FORISE INTERNATIONAL LIMITED Annual Report 2016

Forise International Limited

CAPITALIZING ON GLOBAL RESOURCES

INNOVATIVE CORPORATE ADVISORY SERVICES

ANNUAL REPORT 2016

CONTENTS

CHAIRMAN STATEMENT

For the financial year ended 31 December 2016

Dear Shareholders,

Following the disposal of subsidiaries in garment manufacturing, our strategies and plans were formulated with focus on our trading business and our new corporate advisory services. Despite strong macro headwinds and increasingly challenging trading industry, the Group delivered resilient results in 2016.

The Group embarked on first year operation of corporate advisory services, which is a brand-new business of the Group. Building on the expertise and strengths of our dedicated management, colleagues and our network of vendors, I am confident that we are capable and well-equipped to cross the hurdles in the turbulent markets.

OUR 2016 PERFORMANCE

Performance in 2016 was encouraging with the completion of the disposal of loss making subsidiaries in garment manufacturing. The Group has lighter asset base and is better placed to contain operations cost. With our focus on garment trading business and new business of providing strategic planning, corporate advisory, financial restructuring advisory and management consultancy services ("new business"), the group reported an operating profit after tax of approximately RMB3.81 million (net of non-recurring income of RMB285.69 million of gains on disposal of subsidiaries) for 2016 after years of consecutive losses.

Our new business recorded revenue of RMB5.04 million which was derived mainly from fees relating to corporate advisory services. We are concurrently exploring other financial services including factoring, fund management, and insurance brokerage etc. to augment our corporate advisory business segment.

CHAIRMAN STATEMENT

For the financial year ended 31 December 2016

INDUSTRY OUTLOOK

In view of current macroeconomic, geopolitical and industry conditions, 2017 is likely to be another challenging year for our trading business. The changing competitive conditions in this industry, the weakening of both PRC and global economy, and trade protectionism have affected trading businesses. The same factors are expected to also affect the Group's modest trading business.

Against the current macro conditions, we aim to grow our new business and increase our overall market share by focusing on the needs of our clients and providing customized and personalized quality services to all our clients in the new business.

STRATEGIES GOING FORWARD

Successful application for removal from the watch-list of the SGX-ST will be our top priority. We have continuously monitored the performance of our Group to ensure that we meet the requirements for removal from the watch-list of SGX-ST.

The Group has been gearing its efforts towards executing our long term strategic plans to develop and grow our new business. Our strong network of clientele and vendors, coupled with relevant expertise and dedicated personnel has reassured me that the new business will generate positive results in 2017.

We will continue to actively seek opportunities and invest in businesses that are aligned with the Group's overall objectives to deliver greater value to our Shareholders.

ACKNOWLEDGMENTS

On behalf of the Board of Directors, I would like to extend my gratitude to our shareholders, business partners, bankers and our management and staff for their dedication and support, contribution and commitment, and we look forward to the continuing support for better years ahead.

Mr. Wang Xin
Executive Chairman

FINANCIAL REVIEW

For the financial year ended 31 December 2016

As disclosed in the Company's financial results for the year ended 31 December 2015, the Company had ceased the manufacturing component of its garment business (excluding the trading business) in the fourth quarter 2015, disposed of all the machineries of its production facilities held under its two main manufacturing subsidiaries to various third parties, retrenched all production workers and leased out its premises.

The Group has, on 6 April 2016, entered into a Sale and Purchase Agreement ("SPA") to sell the subsidiaries related to the manufacturing segment of the Group's business. The Company has received approval for the disposal of the subsidiaries related to the manufacturing segment of the Group's business. The shareholders of the Company had at an extraordinary general meeting held on 18 August 2016 approved the disposal of the manufacturing subsidiaries ("Disposal Group").

Upon signing the SPA, the Group has deconsolidated the Disposal Group from 6 April 2016 resulting from the loss of control over the Disposal Group because the Group is neither exposed to, nor has rights to, variable returns from its involvement with the entities and has no ability to affect those returns through its power over the entities.

Notwithstanding the fact that the loss of control was on 6 April 2016, in accordance with the contractual terms in the SPA, the risks and rewards of the Disposal Group have been transferred to the Purchaser effective from 1 January 2016, consequently, the financial results of the Disposal Group for the period from 1 January 2016 to 6 April 2016 will be transferred to the Purchaser.

Further, as part of the Company's ongoing business strategy to broaden the Group's revenue stream and to pursue business opportunities with good prospects for long-term growth, the Company had obtained the approval of its shareholder at an extraordinary general meeting held on 23 June 2016 to diversify its core business into the business of providing strategic planning, corporate advisory, financial restructuring advisory and management consulting services ("New Business" or "Corporate Advisory").

FINANCIAL PERFORMANCE

The Group's revenue for the financial year ended 31 December 2016 increased by RMB90.41 million, from RMB0.86 million for the financial year ended 31 December 2015. This was mainly contributed by sale of garment trading goods of RMB86.23 million. The significant increase in trading revenue as compared to FY2015 was due to the intensification of the Group's trading business following the cessation of its garment manufacturing business in fourth quarter 2015.

Additionally, the Group also generated new revenue stream of RMB5.04 million in the current reporting year. The new business of the Group comprises of business of providing strategic planning, corporate advisory, financial restructuring advisory and management consultancy services accounted for approximately 5.5% of the Group's revenue in FY2016.

Following the completion of the disposal of the Disposal Group, the Group has recognised gain on disposal of subsidiaries amounting to RMB285.69 million which has resulted in a significant increase in total profit to RMB289.50 million as opposed to a loss of RMB188.88 million in FY2015.

Expenses of the Group has decreased from RMB10.74 million to RMB8.31 million was mainly due to decrease in professional and consultancy fees (higher professional fee incurred in FY2015 was mainly due to Rights Issue exercise) offset with the increase in employee compensations and rental expenses.

The increase in income tax expenses was due to provision for taxation made for subsidiaries which have chargeable income during the financial year.

Increase in other comprehensive loss was mainly due to reversal of restructuring reserve of RMB114.04 million upon completion of the disposal of the manufacturing subsidiaries.

FINANCIAL POSITION

Non-Current Assets

Non-current assets decreased by RMB52.85 million from RMB53.15 million in FY2015 to RMB0.30 million in FY2016, mainly due to deconsolidation of the Disposal Group. The decrease was in line with the Group's strategy of focusing on garment trading and corporate advisory services, which require a lighter asset base.

Current Assets

As at 31 December 2016, the current assets of the Group amounted to RMB60.26 million, and accounted for 99.5% of the Group's total assets. The Group's current assets are mainly made up of cash and cash equivalents and trade and other receivables.

FINANCIAL REVIEW

For the financial year ended 31 December 2016

Cash and cash equivalents decreased by RMB40.72 million from RMB79.58 million in FY2015 to RMB38.86 million in FY2016, mainly due to transfer of cash and cash equivalents of the Disposal Group of RMB34.89 million to the Purchaser upon completion of the disposal.

Trade and other receivables decreased by RMB29.21 million from RMB50.01 million in FY2015 to RMB20.80 million in FY2016. The decrease was mainly due to deconsolidation of the Disposal Group.

Inventories decreased by RMB10.94 million from RMB10.95 million in FY2015 to RMB0.01 million in FY2016. The decrease was mainly due to deconsolidation of Disposal Group and minimal inventory holding requirement in light of the garment trading operation.

