
| Other financial liabilities | 71,943 | 17,217 | 4,369 | 93,529 |
| | 348,879 | 128,544 | 4,369 | 481,792 |
| **Net financial liabilities** | (33,917) | (60,631) | (2,172) | (96,720) |
| Add: Net non-financial assets | 124,880 | 12,433 | 1,347 | 138,660 |
| **Net assets/(liabilities)** | 90,963 | (48,198) | (825) | 41,940 |
| Add: Currency forwards | - | 40,534 | - | 40,534 |
| **Currency profile including non-financial assets/(liabilities)** | 90,963 | (7,664) | (825) | 82,474 |
| **Currency exposure of financial liabilities, net of those denominated in the respective entities' functional currencies** | - | (20,097) | (287) | (20,384) |

## 32 FINANCIAL RISK MANAGEMENT (CONT'D)

(a) Market risk (cont'd)

*(i) Currency risk (cont'd)*

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

| | RMB RMB'000 | Other RMB'000 | Total RMB'000 |
|---|---|---|---|
| **Company** | | | |
| **At 31 December 2014** | | | |
| **Financial assets** | | | |
| Cash and cash equivalents | - | 1,047 | 1,047 |
| Other receivables | 1,401 | - | 1,401 |
| Other financial assets | - | 31 | 31 |
| | 1,401 | 1,078 | 2,479 |
| **Financial liabilities** | | | |
| Other financial liabilities | 15,704 | 3,165 | 18,869 |
| **Net financial (liabilities)/assets** | (14,303) | (2,087) | (16,390) |
| Add: Net non-financial assets/(liabilities) | 47,827 | 366 | 48,193 |
| **Currency profile including non-financial assets** | 33,524 | (1,721) | 31,803 |
| **Currency exposure of financial assets, net of those denominated in the Company's functional currency** | - | (1,721) | (1,721) |
| **At 31 December 2013** | | | |
| **Financial assets** | | | |
| Cash and cash equivalents | - | 48 | 48 |
| Other receivables | 4,116 | 4,803 | 8,919 |
| Other financial assets | - | 32 | 32 |
| | 4,116 | 4,883 | 8,999 |
| **Financial liabilities** | | | |
| Other financial liabilities | 12,840 | 1,693 | 14,533 |
| **Net financial (liabilities)/assets** | (8,724) | 3,190 | (5,534) |
| Add: Net non-financial assets/(liabilities) | 47,826 | (376) | 47,450 |
| **Currency profile including non-financial assets** | 39,102 | 2,814 | 41,916 |
| **Currency exposure of financial assets, net of those denominated in the Company's functional currency** | - | 3,190 | 3,190 |

If the USD changes against the RMB by 6% (2013: 6%) with all other variables including tax rate being held constant, the effects arising from the net financial liability/asset position to the net profit of the Group and the Company will be as follows:

| | Increase/(Decrease) | | | |
|---|---|---|---|---|
| | Group | | Company | |
| | 2014 RMB'000 | 2013 RMB'000 | 2014 RMB'000 | 2013 RMB'000 |
| USD against RMB | | | | |
| - Weakened | (3,219) | 904 | - | - |
| - Strengthened | 3,219 | (904) | - | - |

If other foreign currencies change against the RMB by 2% (2013: 2%) with all other variable including tax rate being held constant, the effects arising from the net financial liability/asset position to the net profit and equity of the Group and the Company will not be significant.

*(ii) Cash flow and fair value interest rate risks*

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. As the Group has no significant interest-bearing assets, the Group's income is substantially independent of changes in market interest rates.

The Group's interest rate risk mainly arises from bank borrowings at fixed interest rates. The Group manages its interest rate risk by keeping bank borrowings to the minimum requirement to sustain the operations of the Group.

If the interest rates increase/decrease by 1% (2013: 1%) with all other variables including tax rate being held constant, the net profit of the Group would have been lower/higher by RMB1,686,000 (2013: RMB2,097,000) as a result of higher/lower interest expenses on these borrowings.

## 32 FINANCIAL RISK MANAGEMENT (CONT'D)

(b) Credit risk

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Group. For trade receivables, the Group adopts the policy of dealing only with customers of appropriate credit history, and obtaining cash deposits where appropriate to mitigate credit risk. For advances to suppliers which related to refundable deposits paid to secure the pricing and order of inventories, the Group assesses the creditworthiness and quality of the suppliers prior to placing orders. For other financial assets, the Group adopts the policy of dealing only with high credit quality counterparties.

Credit exposure to an individual counterparty is restricted by credit limits and terms that are approved by the Chief Executive Officer ("CEO"). In assessing the credit limits and terms granted, the Group considers the nature of the contract, creditworthiness, payment history and the relationship with the customers. In order to manage the credit risk, the Group purchase insurance from reputable insurance company in the PRC.

As the Group does not hold any collateral, the maximum exposure to credit risk for each class of financial instruments is the carrying amount of that class of financial instruments presented on the balance sheet. The Group's major classes of financial assets are trade receivables, advances to suppliers and cash and cash equivalents.

The trade receivables of the Group comprise 3 debtors (2013: 3 debtors) that individually represented > 10% (2013: > 5%) of trade receivables.

The advances to suppliers of the Group comprise 1 supplier (2013: 6 suppliers) that individually represented > 40% (2013: > 4%) of advances to suppliers.