Current liabilities

As at 31 December 2016, the current liabilities of the Group amounted to RMB17.67 million, which also represents the Group's total liabilities. The Group's current liabilities are made up of trade and other payables and current income tax liabilities.

Trade and other payables decreased by RMB77.58 million from RMB93.86 million in FY2015 to RMB16.28 million in FY2016. The decrease was mainly due to deconsolidation of the Disposal Group.

Borrowings decreased to RMB nil in FY2016 from RMB233.05 million in FY2015 as all borrowings are related to the Disposal Group and had been transferred to the Purchaser upon completion of the disposal.

Shareholder's equity

Total shareholder's equity improved from a negative shareholders' equity position of RMB132.69 million in FY2015 to a positive shareholder's equity position of RMB42.89 million in FY2016. The increase was mainly due to the gain on disposal from the Disposal Group of RMB285.69 million and profits generated from trading and corporate advisory services segments, offsetting by the reversal of restructuring reserve of RMB114.04 million upon deconsolidation of the Disposal Group.

CASH FLOW

The Group generated net cash flows from operating activities of RMB0.52 million in FY2016. This was mainly due to reduction in inventories offset by trade and other receivables, trade and other payables and operating profit for the financial year.

Net cash used in investing activities of RMB0.48 million were mainly due to the deconsolidation of the Disposal Group.

Consequently, cash and cash equivalents increased from RMB38.82 million as at 31 December 2015 to RMB38.86 million as at 31 December 2016.

BOARD OF DIRECTORS

For the financial year ended 31 December 2016

MR. WANG XIN

Mr. Wang Xin ("Mr. Wang") is the Executive Chairman of the Group. He was appointed to our Board on 19 August 2015 and was last re-elected at the Company's AGM on 29 April 2016. He formulates and sets strategic directions for the Group and is responsible for the development and growth of the Group.

Mr. Wang has over 20 years of experience in the business development, direct investment, asset management, corporate advisory, strategic planning with strong knowledge relating to financial market in PRC, Hong Kong, Singapore and Australia. He is responsible for the Group's top layer design and master plan, as well as strategic development plan.

Mr. Wang has been the Chairman of Fu Hua Holdings Limited since 2013. Mr. Wang is also serving as the Chairman of various companies incorporated in the PRC and overseas since 2009, namely, Beijing Fu Hua Real Estate Development Ltd; Dongyan Hi-Tech (Beijing) Environment Protection Technology Co. Ltd and Beijing Dongyan 21st Century Environmental Technology Co., Ltd. Prior to his chairmanship, he was the General Manager of Beijing Guo Run Zhong He Technology Development Co Ltd from 2005 to 2009.

MR. PENG FEI

Mr. Peng Fei is the Executive Director of our Group. He was appointed to our Board on 19 August 2015 and was last re-elected at the Company's AGM on 29 April 2016. He is responsible for executing the strategic directions set by the Board.

Mr. Peng Fei has been the Executive President of Fu Hua Holdings Limited since 2013. He is responsible for managing domestic and global investment business of Fu Hua Holdings Limited and its group companies, and had during his term assisted in the rapid growth of the group's businesses. He has also led projects on refocusing the company's business segments, resulting in higher shareholder values. Mr. Peng Fei has over 20 years of investment management experience, corporate advisory, financial restructuring advisory, strategic planning with strong knowledge relating to capital markets in the PRC, Hong Kong, Singapore and the United Kingdom.

Prior to joining Fu Hua Holdings Limited and the Company, Mr. Peng Fei served as the President of Reignwood International Investment Ltd., where he was responsible for managing the group's global investment activities. He had successfully assisted the company in acquiring a property in London in 2011 and led the conceptualization and execution of the plans for the development of the property into a hotel and service apartment to enhance the returns of the property. Previously, Mr. Peng Fei was the vice president of Aluminum Corporation of China Ltd and CHINALCO Overseas Holdings Ltd, and was responsible for CHINALCO (a Fortune 500 company)'s major overseas investment business.

Mr. Peng Fei holds a MSc in Finance and Investment with Distinction from Durham University, UK.

BOARD OF DIRECTORS

For the financial year ended 31 December 2016

MR. LEO PENG WEILE

Mr. Peng Weile ("Mr. Leo Peng") is the Executive Director of our Group. He was appointed to our Board on 19 August 2015 and was last re-elected at the Company's AGM on 29 April 2016. He is responsible for executing the strategic directions set by the Board, and is also responsible for the management of the Group, including areas such as daily operation management, corporate finance, corporate governance and compliance, investments, IR&PR and develop strategic partnership with financial institutions.

Mr. Leo Peng has been the Managing Director of the Investment Banking department of Fu Hua Holdings Limited since 2014. He is responsible for undertaking overseas investments and fund management business of Fu Hua Holdings Limited. He has over fourteen years of experience in investment banking, direct investment, asset management, corporate advisory, financial restructuring advisory, and strategic planning, and has strong knowledge relating to the capital markets in the PRC, Hong Kong, Singapore and Australia. He has served as the executive director of two listed companies and has been appointed by several companies as their external financial advisor, to provide strategic planning, financial structuring, listing and fund raising services during the past few years. He has been involved in a number of successful listings, pursuant to which he has successfully assisted various Chinese companies in their listing on the stock exchanges in Singapore, Hong Kong and Australia, and has a very good network and in-depth knowledge of capital markets, both on-shore and off-shore. He was previously with Deutsche Morgan Grenfell Securities Ltd and HL Bank Singapore, in which he assisted companies in their fund raising from the equity capital markets in Singapore.

Mr. Leo Peng holds a Masters degree in Finance from the National University of Ireland, Dublin; and a Diploma in Wealth Management from Wealth Management Institute of Singapore.

MR. CHRISTOPHER CHONG

Mr. Christopher Chong Meng Tak ("Mr. Chong") is our Lead Independent Director. He was appointed to the Board on 19 August 2015 and was last re-elected at the Company's AGM on 29 April 2016. He will be retiring at the Company's upcoming AGM on 27 April 2017 and will be seeking re-election at the AGM.

Mr. Chong is a partner of ACH Investments Pte. Ltd., a corporate advisory firm regulated by the Monetary Authority of Singapore. He is currently the Non-Executive Chairman of Cedar Strategic Holdings Ltd., and an independent director of other public companies, including, Ying Li International Real Estate Limited listed on the SGX-ST; and GLG Corp Ltd and Koon Holdings Limited, both of which are listed on the Australian Stock Exchange. Mr. Chong is also a director and/or an adviser to several private companies, significant Asian families and a regulatory branch of the Singapore Government.

Mr. Chong has significant experience in capital markets, securities law, corporate governance and corporate affairs. Prior to co-founding ACH Investments Pte. Ltd, he was a multi-award winning analyst and the managing director of HSBC Securities (Singapore) Pte. Ltd, formerly known as HSBC James Capel Securities (Singapore) Pte. Ltd, and prior to this was an executive director of UOB Kay Hian Holdings Ltd, formerly known as Kay Hian James Capel Ltd.

Mr. Chong holds a Bachelor of Science degree in Economics (1st Honour) from the University College of Wales and a Master of Business Administration degree from the London Business School. He is a member of the Institute of Chartered Accountants of Scotland, a Fellow of the Australian Institute of CPAs, a Fellow of the Hong Kong Institute of Certified Public Accountants, a Fellow of the Singapore Institute of Directors, a Fellow Australian Institute of Company Directors and a Master Stockbroker of the Securities and Derivatives Industry Association of Australia.

BOARD OF DIRECTORS

For the financial year ended 31 December 2016

MS. LEE KIM LIAN, JULIANA

Ms. Lee Kim Lian, Juliana ("Ms. Lee") is our Independent Director. She was appointed to the Board on 18 June 2009 and was last re-elected at the Company's AGM on 30 April 2015. She will be retiring at the Company's upcoming AGM on 27 April 2017 and will be seeking re-election at the AGM.

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

MR. SAN MENG CHEE

Mr. San Meng Chee ("Mr. San") is our Independent Director. He was appointed to the Board on 13 March 2014 and was last re-elected at the Company's AGM on 29 April 2016.

Mr. San has more than 20 years of experience in accounting, financial and corporate matters. Between 2006 to early 2017, he held senior financial positions in listed companies and served as Chief Financial Officer of New Toyo International Holdings Ltd and Superior Multi-Packaging Limited. Prior to that, he was the Group Financial Controller of New Toyo International Holdings Ltd from October 2004 to August 2006. Mr. San also currently sits on the board of Astaka Holdings Limited.

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

CORPORATE INFORMATION

For the financial year ended 31 December 2016

BOARD OF DIRECTORS

Executive Directors
Wang Xin (Executive Chairman)
Leo Peng WeiLe
Peng Fei

Non-Executive Directors
Christopher Chong Meng Tak
(Lead Independent Director)
Lee Kim Lian, Juliana
San Meng Chee

AUDIT COMMITTEE

Christopher Chong Meng Tak (Chairman)
Lee Kim Lian, Juliana
San Meng Chee

REMUNERATION COMMITTEE

San Meng Chee (Chairman)
Christopher Chong Meng Tak
Lee Kim Lian, Juliana

NOMINATION COMMITTEE

Lee Kim Lian, Juliana (Chairman)
Christopher Chong Meng Tak
San Meng Chee

REGISTERED AND SINGAPORE OFFICE

80 Raffles Place
#11-20 UOB Plaza 2
Singapore 048624
Tel: (65) 65323008
Fax: (65) 65323007

COMPANY SECRETARY

Ong Wei Jin, LL.B. (Hons)
Teo Li Mei, LL.B. (Hons)

SHARE REGISTRAR AND SHARE TRANSFER

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

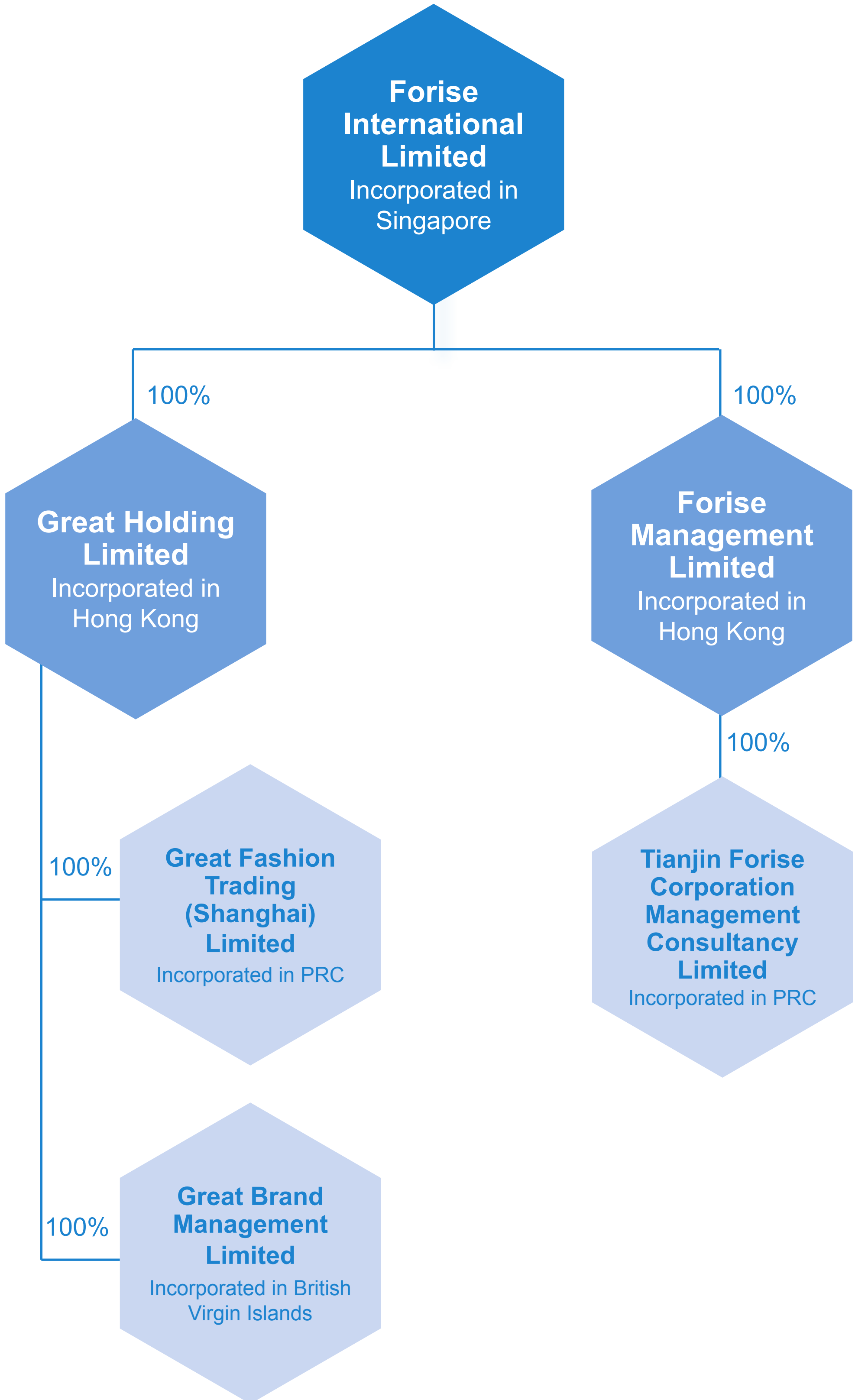
INDEPENDENT AUDITOR

Nexia TS Public Accounting Corporation
100 Beach Road
#30-00 Shaw Tower
Singapore 189702
Director-in-charge: Lee Look Ling
CA Singapore
(appointed since 2012)

PRINCIPAL BANKERS

United Overseas Bank
Citibank N.A. Singapore

GROUP STRUCTURE



CORPORATE GOVERNANCE

Forise International 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**") and the disclosure guide developed by the Singapore Exchange Securities Trading Limited (the "**SGX-ST**") in January 2016 (the "**Guide**") for the financial year ended 31 December 2016 ("**FY2016**"). The Company has complied with the principles of the Code and Guide where appropriate. Explanations are provided where there are deviations from the Code and the Guide.

1. BOARD MATTERS

1.1 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	
Wang Xin	Executive Chairman
Peng Weile	Executive Director
Peng Fei	Executive Director
Non-Executive Directors	
Christopher Chong Meng Tak	Lead Independent Director
Lee Kim Lian, Juliana	Independent Director
San Meng Chee	Independent Director

The Board is collectively responsible for the long-term success of the Company and works with Management to achieve this objective and Management remains accountable to the Board. Apart from its statutory requirements, the Board performs the following principal functions:

(a) provides stewardship to the Company including charting its corporate strategies and business plans;
(b) supervises the management of the businesses and affairs of the Group and provides guidance and advice to Management;
(c) reviews and approves the Group's strategic plans, key operational initiatives, major funding and investment proposals;
(d) identifies principal risks of the Group's businesses and ensures that appropriate systems are in place to manage these risks;
(e) 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;
(f) reviews the financial performance of the Group;
(g) evaluates the performance and compensation of senior management personnel of the Company; and
(h) assumes responsibility for corporate governance practices.