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

| | Group | | Company | |
|---|---|---|---|---|
| | 2014 RMB'000 | 2013 RMB'000 | 2014 RMB'000 | 2013 RMB'000 |
| By types of customers | | | | |
| Non-related parties | | | | |
| - Multi-national companies | 18,720 | 16,165 | - | - |
| - Other companies | 29,736 | 27,918 | - | - |
| | 48,456 | 44,083 | - | - |

| | Group | | Company | |
|---|---|---|---|---|
| | 2014 RMB'000 | 2013 RMB'000 | 2014 RMB'000 | 2013 RMB'000 |
| By geographical areas | | | | |
| People's Republic of China | 31,135 | 24,295 | - | - |
| France | 5,863 | 7,115 | - | - |
| Sweden | 4,337 | 2,890 | - | - |
| Canada | 1,886 | 59 | - | - |
| Netherlands | 1,358 | 4,069 | - | - |
| Russia | 1,010 | 1,085 | - | - |
| Denmark | 894 | 1,867 | - | - |
| Germany | - | 1,554 | - | - |
| Other countries | 1,973 | 1,149 | - | - |
| | 48,456 | 44,083 | - | - |

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

| | Group | | Company | |
|---|---|---|---|---|
| | 2014 RMB'000 | 2013 RMB'000 | 2014 RMB'000 | 2013 RMB'000 |
| By types of suppliers | | | | |
| Non-related parties | | | | |
| - Other companies | 99,829 | 95,535 | - | - |
| By geographical areas | | | | |
| People's Republic of China | 99,829 | 95,535 | - | - |

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

Bank deposits that are neither past due nor impaired are mainly deposits with banks with high credit-ratings assigned by international credit-rating agencies. Trade receivables and advances to suppliers that are neither past due nor impaired are substantially companies with a good collection track record and good supply record with the Group. The Group has no trade receivables and advances to suppliers past due or impaired that were re-negotiated during the financial year.

**32 FINANCIAL RISK MANAGEMENT (CONT'D)**

(b) Credit risk (cont'd)

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

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

Trade receivable – Non-related parties

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

| | Group | | Company | |
|---|---|---|---|---|
| | 2014 RMB'000 | 2013 RMB'000 | 2014 RMB'000 | 2013 RMB'000 |
| Past due less than 3 months | 16,865 | 7,374 | - | - |
| Past due 3 to 6 months | 962 | 1,001 | - | - |
| | 17,827 | 8,375 | - | - |

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

| | Group | | Company | |
|---|---|---|---|---|
| | 2014 RMB'000 | 2013 RMB'000 | 2014 RMB'000 | 2013 RMB'000 |
| Past due 3 to 6 months | 962 | 102,960 | - | - |
| Past due over 6 months | 137,644 | 37,024 | - | - |
| | 138,606 | 139,984 | - | - |
| Less: Allowance for impairment | (137,793) | (136,905) | - | - |
| | 813 | 3,079 | - | - |
| Beginning of financial year | 136,905 | 2,846 | - | - |
| Allowance made (Note 7) | 2,302 | 134,316 | - | - |
| Allowance written-back (Note 7) | (1,414) | (257) | | |
| End of financial year (Note 14) | 137,793 | 136,905 | - | - |

The allowance for impairment on trade receivables arose mainly from sales to customers and distributors of which the balances have been long overdue and have defaulted on the payments, thus higher potential collectability issues.

Advances to suppliers – Non-related parties

The age analysis of advances to suppliers past due but not impaired is as follows:

| | Group | | Company | |
|---|---|---|---|---|
| | 2014 RMB'000 | 2013 RMB'000 | 2014 RMB'000 | 2013 RMB'000 |
| Past due less than 3 months | 32,723 | 19,842 | - | - |
| Past due 3 to 6 months | 23,872 | 13,374 | - | - |
| Past due over 6 months | 5,356 | 4,940 | - | - |
| | 61,951 | 38,156 | - | - |

The carrying amount of advances to suppliers individually determined to be impaired and the movement in the related allowances for impairment are as follows:

| | Group | | Company | |
|---|---|---|---|---|
| | 2014 RMB'000 | 2013 RMB'000 | 2014 RMB'000 | 2013 RMB'000 |
| Past due over 6 months | 5,356 | 3,568 | - | - |
| Less: Allowance for impairment | (3,393) | (3,568) | - | - |
| | 1,963 | - | - | - |
| Beginning of financial year | 3,568 | 1,991 | - | - |
| Allowance made (Note 7) | 1,603 | 2,416 | - | - |
| Allowance written-back (Note 7) | (1,778) | (839) | - | - |
| End of financial year (Note 14) | 3,393 | 3,568 | - | - |

The allowance for impairment on advances to suppliers arose mainly from advances to suppliers of which the balances have not been utilised or refunded for more than one year as at the end of the reporting period.

## 32 FINANCIAL RISK MANAGEMENT (CONT'D)

(c) Liquidity risk

The Group manages the liquidity risk by maintaining sufficient cash and cash equivalents to enable them to meet their normal operating commitments, and adequate amount of committed credit facilities.