CORPORATE GOVERNANCE

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

(a) interested persons transactions of a material nature and matters involving a conflict of interest of a substantial shareholder or a director;
(b) material acquisitions and disposal of assets or mergers and acquisitions;
(c) corporate or financial restructuring;
(d) share issuances, interim dividends and other returns to shareholders;
(e) acceptance of bank facilities; and
(f) 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 committees, namely the Audit Committee ("**AC**"), the Nominating Committee ("**NC**") and the Remuneration Committee ("**RC**") (collectively, the "**Board Committees**"). These Board Committees function within clearly defined terms of references and operating procedures, which are reviewed on a regular basis. The effectiveness of each Board 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 Constitution 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 FY2016 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
Wang Xin	4	4	4	–	1	–	1	–
Peng Weile	4	4	4	–	1	–	1	–
Peng Fei	4	4	4	–	1	–	1	–
Christopher Chong Meng Tak	4	4	4	4	1	1	1	1
Lee Kim Lian, Juliana	4	4	4	4	1	1	1	1
San Meng Chee	4	4	4	4	1	1	1	1

CORPORATE GOVERNANCE

The Management and Executive Directors update the Board at each Board meeting on the business and strategic developments of the Group. 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 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. Familiarization visits to the Group's factories and offices will be organised on a need-to basis, where necessary, to facilitate better understanding of the Group's operations and projects. Training is encouraged and will be given to first time directors 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.

1.2 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 six (6) members, comprising three (3) executive Directors and three (3) Independent Directors, one (1) of whom is a female Independent Director. The Company fulfills the Code's requirement that at least one-third of the Board should comprise independent directors, and also fulfills the requirement that independent directors should make up at least half of the Board where the Chairman is not an independent director.

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 three (3) Independent Directors have confirmed their independence and that 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 NC has also reviewed and is of the view that the three (3) Independent Directors are independent in accordance with the definition of independence in the Code.

The Company currently has no independent Directors who have served of the Board beyond nine (9) years.

The Independent 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 Independent Directors meet 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 is 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.

CORPORATE GOVERNANCE

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 as at the date of this Report, including their principal commitments, are set out below and on pages 6 to 8 of this Report:

Name of Director	Date of initial Appointment	Date of last re-election	Directorships in other listed companies	
			Current	Past 3 Years
Wang Xin	19 August 2015	29 April 2016	Nil	Nil
Peng Weile	19 August 2015	29 April 2016	• SMJ International Holdings Limited	• Cedar Strategic Holdings Ltd • Sino-Excel Energy Limited
Peng Fei	19 August 2015	29 April 2016	• SMJ International Holdings Limited	Nil
Christopher Chong Meng Tak	19 August 2015	29 April 2016	• GLG Corp Ltd • ASL Marine Holdings Ltd • Yingli International Real Estate Ltd • Singapore O&G Ltd • Cedar Strategic Holdings Ltd	• Koda Ltd • Lorenzo Ltd • Koon Holdings Ltd
Lee Kim Lian, Juliana	18 June 2009	30 April 2015	• Lee Metal Group Ltd. • Nordic Group Ltd.	• PSL Holdings Ltd
San Meng Chee	13 March 2014	29 April 2016	• Astaka Holdings Limited	Nil

1.3 CHAIRMAN AND CHIEF EXECUTIVE OFFICER

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

Mr. Wang Xin is the Executive Chairman of the Company. He is responsible for the overall management and strategic development of the Group. The Company currently does not have a CEO. As the Executive Chairman is not an Independent Director, 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 Mr. Christopher Chong Meng Tak 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 chief financial officer (or equivalent), or where such contact is not possible or inappropriate.

CORPORATE GOVERNANCE

As Executive Chairman of the Board, Mr. Wang Xin 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 the Management, assisting in ensuring compliance with the Group's guidelines on corporate governance and maintaining regular dialogue with the Management on all operational matters.

1.4 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 comprises Ms. Lee Kim Lian, Juliana (Chairman), Mr. Christopher Chong Meng Tak and Mr. San Meng Chee, all of whom, including the Chairman, are independent.

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, the Board Committees and Directors and conduct a formal assessment of the effectiveness of the Board, Board Committees and contribution by each director; and
(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.

CORPORATE GOVERNANCE

Where a vacancy arises under any circumstances, or where it is considered that the Board could benefit from the services of a new director with particular skills, the NC, in consultation with the Board, determines the selection criteria and selects candidates with the appropriate expertise and experience for the position. The NC will evaluate the capabilities of the candidates in the area of academic and professional qualifications, knowledge and experiences in relation to the business of the Group. For new appointment of Director(s), the NC may tap on the Directors' or the Management's personal contacts, networks and recommendations. The NC will then meet with the shortlisted candidates to assess their suitability prior to recommending to the Board for approval.

The Directors submit themselves for re-nomination and re-election at regular intervals of at least once every three years. Article 107 of the Company's Constitution 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, Article 117 of the Company's Constitution 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 in accordance with Article 107:

(a) Lee Kim Lian, Juliana; and
(b) Christopher Chong Meng Tak

Ms. Lee Kim Lian, Juliana, and Mr Christopher Chong Meng Tak, being eligible, have offered themselves for re-election and the NC has recommended their re-election to the Board. Each of Ms. Lee Kim Lian, Juliana and Mr Christopher Chong Meng Tak has abstained from the NC's recommendation pertaining to her and his re-election respectively. In making the recommendation, the NC had considered the overall contribution and performance of aforementioned Directors.

The NC has reviewed the contribution by each Director taking into account their listed company board representations and other principal commitments. 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. Notwithstanding the number of listed company board representations and other principal commitments which some of the Directors are holding, the NC is of the view that sufficient time and attention to the affairs of the Company has been given by these Directors and is satisfied that all Directors have discharged their duties adequately for FY2016.

1.5 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. The evaluation process is undertaken as an internal exercise and involves Board members completing an evaluation form covering areas relating to a number of factors, including the discharge of the Board functions, access to information, participation at Board meetings and communication and guidance given by the Board to the Management.

CORPORATE GOVERNANCE

Each Director will assess the Board's performance as a whole and provide the feedback to the NC. A similar evaluation process is also conducted by each member of the Board Committees and the Board Committee members will evaluate the relevant Board Committee and provide feedback to the NC. In reviewing the Board's effectiveness as a whole and the Board Committees, the NC will take into account the feedback from Board and Board Committee members as well as the Director's individual skills and experience. The results of the evaluation exercise will be considered by the NC, and a summary report will be compiled, with a view to implementing certain recommendations to further enhance the effectiveness of the Board. The contribution of each individual Director to the effectiveness of the Board and Board Committee is assessed individually and reviewed by the NC. In assessing an individual Director's and Board Committee's performance, factors that are to be taken into consideration include attendance at Board meetings and related activities, adequacy of preparing for board meetings, contributions in specialist areas, generation of constructive ideas, and maintenance of independence.

The NC, having reviewed the overall performance of the Board and the Board Committees in terms of its roles and responsibilities and the conduct of its affairs as a whole, and each individual Director's performance, is of the view that the performance of the Board and each individual Director has been satisfactory. Each member of the NC has abstained from voting on any resolution and making any recommendations and/or participating in any deliberations of the NC in respect of the assessment of his performance or re-nomination as a Director. No external facilitator was used in the evaluation process.

1.6 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. Types of information provided by Management to the Independent Directors include management accounts, internal income statement forecast, external and internal auditors' reports and periodic updates on the Group's operations.

The Directors have unrestricted access to records and information of the Group, and have separate and independent access to the Company Secretary, the independent auditor 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, ensures a good flow of information within the Board and between the Management and Independent Directors, attends to corporate secretariat administration matters, 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.

CORPORATE GOVERNANCE

2. REMUNERATION MATTERS

2.1 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 Mr. San Meng Chee (Chairman), Mr. Christopher Chong Meng Tak and Ms. Lee Kim Lian, Juliana, all of whom, including the Chairman, are independent.

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, and determine the specific remuneration package for each Executive Director;
(b) To review the remuneration package of senior management being the top 5 key management personnel of the Company;
(c) To perform an annual review of the remuneration of employees related to the Directors and controlling shareholders of the Company to ensure that their remuneration packages are in line with the staff remuneration guidelines and commensurate with their respective job scopes and level of responsibilities. The RC will also review and approve any bonuses, pay increase and/or promotions for these employees; and
(d) To review and approve the overall compensation policy of the Company.

All aspects of remuneration, including but not limited to directors' fee, salaries, allowances, bonuses and benefits in kind, will be reviewed by the RC. The recommendations of the RC will be submitted to the Board for endorsement. Each RC member will abstain from voting on any resolution and making any recommendations in respect of his remuneration package. The overriding principle is that no Director should be involved in deciding his own remuneration.

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.

The RC has met to consider and review the remuneration packages of the Directors and key management personnel, including those employees related to the Executive Directors and controlling shareholders of the Company. No remuneration consultants were engaged by the Company in FY2016.

2.2 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 individual Directors and key management personnel.

CORPORATE GOVERNANCE

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

The Company's compensation framework comprises of 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 Forise 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/her.

2.3 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.

To maintain the confidentiality of the remuneration policies of the Company, the Board is of the view that it is in the best interests of the Company not to fully disclose the remuneration of each individual executive director.

Details of remuneration of Directors

The breakdown of remuneration paid to or accrued to each Director for FY2016 is as follows:

Remuneration Board and Name of Directors	Director Fees %[1]	Salary %	Bonus %	Total %	Total S$'000
Below S$250,000					
Wang Xin	–	92.3	7.7	100	–
Peng Weile	–	76.4	23.6	100	–
Peng Fei	–	93.0	7.0	100	–
Weng Wenwei[2]	–	–	–	–	–
Christopher Chong Meng Tak	100	–	–	100	70
Lee Kim Lian, Juliana	100	–	–	100	60
San Meng Chee	100	–	–	100	60

Notes:

(1) The Directors' fees had been approved at the Company's Annual General Meeting held on 29 April 2016.

(2) Resigned on 16 March 2016.

CORPORATE GOVERNANCE

Details of remuneration of top key management personnel

The Company's staff remuneration policy is based on individual's rank and role, the individual performance, the Group's performance and industry benchmarking gathered from companies in comparable industries. The breakdown of remuneration paid to or accrued to each key management personnel for FY2016 is as follows:

Key Executives Below S$250,000	Salary %	Bonus %	Other benefits %	Total %
Alice Lim Chai Har	81.2	18.8	–	100
Yuen Ethan	100	–	–	100
Su Yujie	100	–	–	100
Li Shasha	100	–	–	100

The aggregate total remuneration paid to the top four key executive personnel (who are not directors or the CEO) for FY2016 is approximately RMB799,000.

No termination, retirement and post-employment benefits other than payment in lieu of notice in the event of termination were included in the employment contracts of Directors and the top four key management personnel.

Details of remuneration of employees who are immediate family members of a Director

There is no employee of the Group who is an immediate family member of a Director or the CEO whose remuneration exceeded S$50,000 for FY2016.

All directors and executives (save for those who are controlling shareholders) are eligible to participate in the Forise Performance Share Scheme, details of which are set out in the Directors' Statement. As at 31 December 2016, there are no outstanding share awards granted.

3. ACCOUNTABILITY AND AUDIT

3.1 ACCOUNTABILITY

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

The Board is accountable to shareholders 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 ("Listing Manual"). The Management is responsible to the Board and the Board itself is accountable to the shareholders of the Company. The Board is provided with the management accounts of the Group's performance and position on a quarterly basis.

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 also be announced or issued within legally prescribed periods.

CORPORATE GOVERNANCE

3.2 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:

(a) ensures that Management maintains a sound systems of risk management to safeguard shareholders' interest and the Group's assets;
(b) determines the nature and extend of significant risks that the Board is willing to take in achieving its strategic objective;
(c) determines the Company's levels of risk tolerance and risk policies;
(d) 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
(e) reviews annually the adequacy and effectiveness of the risk management policies and systems, and key internal controls.

There are formal procedures in place for the independent auditor 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 the independent auditor and will ensure that the Company follows up on the auditors' recommendations raised, if any, during the audit process. The key management personnel will also regularly evaluate, monitor and report to the AC on material risks. 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 FY2016, the Board also received assurance from the Management (the Company does not have a CEO and a 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.

CORPORATE GOVERNANCE

The Group had ceased its manufacturing services in the fourth quarter of FY2015, and disposed of all the machineries of its production facilities held under its two main manufacturing subsidiaries. It had further on 6 April 2016 entered into a sale and purchase agreement to sell the subsidiaries related to the manufacturing segment of the Group's business, which has been approved by the Company's shareholders on 18 August 2016 and completed in December 2016. Following the disposal of the manufacturing segment of the Group's business, the Group's remaining businesses are its trading business and corporate advisory business, which require a lighter asset base. Pursuant to Rule 1207(10) of the Listing Manual and Guideline 11.2 of the Code, based on the existing internal controls maintained by the Group, the Board, with the concurrence of the AC, is satisfied with the adequacy of the Group's internal controls and risk management systems in addressing the current financial, operational and compliance and information technology risks of the Group as at 31 December 2016.

With the disposal of our garment manufacturing segment being completed in December 2016, and our main focus now being centred on our trading business and our new corporate advisory business, the Company is looking into employing an enterprise risk management framework to improve its business and operational activities in the identification of significant business risks and the appropriate measure to mitigate or control these risks.

3.3 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 Mr. Christopher Chong Meng Tak (Chairman), Ms. Lee Kim Lian, Juliana, and Mr. San Meng Chee, all of whom, including the Chairman, are independent directors.

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

(a) To review the scope and results of the audit and its cost effectiveness;

(b) To review significant financial reporting issues and judgements so as to ensure integrity of the financial statements of the Company and any formal announcements relating to the Company's financial performance;

(c) To review the quarterly, half-yearly and full year financial results before submission to the Board for approval;

(d) To review the assistance and co-operation given by Management and the officers of the Group to the auditors;

(e) To review the internal audit programme and ensure co-ordination between the internal auditors and independent auditors and Management;

(f) To review the scope and results of the internal audit procedures and the internal auditors' report;

(g) 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);

(h) To review and approve interested person transaction (if any) falling within the scope of Chapter 9 of the Listing Manual, and to ensure that they are carried out on normal commercial terms and in accordance with the internal control procedures;

(i) To review potential conflicts of interests, if any;

(j) To review the independence and objectivity of the independent auditors annually;

(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;

CORPORATE GOVERNANCE

(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; and

(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 will also commission and review the findings of internal investigations into matters where there is any suspected fraud or irregularity, or failure of internal controls, or infringement of any law, rule or regulation which has or is likely to have a material impact on the Group's operating results or financial position. 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 independent auditors, without the presence of Management, at least once a year.