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

| | Group | | Company | |
|---|---|---|---|---|
| | 2014 RMB'000 | 2013 RMB'000 | 2014 RMB'000 | 2013 RMB'000 |
| **Less than one year** | | | | |
| Trade and other payables | 67,018 | 93,529 | 18,869 | 14,533 |
| Borrowings | 306,387 | 266,979 | - | - |
| | 373,405 | 360,508 | 18,869 | 14,533 |

The table below analyses the Group's derivative financial instruments for which contractual maturities are essential for an understanding of the timing of the cash flows into relevant maturity groupings based on the remaining period from the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balance due within 12 months equal their carrying balances as the impact of discounting is not significant.

| | Group | | Company | |
|---|---|---|---|---|
| | 2014 RMB'000 | 2013 RMB'000 | 2014 RMB'000 | 2013 RMB'000 |
| **Less than one year** | | | | |
| Gross-settled currency forward | | | | |
| - Receipts | 124,673 | 40,534 | - | - |
| - Payments | (122,380) | (39,717) | - | - |

(d) Capital risk

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

Management monitors capital based on a gearing ratio. The Group and the Company are not required by the banks to maintain financial ratios. In view of the higher working capital requirement and reduction in the performance of the business, the Group and the Company have changed their strategies regarding gearing ratios to not more than 100%. Management will review the gearing ratios regularly based on operations and performance of the Group.

The gearing ratio is calculated as net debt divided by total capital. Net debt is calculated as borrowings plus trade and other payables less cash and cash equivalents. Total capital is calculated as equity plus net debt.

| | Group | | Company | |
|---|---|---|---|---|
| | 2014 RMB'000 | 2013 RMB'000 | 2014 RMB'000 | 2013 RMB'000 |
| Net debt | 270,656 | 250,639 | 17,822 | 14,485 |
| Total equity | 15,972 | 41,940 | 31,803 | 41,916 |
| Total capital | 286,628 | 292,579 | 49,625 | 56,401 |
| **Gearing ratio** | 94% | 86% | 36% | 26% |

The Group has no externally imposed capital requirements for the financial years ended 31 December 2014 and 31 December 2013.

(e) Fair value measurements

The following table presents assets and liabilities measured at fair value and classified by level of the following fair value measurement hierarchy:

(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 (is as prices) or indirectly (i.e. derived from prices) (Level 2); and

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

The fair value of currency forward contracts is determined using quoted forward currency rates at the balance sheet date. This investment is classified as Level 2.

The carrying amount less impairment provision of trade receivables and payables are assumed to approximate their fair values. The carrying amount of current borrowings approximates the fair value.

## 32 FINANCIAL RISK MANAGEMENT (CONT'D)

(f) Financial instruments by category

The carrying amount of financial instruments other than those disclosed on the face of balance sheet and Note 17 to the financial statements is as follows:

| | Group | | Company | |
|---|---|---|---|---|
| | 2014 RMB'000 | 2013 RMB'000 | 2014 RMB'000 | 2013 RMB'000 |
| Loans and receivables | 269,998 | 262,971 | 2,479 | 8,999 |
| Financial liabilities at amortised cost | 373,405 | 360,508 | 18,869 | 14,533 |

## 33 RELATED PARTY TRANSACTIONS

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

(i) Sales and purchase of goods and services

| | Group | |
|---|---|---|
| | 2014 RMB'000 | 2013 RMB'000 |
| Services received from other related parties | 880 | 680 |

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

Outstanding balances at 31 December 2014, arising from sale/purchase of goods and services, are unsecured and receivable/payable within 12 months from balance sheet date are disclosed in Notes 14 and 21 respectively.

(ii) Key management personnel compensation (representing compensation to directors and executive officers of the Group) is as follows:

| | Group | |
|---|---|---|
| | 2014 RMB'000 | 2013 RMB'000 |
| Wages and salaries | 2,745 | 2,911 |
| Directors' fees | 794 | 1,224 |
| Employer's contribution to defined contribution plans including CPF | 134 | 176 |
| Employee performance share | - | 886 |
| Other short-term benefits | 183 | 155 |
| | 3,856 | 5,352 |

Included in the above is total compensation to directors of the Company amounted to RMB1,792 ,000 (2013: RMB2,458,000).

## 34 SEGMENT INFORMATION

Management has determined the operating segments based on the reports reviewed by the Executive Chairman and CEO that are used to make strategic decisions.

The Executive Chairman and CEO consider the business from both geographical and business segment perspectives. Geographically, management manages and monitors the business mainly in the People's Republic of China. From a business segment perspective, following the deconsolidation of Sinex and restructuring of existing business segment, the Group's continuing operations derives its revenue solely from Contract manufacturing, i.e. manufacturing and sale of garments (including the Group's propriety brand, GRAT. UNIC) directly to local and overseas major retail chains and/or owners of international brand. Other service within Singapore mainly relates to investment holding and is not included within the reportable operations segments as it is not included in the segment reports provided to the Executive Chairman and CEO. The result of its operations is included under "All other segment".

During the financial year ended 31 December 2014, the Group restructured certain business segment through the contract manufacturing and GRAT. UNIC business and disposal of the brand solutions. For better management and monitoring of the performance of the Group's business, management has reclassified the business segments as contract manufacturing.

As a result of the reclassification, the Group has restated the business segments for financial year ended 31 December 2013 to reflect the newly reportable segments and to align with current financial year's presentation.