For the year reported on, the AC reviewed and approved the scope of the audit plans of the independent auditors. In its recommendation to the Board to approve the full year financial statements, the AC reviewed the results of the audit, significant findings or areas of emphasis and audit recommendations. The AC also discussed with Management the various accounting principles that were applied and the bases of the assumptions and methodologies used by Management in relation to matters of significant impact. In particular, the following key audit matters identified by the independent auditors were discussed with Management and the independent auditors and reviewed by the AC:

(i) *Impairment of trade receivables*

During the year, the Group signed Three-way Payment Agreements where by the customers paid the suppliers directly. The benefit to the customer is that it gives the customer direct access to the supplier's staff and operations. The benefit to the supplier was that the supplier got paid faster. The benefit to the Group was the significant reduction in the working capital funding needed. However, should a customer default on payments to the supplier, the Group is obligated to make good any short fall. As at 31 December 2016, the Group had trade receivables amounting to RMB20.76 million. Given that RMB20.76 million is a significant amount relative to both the Group's financial performance and financial position, accurate computation of any impairment is important. The AC considered Management's processes and controls for monitoring and identifying trade receivables with collection risks by reviewing (i) the number of accounts and aggregate quantum that is over 120 days old; (ii) Management's action including follow up and explanations; (iii) post balance sheet collections; and (iv) the reasonableness and appropriateness of management's approach to making impairments.

The AC is satisfied with the judgement and estimate made by Management on the adequacy of allowance for impairment of RMB3.76 million.

CORPORATE GOVERNANCE

(ii) *Disposal of subsidiary corporations*

The Group entered into a Sale and Purchase Agreement ("SPA") with Weng Wenwei ("Purchaser") to dispose selected subsidiaries (the "Disposal Group"). The disposal has been completed in December 2016. Management has assessed that the Group lost control of the Disposal Group on the date of SPA, which is 6 April 2016 as disclosed in Note 9 to the financial statements, as the Group is neither exposed to, nor has rights to, variable returns from its involvement with the entities and has no ability to affect those returns through its power over the entities. The AC considered and is satisfied with the following: (i) events that demonstrated the Group had lost the control over the Disposal Group; (ii) the ability of the Group to meet the terms and conditions stated in the SPA and thus ability to complete the SPA; and (iii) the appropriateness of the disclosures made in the financial statements.

The AC concurs with Management's assessment that the Group lost control of the Disposal Group on the date of SPA, which is 6 April 2016.

The AC has reviewed and noted that there was no non-audit services provided to the Group by the independent auditors, Messrs Nexia TS Public Accounting Corporation ("**Nexia**"), an accounting firm registered with the Accounting and Corporate Regulatory Authority. The AC had recommended the re-appointment of Nexia as independent auditors at the forthcoming AGM. The AC is satisfied that Nexia and the audit engagement team assigned to the audit have adequate resources and experience to meet its obligations. In this connection, the Company has complied with Rule 712 and 715 of the Listing Manual. The fees paid/payable to Nexia, the independent auditors, for the financial year ended 31 December 2016 was approximately S$70,000.

The AC is kept abreast of changes to accounting standards and issues which may have an impact on the financial statements, by the Management and access to professional resources.

Whistle Blowing Policy

To encourage proper work ethics and deter any wrongdoing within the Group, the Group has established a whistle-blowing policy that seeks to provide a channel for the Group's employees and external parties to raise concerns in good faith and in confidence about possible improprieties in matters of financial reporting or other matters such as possible corruption, suspected fraud and other non-compliance issues. The AC will review the issues and/or concerns raised and ensure that necessary arrangements are in place for the independent investigation of issues and/or concerns raised by the employees and external parties and for appropriate follow-up actions. Details of the whistle-blowing policies and arrangements have been made available to the Group's employees and external parties. Information received pertaining to whistle blowing will be treated with confidentiality and restricted to the designated persons-in-charge of the investigation to protect the identity and interest of whistleblowers.

3.4 INTERNAL AUDIT

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

The Board recognises the importance of maintaining an internal audit function to provide an independent assurance over the soundness of the system of internal controls within the Group to safeguard shareholders' investments and the Company's assets. The AC has the responsibility to review the adequacy of the internal audit function annually, review the internal audit program and ensure co-ordination between the internal auditors, independent auditors and Management, and ensure that the internal auditors meets or exceeds the standards set by nationally or internationally recognised professional bodies. With the disposal of our garment manufacturing segment being completed in December 2016, and our main focus now being centred on our trading business and our new corporate advisory business, the Company is assessing and looking into employing an enterprise risk management framework to improve its business and operational activities in the identification of significant business risks and the appropriate measure to mitigate or control these risks.

CORPORATE GOVERNANCE

4. SHAREHOLDERS RIGHT AND RESPONSIBILITIES;

4.1 SHAREHOLDER RIGHTS

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.

In line with continuous disclosure obligations of the Company, pursuant to the Listing Manual 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.

4.2 COMMUNICATION WITH SHAREHOLDERS

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

Communication with shareholders is managed by the Board. Pertinent information is communicated to shareholders on a regular and timely basis through the following means:

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

The Company does not practise selective disclosure and price sensitive information is publicly released on an immediate basis where required under the Listing Manual. However, in the event that unpublished material information is inadvertently disclosed to any selected person in the course of the Group's interactions with the investing community, a media release or announcement will be released to the public via SGXNET to disclose and/or address such material information.

The Company welcomes the views of shareholders on matters affecting the Company, whether at shareholders' meetings or on an ad hoc basis. At shareholders' meetings, shareholders are given the opportunity to communicate their views and to ask the Directors and Management questions regarding the Group. The Company is open to meetings with investors and analysts, and in conducting such meetings, is mindful to ensure fair disclosure.

The Company does not have a fixed dividend policy. The payment of dividend is deliberated by the Board annually having regard to various factors, including the Company's earnings, general financial condition, results of operations, capital requirements, cash flow, general business condition, development plans and other factors as the Directors may deem appropriate. Where dividends are not paid, the Company discloses the reasons.

CORPORATE GOVERNANCE

4.3 CONDUCT OF SHAREHOLDERS' MEETINGS

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

The annual general meeting ("AGM") of the Company is a principal forum for dialogue and interaction with all shareholders. The Board encourages shareholders to attend the Company's general meetings to ensure a greater level of shareholder participation and to meet with the Board and key management staff so as to stay informed on the Group's developments. The Directors regard AGMs as an opportunity to communicate directly with shareholders and encourage greater shareholder participation.

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. Corporations which provide nominee or custodial services can appoint more than two (2) proxies to allow such shareholders who hold shares through such corporations to attend and participate in general meetings as proxies.

The Directors, including the Chairman of each Board and Board Committees will as much as possible present to address shareholders' questions at the annual general meeting. The Board will also engage in dialogue with shareholders at the AGM, to gather views or inputs and address shareholders' concerns.