## 34 SEGMENT INFORMATION (CONT'D)

| | Contract Manufacturing RMB'000 | Total RMB'000 |
|---|---|---|
| **2014** | | |
| **Sales** | | |
| Sales to external parties | 356,634 | 356,634 |
| **Gross profit** | 24,670 | 24,670 |
| Other gains, net | | 6,040 |
| Selling and distribution expenses | | (10,726) |
| Administrative expenses | | (27,510) |
| Finance expenses | | (10,092) |
| Loss before income tax | | (17,618) |
| Income tax expense | | (5,454) |
| **Net loss** | | (23,072) |
| Net loss includes: | | |
| - Depreciation of property, plant and equipment | 6,074 | 6,074 |
| - Amortisation of intangible assets | 517 | 517 |
| - Impairment of trade receivables | 2,302 | 2,302 |
| - Write back of allowance for impairment of trade receivables | (1,414) | (1,414) |
| - Impairment of advances to suppliers | 1,603 | 1,603 |
| - Write back of allowance for impairment of advances to suppliers | (1,778) | (1,778) |
| - Inventories written-down | 1,653 | 1,653 |
| - Reversal of inventories written-down | (1,270) | (1,270) |
| **Segment assets** | 399,869 | 399,869 |
| Segment assets includes: | | |
| Additions to: | | |
| - property, plant and equipment | 4,864 | 4,864 |
| - deposit for machinery and equipment | 1,463 | 1,463 |
| **Segment liabilities** | 383,927 | 383,927 |
| **2013** | | |
| **Sales** | | |
| Sales to external parties | 406,535 | 406,535 |
| **Gross loss** | (28,211) | (28,211) |
| Other losses, net | | (18,501) |
| Selling and distribution expenses | | (12,592) |
| Administrative expenses | | (164,070) |
| Finance expenses | | (9,917) |
| Loss before income tax | | (233,291) |
| Income tax expense | | (8,219) |
| **Net loss** | | (241,510) |
| Net loss includes: | | |
| - Depreciation of property, plant and equipment | 6,202 | 6,202 |
| - Amortisation of intangible assets | 517 | 517 |
| - Impairment of property, plant and equipment | 9,988 | 9,988 |
| - Reversal of allowance for impairment of property, plant and equipment | (1,572) | (1,572) |
| - Impairment of trade receivables | 134,316 | 134,316 |
| - Write back of allowance for impairment of trade receivables | (257) | (257) |
| - Impairment of advances to suppliers | 2,416 | 2,416 |
| - Write back of allowance for impairment of advances to suppliers | (839) | (839) |
| - Advances to suppliers written-off | 17,311 | 17,311 |
| - Inventories written-down | 1,554 | 1,554 |
| - Reversal of inventories written-down | (1,374) | (1,374) |
| **Segment assets** | 403,335 | 403,335 |
| Segment assets includes: | | |
| Additions to: | | |
| - property, plant and equipment | 5,017 | 5,017 |
| - deposit for machinery and equipment | 1,575 | 1,575 |
| **Segment liabilities** | 361,228 | 361,228 |

## 34 SEGMENT INFORMATION (CONT'D)

Sales between segments are carried out at market terms. The revenue from external parties reported to the Executive Chairman and CEO is measured in a manner consistent with that in the statement of comprehensive income.

The Executive Chairman and CEO assess the performance of the operating segments based on gross profit. Segment results represent the profit earned by each segment without allocation of selling and distribution expenses, administration expenses, other losses/gains, finance expenses and income tax expense. This is the measure reported to the Executive Chairman and CEO for the purposes of resource allocation and assessment of segment performance.

**Reportable segments' assets are reconciled to total assets as follows:**

The amounts provided to the Executive Chairman and CEO with respect to total assets are measured in a manner consistent with that of the financial statements. For the purposes of monitoring segment performance and allocating resources between segments, the Executive Chairman and CEO monitors the property, plant and equipment, intangible assets, inventories and receivables attributable to each segment.

All assets are allocated to reportable segments other than common property, plant and equipment that are being used by other segments, goodwill, cash and cash equivalents, other receivables and other current assets.

| | Group | |
|---|---|---|
| | 2014 RMB'000 | 2013 RMB'000 |
| Segment assets for reportable segments | 399,869 | 403,335 |
| Unallocated | | |
| - Cash and cash equivalents | 1,047 | 48 |
| - Other receivables | 1,401 | 3,716 |
| - Goodwill | - | 12,434 |
| - Other current assets | 390 | 129 |
| - Property, plant and equipment | 7 | 38 |
| | 402,714 | 419,700 |

**Reportable segments' liabilities are reconciled to total liabilities as follows:**

The amounts provided to the Executive Chairman and CEO with respect to total liabilities are measured in a manner consistent with that of the financial statements. These liabilities are allocated based on the operations of the segments. All liabilities are allocated to the reportable segments other than other payables.

| | Group | |
|---|---|---|
| | 2014 RMB'000 | 2013 RMB'000 |
| Segment liabilities for reportable segments | 383,927 | 361,228 |
| Unallocated | | |
| - Other payables | 2,815 | 16,532 |
| | 386,742 | 377,760 |

**Revenue from major products and major customers**

Revenues from external customers are derived solely from the sale of goods under contract manufacturing business segment as disclosed in Note 5.

Revenues of approximately RMB58,385,000 (2013: RMB99,440,000) are derived from three (2013: two) external customers which take up more than 5% (2013: 10%) of total revenue. These revenues are attributable to the contract manufacturing segment.

## 34 SEGMENT INFORMATION (CONT'D)

**Geographical information**

The Group's sole business segment generated its revenue from the following main geographical areas based on customers' locations:

| | 2014 RMB'000 | 2013 RMB'000 |
|---|---|---|
| By geographical areas | | |
| People's Republic of China | 68,321 | 88,126 |
| Netherlands | 43,924 | 65,160 |
| United Kingdom | 36,200 | 22,796 |
| France | 35,269 | 27,136 |
| Sweden | 24,984 | 20,707 |
| United States of America | 20,265 | 26,413 |
| Chile | 19,909 | 26,068 |
| Spain | 15,457 | 23,173 |
| Japan | 14,316 | 3,632 |
| Russia | 10,760 | 15,815 |
| Ireland | 10,309 | 9,770 |
| Switzerland | 8,838 | 6,305 |
| Germany | 8,537 | 15,512 |
| Australia | 5,872 | 1,372 |
| Denmark | 5,677 | 8,529 |
| Canada | 5,144 | 1,958 |
| The United of Arab Emirates | 4,811 | 3,794 |
| Belgium | 4,446 | 3,683 |
| Israel | 1,159 | 1,245 |
| Poland | 1,137 | 335 |
| Italy | 1,062 | 1,578 |
| Latvia | 888 | 545 |
| Uruguay | 626 | 3,673 |
| Panama | - | 10,609 |
| Finland | - | 5,141 |
| Slovenia | - | 3,071 |
| Jordan | - | 2,244 |
| Other countries | 8,723 | 8,145 |
| | 356,634 | 406,535 |

Non-current assets of the Group (other than goodwill) amount to RMB65,368,000 (2013: RMB67,752,000) are located in the People's Republic of China.

## 35 BUSINESS COMBINATIONS

On 31 December 2013 ("date of acquisition"), the Group acquired a 51% equity interest in Sinex. The principal activities of Sinex are sourcing, procurement and advisory services to the garment and fashion industry. The acquisition of Sinex is in line with the Group's focus on the growth of its fashion business and is expected to provide synergy to its new business segment, brands solution.

Details of the consideration paid, the assets acquired and liabilities assumed, the non-controlling interest recognised and the effects on the cash flows of the Group, at the acquisition date, are as follows:

| | | RMB'000 |
|---|---|---|
| (a) | Purchase consideration | |
| | Shares to be issued (Note 29) | 3,349 |
| | Consideration payables (Note 21) | 3,049 |
| | Contingent consideration (Note (d) below) | 6,040 |
| | **Consideration transferred for the business** | 12,438 |
| (b) | Effect on cash flows of the Group | |
| | Cash paid | - |
| | Less: cash and cash equivalents in subsidiary acquired | (772) |
| | **Cash inflow on acquisition** | (772) |

## 35 BUSINESS COMBINATIONS (CONT'D)

| | | RMB'000 |
|---|---|---|
| (c) | Identifiable assets acquired and liabilities assumed | |
| | Cash and cash equivalents | 772 |
| | Total assets | 772 |
| | Trade and other payables | 764 |
| | Total liabilities | 764 |
| | **Total identifiable net assets** | 8 |
| | Less: Non-controlling interests | (4) |
| | Add: Goodwill | 12,434 |
| | **Consideration transferred for business** | 12,438 |

(d) Contingent consideration

The Group is required to pay the former owners of Sinex US$990,667 (equivalent to RMB6,040,000) in cash if Sinex achieves net profit of US$1,000,000 (equivalent to RMB6,096,902) for the period from 1 January 2014 to 31 December 2014 (the "2014 PAT").

In the event that the 2014 PAT is lower than US$1,000,000, the cash payment shall be reduced by the absolute difference between the 2014 PAT and US$1,000,000. In the event that the 2014 PAT is higher than US$1,000,000, the cash payment shall be increased by 0.51 times of the absolute difference between the 2014 PAT and US$1,000,000.

## 36 NEW OR REVISED ACCOUNTING STANDARDS AND INTERPRETATIONS

Below are the mandatory accounting standards and amendments to existing accounting standards that have been published and relevant for the Group's accounting periods beginning on or after 1 January 2015 which the Group has not early adopted:

*Effective for annual periods beginning on or after 1 July 2014*
- FRS 19 Defined Benefit Plan : Employee Contributions

*Effective for annual periods beginning on or after 1 January 2015*
- Improvements to FRSs (January 2014)
  - Amendment to FRS 102 Share-based payment
  - FRS 103 Business Combinations
  - FRS 108 Operating Segments
  - FRS 16 Property, Plant and Equipment
  - FRS 24 Related Party Disclosures
  - FRS 38 Intangible Assets

- Improvements to FRSs (February 2014)
  - FRS 103 Business Combinations
  - FRS 113 Fair Value Measurement
- Amendment to FRS 40 Investment Property

*Effective for annual periods beginning on or after 1 January 2016*
- Amendments to FRS 1: Disclosure Initiative
- Amendments to FRS 16 and FRS 38: Clarification of Acceptable Methods of Depreciation and Amortisation
- FRS 114 Regulatory Deferral Accounts
- Amendments to FRS 110, FRS 112 and FRS 28: Investment Entities: Applying the Consolidation Exception
- Amendments to FRS 111: Accounting for Acquisitions of Interests in Joint Operations
- Amendments to FRS 16 and FRS 41: Agriculture: Bearer Plants

- Improvements to FRSs (November 2014)
- FRS 107 Financial Instruments: Disclosures
- FRS 19 Employee Benefits

*Effective for annual period beginning on or after 1 January 2017*
- FRS 115 Revenue from Contracts with Customers

*Effective for annual period beginning on or after 1 January 2018*
- FRS 109 Financial Instruments

The management anticipate that the adoption of the above FRS's and amendments to FRS in the future period will not have material impact on the financial statements of the Group and of the Company in the period of initial adoption.