The Chairpersons of the AC, RC and NC are normally available at shareholders' meetings to answer those questions relating to the work of these Board Committees. The Company's independent auditors will also be present to address queries by shareholders in respect of its audit opinion. 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.

At shareholders' meetings, each distinct issue is proposed as a separate resolution. Each item of special business included in the notice of meetings will be accompanied by the relevant explanatory notes. This is to enable the shareholders to understand the nature and effect of the proposed resolutions.

The Company Secretary 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.

ADDITIONAL INFORMATION

5. MATERIAL CONTRACTS

Save as disclosed in paragraph 7 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 FY2016 or if not then subsisting, entered into since the end of the previous financial year.

CORPORATE GOVERNANCE

6. 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.

7. 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 2016 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)
Service rendered from Beijing Fu Hua Asset Management Limited Company, a Company which is wholly owned by Fu Hua Holdings Limited. Mr. Wang Xin who is a Director of the Company owns more than 30% of the equity interest in Fu Hua Holdings Limited.	RMB 0.80 million	NA

The Board confirms that the above interested person transaction was entered into on an arm's length bases and on normal commercial terms and is not prejudicial to the interests of the shareholders.

CORPORATE GOVERNANCE

Disclosure of the status on the use of proceeds raised from Rights Issue allotted and issued on 18 August 2015.

As at 31 December 2016, the details of the utilization of proceeds for the rights issue are as follows:

Intended use	Amount allocated S$ million	Amount utilized S$ million
To fund new potential investment and business through acquisition, joint venture/or collaboration in business	6.27	–
For general working capital purposes	2.50	0.60
Total	8.77	0.60

DIRECTORS' STATEMENT

For the financial year ended 31 December 2016

The directors present their statement to the members together with the audited financial statements of the Group for the financial year ended 31 December 2016 and the balance sheet of the Company as at 31 December 2016.

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 38 to 92 are drawn up so as to give a true and fair view of the financial position of the Company and of the Group as at 31 December 2016 and the financial performance, changes in equity and cash flows of the Group for the financial year covered by the consolidated financial statements; and

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

Directors

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

Mr Wang Xin
Mr Peng Fei
Mr Peng Weile
Mr Christopher Chong Meng Tak
Ms Lee Kim Lian, Juliana
Mr San Meng Chee

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 statement.

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 21.1.2017 ('000)	At 31.12.2016 ('000)	At 1.1.2016 ('000)	At 21.1.2017 ('000)	At 31.12.2016 ('000)	At 1.1.2016 ('000)
COMPANY						
<u>(No. of ordinary shares)</u>						
Mr Wang Xin	–	–	–	1,130,500	1,130,500	1,130,500

Mr Wang Xin, who by virtue of his interest of not less than 20% of the issued capital of the Company, is deemed to have an interest in the whole of the share capital of the Company's wholly-owned subsidiary corporations.

DIRECTORS' STATEMENT

For the financial year ended 31 December 2016

Warrants

On 20 May 2013, the Company issued 30,000,000 warrants at an issue price of Singapore Dollar ("SGD") 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 SGD0.075 for each new share, on the basis of one warrant for one ordinary share.

Subsequently, following the renounceable non-underwritten rights issue of 2,065,000,000 new ordinary shares ("Rights Share") at an issue price of SGD0.005 per Rights Share, on the basis of seven Rights Shares for every one existing Share held by the entitled shareholders which was completed on 19 August 2015, the number of warrants was adjusted from 30,000,000 to 128,000,000, to be exercised at an exercise price of SGD0.0176 for each new share.

On 6 November 2015, the Company has allotted and issued 10,000,000 new shares to the subscriber pursuant to the exercise of 10,000,000 warrants at an exercise price of SGD0.0176 for each new share, resulting in the total shares of the Company increased from 2,120,000,000 to 2,130,000,000. The gross proceeds received by the Company from the exercise of the 10,000,000 warrants are SGD176,000.

There was no warrant exercised and converted into ordinary share of the Company and the warrants were expired on 18 July 2016.

Performance share plan

Forise Performance Share Scheme

The Forise 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 three independent directors of the Company, namely, San Meng Chee (Chairman), Christopher Chong Meng Tak and Lee Kim Lian, Juliana. 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.

DIRECTORS' STATEMENT

For the financial year ended 31 December 2016

Performance share plan (continued)

Forise Performance Share Scheme (continued)

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.

No participant was granted shares award for the financial years ended 31 December 2016 and 2015.

No performance share was 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 subsidiary corporations.

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 subsidiary corporations.

There were no unissued shares of the Company or its subsidiary corporations 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 statement were as follows:

Mr Christopher Chong Meng Tak (Chairman)
Mr San Meng Chee
Ms Lee Kim Lian, Juliana

The members of the Audit Committee were 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 internal auditor's 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;

DIRECTORS' STATEMENT

For the financial year ended 31 December 2016

Audit committee (continued)

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: (continued)

– reviewed the balance sheet of the Company and the consolidated financial statements of the Group for the financial year ended 31 December 2016, 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 and other committees in separate executive sessions to discuss any matters that 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

Peng Weile
Director

Christopher Chong Meng Tak
Director

6 April 2017

INDEPENDENT AUDITOR'S REPORT

To the Members of Forise International Limited

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Forise International Limited (the "Company") and its subsidiary corporations (the "Group"), which comprise the consolidated balance sheet of the Group and the balance sheet of the Company as at 31 December 2016, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 38 to 92.

In our opinion, the accompanying consolidated financial statements of the Group and the balance sheet of the Company are properly drawn up in accordance with the provisions of the Companies Act, Chapter 50 (the "Act") and Financial Reporting Standards in Singapore ("FRSs") so as to give a true and fair view of the consolidated balance sheet of the Group and the balance sheet of the Company as at 31 December 2016 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group for the year ended on that date.

Basis for Opinion

We conducted our audit in accordance with Singapore Standards on Auditing ("SSAs"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Group in accordance with the Accounting and Corporate Regulatory Authority ("ACRA") *Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities* ("ACRA Code") together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current year. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the matter
(i) Recoverability of trade receivables	
As at 31 December 2016, the Group has trade receivables amounting to RMB20,765,000. Trade receivables are stated at their original invoiced value less allowance for impairment loss.	Our audit procedures focused on ensuring the Group is able to discharge its obligations to pay suppliers and evaluating the key judgements used by the management in conducting the impairment review for trade receivables.

INDEPENDENT AUDITOR'S REPORT

To the Members of Forise International Limited

Report on the Audit of the Financial Statements (continued)

Key Audit Matters (continued)

Key audit matter	How our audit addressed the matter
(i) Recoverability of trade receivables (continued)	
The Group assesses at each reporting date whether there is objective evidence that a financial asset is impaired. In carrying out this assessment, judgement is applied by the management to determine appropriate parameters and assumptions used to calculate impairment. During the financial year, the Group signed payment arrangements with its customers and suppliers where the customers are to make payment with an agreed amount on behalf of the Group to the suppliers ("Three-way Payment Statements"). The Group offsets the trade receivables and trade payables upon signing of the Three-way Payment Statements, however, should the customers default on payments to the suppliers, the Group would still be obligated to fulfill the payments to the suppliers. To determine the amount of allowance to be provided, management is required to follow-up with customers if the payments were made in accordance with the Three-way Payment Statements and assess the credit risks of customers especially where there was no payment made and the debts are aged or overdue more than the credit term granted which is generally 120 days. Inappropriate judgement and estimates made in the impairment assessment would result in a significant impact on the carrying amount of the trade receivables. Disclosure on the above key estimates has been made in Note 3 to the consolidated financial statements and the aging of the trade receivables is disclosed in Note 27(b) to the consolidated financial statements.	The following audit procedures were performed to evaluate the key judgements and determine the recoverability of trade receivables: • tested the aging of trade receivables at financial year end on sampling basis; • assessed the recoverability of overdue trade receivables through discussion with management on the reasons for the delay in payments on certain aged trade receivables and if any allowance for impairment is to be provided, by considering amongst others, factors such as subsequent cash receipts and reasonableness of collection prospects; • performed site visits to the suppliers' premises and obtained confirmation as at 31 December 2016 to ensure the outstanding balances are fairly stated and customers have not default the payments to suppliers; • assessed and validated the adequacy and appropriateness of the disclosures made in the consolidated financial statements.