# STATISTICS OF SHAREHOLDINGS

AS AT 16 MARCH 2015

## DISTRIBUTION OF SHAREHOLDINGS

No. of Shares issued : 265,000,000
Class of Shares : Ordinary shares
Voting rights : One vote per share

| Size of Shareholdings | No of Shareholders | % | No. of Shares | % |
|---|---|---|---|---|
| 1 - 99 | 0 | 0.00 | 0 | 0.00 |
| 100 - 1,000 | 12 | 2.67 | 12,000 | 0.01 |
| 1,001 - 10,000 | 127 | 28.28 | 905,000 | 0.34 |
| 10,001 - 1,000,000 | 293 | 65.26 | 27,354,900 | 10.32 |
| 1,000,001 AND ABOVE | 17 | 3.79 | 236,728,100 | 89.33 |
| **TOTAL** | **449** | **100.00** | 265,000,000 | 100.00 |

## TWENTY LARGEST SHAREHOLDERS

| No. | Name | No. of Shares | % |
|---|---|---|---|
| 1 | DBS NOMINEES (PRIVATE) LIMITED | 156,723,000 | 59.14 |
| 2 | WENG WENWEI | 25,000,000 | 9.43 |
| 3 | UOB KAY HIAN PRIVATE LIMITED | 22,951,100 | 8.66 |
| 4 | HONG LEONG FINANCE NOMINEES PTE LTD | 6,000,000 | 2.26 |
| 5 | SZE SAU KING | 4,648,000 | 1.75 |
| 6 | HSBC (SINGAPORE) NOMINEES PTE LTD | 2,725,000 | 1.03 |
| 7 | LAU SIU FUNG | 2,236,000 | 0.84 |
| 8 | DBS VICKERS SECURITIES (SINGAPORE) PTE LTD | 2,170,000 | 0.82 |
| 9 | WENG WENJU | 1,960,000 | 0.74 |
| 10 | WENG JINDAO | 1,910,000 | 0.72 |
| 11 | NEO CHENG SOON | 1,816,000 | 0.69 |
| 12 | KWEK SWEE HENG | 1,650,000 | 0.62 |
| 13 | LIM CHIEW HOCK (LIN QIUFU) | 1,590,000 | 0.60 |
| 14 | HUANG FANGXUE | 1,480,000 | 0.56 |
| 15 | WONG TEW HONG | 1,421,000 | 0.54 |
| 16 | OCBC SECURITIES PRIVATE LIMITED | 1,298,000 | 0.49 |
| 17 | DANIEL TAN POON KUAN | 1,150,000 | 0.43 |
| 18 | CHARLES PATRICK | 1,000,000 | 0.38 |
| 19 | SOH HOCK LEONG | 1,000,000 | 0.38 |
| 20 | KHOO CHIN INN | 982,000 | 0.37 |
| | **TOTAL** | **239,710,100** | **90.45** |

## SUBSTANTIAL SHAREHOLDERS

Substantial Shareholders of the Company (as recorded in the Register of Substantial Shareholders) as at 16 March 2015.

| | No. of Ordinary shares | | | |
|---|---|---|---|---|
| Name | Direct Interest | % | Indirect Interest | % |
| G&W Investment Management Co., Ltd. [1] | 100,000,000 | 37.74 | - | - |
| Weng Wenwei [2][3] | 61,500,000 | 23.21 | 120,000,000 | 45.28 |

**Note:**

(1) Registered in the of nominee DBS Nominees (Pte) Ltd (100,000,000) shares.

(2) Registered in the name of nominee DBS Nominees (Pte) Ltd (36,500,000) and Weng Wenwei (25,000,000) shares.

(3) Mr. Weng Wenwei is deemed to be interest in to (i) 100,000,000 shares held by G&W Investment Management Co., Ltd by virtue of his 100% shareholding interest in G&W Investment Co., Ltd; (ii) 10,000,000 shares held by Orient Glory Ventures Ltd by virtue of his 100% shareholding interest in Orient Glory Ventures Ltd; and (iii) 10,000,000 shares held by Oriental Charms Holdings Ltd by virtue of his 100% shareholding interest in Oriental Charms Holdings Ltd and a direct interest of 61,500,000 shares.

## FREE FLOAT

As at 16 March 2015, approximately 30.77% of the issued ordinary shares of the Company was held in the hands of the public (on the basis of information available to the Company).

Accordingly, the Company has complied with Rule 723 of the Listing Manual of the Singapore Exchange Securities Trading Limited.

# NOTICE OF ANNUAL GENERAL MEETING

**NOTICE IS HEREBY GIVEN THAT** the Annual General Meeting ("**AGM**") of **Great Group Holdings Limited** (the "**Company**") will be held at SGX Centre 2, #17-01, 4 Shenton Way, Singapore 068807 on Thursday, 30th day of April 2015 at 2.00 p.m. for the following purposes:-

**AS ORDINARY BUSINESS**

1. To receive and, if approved, adopt the Audited Accounts for the financial year ended 31 December 2014 together with the Directors' Report and Independent Auditor's Report thereon. **Resolution 1**

2. To approve the payment of Directors' Fees of S$230,000.00 for the financial year ending 31 December 2015, to be paid quarterly in arrears. (2014: S$200,000.00) **Resolution 2**

3. To re-elect Mr Weng Wenwei who is retiring under Article 117 of the Articles of Association, as Director of the Company. **Resolution 3**

4. To re-elect Ms. Lee Kim Lian, Juliana who is retiring under Article 117 of the Articles of Association, as Director of the Company. [See Explanatory Note (i)] **Resolution 4**

5. To re-appoint Messrs Nexia TS Public Accounting Corporation, as the Independent Auditor of the Company and to authorise the Directors to fix their remuneration. **Resolution 5**

6. To transact any other ordinary business which may be properly transacted at an annual general meeting.

**AS SPECIAL BUSINESS**

To consider and, if thought fit, to pass the following resolution (with or without amendments) as Ordinary Resolution:-

7. **General mandate to allot and issue new shares in the capital of the Company**

That pursuant to Section 161 of the Companies Act, Chapter 50 of Singapore (the "**Act**") and Rule 806 of the Listing Manual of the Singapore Exchange Securities Trading Limited (the "**SGX-ST**") ("**Listing Manual**"), authority be and is hereby given to the Directors of the Company to:-

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

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

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

(B) (notwithstanding the authority conferred by this Resolution may have been ceased to be in force) issue Shares in pursuance of any Instrument made or granted by the Directors while this Resolution was in force

provided that:

(i) the aggregate number of Shares to be issued pursuant to this Resolution (including Shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution) does not exceed fifty per cent (50%) of the total issued Shares (excluding treasury shares) in the capital of the Company (as calculated in accordance with sub-paragraph (ii) below), of which the aggregate number of Shares to be issued other than on a pro-rata basis to shareholders of the Company (including Shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution) does not exceed twenty per cent (20%) of the total issued Shares (excluding treasury shares) in the capital of the company at the (as calculated in accordance with sub-paragraph (ii) below); and

(ii) (subject to such manner of calculation and adjustments as may be prescribed by the SGX-ST) for the purpose of determining the aggregate number of Shares that may be issued under sub-paragraph (i) above, the percentage of issued Shares shall be 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:

# NOTICE OF ANNUAL GENERAL MEETING

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

(b) new Shares arising from the exercise of share options or vesting of share awards which are outstanding or subsisting at the time this Resolution is passed, provided that the share options or share awards were granted in compliance with Part VIII of Chapter 8 of the Listing Manual; and

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

(iii) in exercising the authority conferred by this Resolution, the Company shall comply with the provisions of the Listing Manual for the time being in force (unless such compliance has been waived by the SGX-ST), all applicable legal requirements under the Act and Articles of Association for the time being of the Company; and

(iv) (unless revoked or varied by the Company in general meeting) the authority conferred by this Resolution shall continue in force until the conclusion of the next annual general meeting of the Company or the date by which the next annual general meeting of the Company is required by law to be held, whichever is the earlier.

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

BY ORDER OF THE BOARD

ONG WEI JIN
COMPANY SECRETARY
15 April 2015
SINGAPORE

**Explanatory Note:**

(i) If re-elected under Resolution 4, Ms. Lee Kim Lian, Juliana will remain as the chairman of the Nominating Committee and Remuneration Committee, member of the Audit Committee, and will be considered an Independent Director of the Company.

(ii) The Ordinary Resolution 6 proposed in item 7 above, if passed, will empower the Directors of the Company to issue shares and convertible securities in the Company up to a maximum of fifty per cent (50%) of the issued share capital of the Company (of which the aggregate number of shares and convertible securities to be issued other than on a pro rata basis to existing shareholders shall not exceed twenty per cent (20%) of the issued share capital of the Company) for the purposes as they consider would be in the interest of the Company. This authority will continue in force until the next annual general meeting of the Company or the expiration of the period within which the next annual general meeting is required to be held, whichever is the earlier, unless the authority is previously revoked or varied at a general meeting.

**Notes:-**

(i) A member entitled to attend and vote at the AGM is entitled to appoint not more than two proxies to attend and vote in his stead.

(ii) A member of the Company, which is a corporation, is entitled to appoint its authorized representative or proxy to vote on its behalf. A proxy need not be a member of the Company.

(iii) The instrument appointing a proxy must be deposited at the Company's registered office at 75 High Street Singapore (179435), at least 48 hours before the time of the AGM.

(iv) Where a member appoints two proxies, he shall specify the percentage of his shares to be represented by each proxy and if no percentage is specified, the first named proxy shall be deemed to represent 100 per cent of his shareholding and the second named proxy shall be deemed to be an alternate to the first named.

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

# PROXY FORM

*(Please see notes overleaf before completing this form)*

**GREAT GROUP HOLDINGS LIMITED**

(Incorporated in the Republic of Singapore)
Company Registration No. 200804077W

**IMPORTANT:**

1 For investors who have used their CPF monies to buy Great Group Holdings Ltd's shares, this Annual Report is forwarded to them at the request of their CPF Approved Nominees and is sent solely FOR INFORMATION ONLY.

2 This Proxy Form is not valid for use by CPF investors and shall be ineffective for all intents and purposes if used or purported to be used by them.

3 CPF investors who wish to attend the Meeting as an observer must submit their requests through their CPF Approved Nominees within the time frame specified. If they also wish to vote, they must submit their voting instructions to the CPF Approved Nominees within the time frame secified to enable them to vote on their behalf.

I/We _____ *(Name)* NRIC/Passport No. _____

of _____ *(Address)*

_____

being a member/members of the above-mentioned Company, hereby appoint:-

| **Name** | **NRIC/Passport No.** | **Proportion of Shareholdings** | |
|---|---|---|---|
| | | **No. of Shares** | **%** |
| **Address** | | | |

and/or (delete as appropriate)

| **Name** | **NRIC/Passport No.** | **Proportion of Shareholdings** | |
|---|---|---|---|
| | | **No. of Shares** | **%** |
| **Address** | | | |

or failing him/her/them, the Chairman of the Annual General Meeting of the Company (the "Meeting") as my/our proxy/proxies to attend and to vote for me/us on my/our behalf at the Meeting to be held at SGX Centre 2, #17-01, 4 Shenton Way, Singapore 068807 on Thursday, 30th day of April 2015 at 2.00 p.m. and at any adjournment thereof. I/We direct my/our proxy/proxies to vote for or against the Resolutions to be proposed as the Meeting as indicated hereunder. If no specific direction as to voting is given or in the event of any other matter arising at the Meeting and at any adjournment thereof, the proxy/proxies will vote or abstain from voting at his/her discretion. The authority herein includes the right to demand or to join in demanding a poll and to vote on a poll.

*(Please indicate your vote "For" or "Against" with a tick [ X ] within the box provided)*

| **No.** | **Resolutions relating to:** | **For** | **Against** |
|---|---|---|---|
| | **Ordinary Business** | | |
| 1. | Adoption of Audited Accounts, Directors' Report and Auditors' Report for financial year ended 31 December 2014 | | |
| 2. | Payment of Directors' Fees amounting to S$230,000.00 for financial year ending 31 December 2015, to be paid quarterly in arrears | | |
| 3. | Re-election of Mr Weng Wenwei as a Director of the Company | | |
| 4. | Re-election of Ms. Lee Kim Lian, Juliana as a Director of the Company | | |
| 5. | Re-appointment of Nexia TS Public Accounting Corporation as Auditors of the Company | | |
| | **Special Business** | | |
| 6. | Authority to Directors to allot and issue new shares pursuant to Section 161 of the Companies Act, Cap. 50 | | |

Date this ..... Day of ..... 2015.

| **Total Number of Shares in:** | **No. of Shares** |
|---|---|
| (a) CDP Register | |
| (b) Register of Members | |

.....
Signature(s) of Shareholder(s)
Or, Common Seal of Corporate Shareholder

# PROXY FORM

## GREAT GROUP HOLDINGS LIMITED

(Incorporated in the Republic of Singapore)
Company Registration No. 200804077W

**Notes:**

1. Please insert the total number of shares held by you. If you have shares entered against your name in the Depository Register (as defined in Section 130A of the Companies Act, Chapter 50 of Singapore), you should insert that number of shares. If you have shares registered in your name in the Register of Members, you should insert that number of shares. If you have shares entered against your name in the Depository Register and shares registered in your name in the Register of Members, you should insert the aggregate number of shares entered against your name in the Depository Register and registered in your name in the Register of Members. If no number is inserted, the instrument appointing a proxy or proxies shall be deemed to relate to all the shares held by you.

2. A member of the Company entitled to attend and vote at the Meeting is entitled to appoint not more than two proxies to attend and vote in his stead.

3. Where a member appoints two proxies, he shall specify the percentage of his shares to be represented by each proxy and if no percentage is specified, the first named proxy shall be deemed to represent 100 percent of his shareholding and the second named proxy shall be deemed to be an alternate to the first named.

4. A proxy need not be a member of the Company.

5. The instrument appointing a proxy or proxies together with the letter of power of attorney, if any, under which it is signed or a duly certified copy thereof, must be deposited at the registered office of the Company at 75 High Street Singapore (179435), not less than 48 hours before the time appointed for the Meeting.

6. A corporation which is a member may authorise by resolution of its directors or other governing body such a person as it thinks fit to act as its representative at the Meeting, in accordance with Section 179 of the Companies Act, Chapter 50 of Singapore.

7. Please indicate with an "X" in the spaces provided whether you wish your vote(s) to be for or against the Resolutions as set out in the Notice of Annual General Meeting. In the absence of specific directions, the proxy/proxies will vote or abstain as he/they may think fit, as he/they will on any other matter arising at the Meeting.

8. The Company shall be entitled to reject the instrument appointing a proxy or proxies if it is incomplete, improperly completed or illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the instrument appointing a proxy or proxies.

9. In the case of a member whose shares are entered against his name in the Depository Register, the Company may reject any instrument appointing a proxy or proxies lodged if the member, being the appointor, is not shown to have shares entered against his name in the Depository Register as at 48 hours before the time appointed for holding the Meeting, as certified by The Central Depository (Pte) Limited to the Company.

GREAT GROUP
格来德集团

No. 77, Xiantang District,
Changtai Street, Licheng
District, Quanzhou City,
Fujian Province, China.

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常泰街道路仙塘区77号