INDEPENDENT AUDITOR'S REPORT

To the Members of Forise International Limited

Report on the Audit of the Financial Statements (continued)

Key Audit Matters (continued)

Key audit matter	How our audit addressed the matter
(ii) Disposal of subsidiary corporations	
As disclosed in Note 9 to the consolidated financial statements, the Company entered into a Sale and Purchase Agreement ("SPA") with Weng Wenwei ("Purchaser") to dispose its subsidiary corporations ("Disposal Group") for a cash consideration of SGD1. The disposal has been completed in December 2016. The management has assessed that the Company has lost control of the Disposal Group on the date of SPA, which is 6 April 2016. Accordingly, the management deconsolidated the financial results of the Disposal Group from 6 April 2016. We focused on this event due to the significant judgement involved in determining the date of loss of control of the Disposal Group in accordance with the requirements of FRS 103 *Business Combinations* and FRS 110 *Consolidated Financial Statements*.	The following audit procedures were performed to determine the appropriateness of the date of loss of control of the Disposal Group: • discussed with management to understand the events that demonstrate the Group had lost the control over the Disposal Group; • assessed the likelihood of the Company meeting the terms and conditions stated in the SPA to complete the disposal; • reviewed the consolidation journal entries and recomputed the gain on disposal of Disposal Group; • reviewed the adequacy and appropriateness of the disclosures made in the consolidated financial statements.

Other Information

Management is responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

INDEPENDENT AUDITOR'S REPORT

To the Members of Forise International Limited

Report on the Audit of the Financial Statements (continued)

Responsibilities of Management and Directors for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Act and FRSs, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair financial statements and to maintain accountability of assets.

In preparing the financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The directors' responsibilities include overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with SSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

INDEPENDENT AUDITOR'S REPORT

To the Members of Forise International Limited

Report on the Audit of the Financial Statements (continued)

Auditor's Responsibilities for the Audit of the Financial Statements (continued)

As part of an audit in accordance with SSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also: (continued)

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the current year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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 have been properly kept in accordance with the provisions of the Act.

The engagement director on the audit resulting in this independent auditor's report is Lee Look Ling.

Nexia TS Public Accounting Corporation
Public Accountants and Chartered Accountants

Singapore

6 April 2017

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the financial year ended 31 December 2016

	Note	2016 RMB'000	2015 RMB'000
Continuing operations			
Sales	4	91,273	862
Cost of sales		(78,434)	(831)
Gross profit		12,839	31
Other gains, net	5	286,340	389
Expenses			
– Selling and distribution		(239)	–
– Administrative		(6,134)	(4,048)
– Other operating expenses		(1,929)	(6,692)
– Finance		(4)	–
Profit/(loss) before income tax		290,873	(10,320)
Income tax expense	8	(1,374)	–
Net profit/(loss)		289,499	(10,320)
Discontinued operations			
Loss from discontinued operations	9	–	(178,562)
Total profit/(loss)		289,499	(188,882)
Other comprehensive income/(loss):			
Items that may be reclassified subsequently to profit or loss:			
Currency translation differences arising from consolidation			
– Gain/(loss)	23	118	(287)
Items that will not be reclassified subsequently to profit or loss:			
Reversal of restructuring reserve on disposal of subsidiary corporations		(114,040)	–
Other comprehensive loss, net of tax		(113,922)	(287)
Total comprehensive income/(loss)		175,577	(189,169)
Profit/(loss) attributable to:			
– Equity holders of the Company		289,499	(188,882)
Profit/(loss) attributable to equity holders of the Company relates to:			
– Profit/(loss) from continuing operations		289,499	(10,320)
– Loss from discontinued operations		–	(178,562)
Total comprehensive income/(loss) attributable to:			
– Equity holders of the Company		175,577	(189,169)
Earnings/(losses) per share from continuing and discontinued operations attributable to equity holders of the Company (RMB cents per share)	10		
– Basic earnings/(losses) per share			
– Continuing operations		13.59	(1.09)
– Discontinued operations		–	(18.95)
– Diluted earnings/(losses) per share			
– Continuing operations		13.59	(1.09)
– Discontinued operations		–	(18.95)

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

BALANCE SHEETS

As at 31 December 2016

	Note	Group 2016 RMB'000	Group 2015 RMB'000	Company 2016 RMB'000	Company 2015 RMB'000
ASSETS					
Current assets					
Cash and cash equivalents	11	38,857	79,581	25,146	38,244
Trade and other receivables	12	20,797	50,007	9,061	–
Inventories	13	12	10,949	–	–
Other current assets	14	589	1,699	582	401
Derivative financial instruments	15	–	439	–	–
		60,255	142,675	34,789	38,645
Non-current assets					
Investments in subsidiary corporations	16	–	–	923	–
Property, plant and equipment	17	305	37,721	51	122
Intangible assets	18	–	15,433	–	–
		305	53,154	974	122
Total assets		60,560	195,829	35,763	38,767
LIABILITIES					
Current liabilities					
Trade and other payables	19	16,284	93,858	1,705	22,435
Borrowings	20	–	233,049	–	–
Current income tax liabilities		1,387	1,618	–	–
Total liabilities		17,671	328,525	1,705	22,435
NET ASSETS/(LIABILITIES)		42,889	(132,696)	34,058	16,332
EQUITY					
Capital and reserves attributable to equity holders of the Company					
Share capital	21	145,320	145,320	145,320	145,320
Restructuring reserve	22	–	114,040	–	114,040
Currency translation reserve	23	9	(109)	–	–
Warrant reserve	24	–	674	–	674
Accumulated losses	25	(102,440)	(392,613)	(111,262)	(243,702)
		42,889	(132,688)	34,058	16,332
Non-controlling interests		–	(8)	–	–
TOTAL EQUITY		42,889	(132,696)	34,058	16,332

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the financial year ended 31 December 2016

	Attributable to equity holders of the Company							
	Share capital RMB'000	Restructuring reserve RMB'000	Warrant reserve RMB'000	Currency translation reserve RMB'000	Accumulated losses RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
2016								
Beginning of financial year	145,320	114,040	674	(109)	(392,613)	(132,688)	(8)	(132,696)
Write back of warrant reserve (Note 24)	–	–	(674)	–	674	–	–	–
Profit for the financial year	–	–	–	–	289,499	289,499	–	289,499
Foreign currency translation difference	–	–	–	118	–	118	–	118
Disposal of subsidiary corporations (Note 11)	–	(114,040)	–	–	–	(114,040)	8	(114,032)
Total comprehensive income for the financial year	–	(114,040)	–	118	289,499	175,577	8	175,585
End of financial year	145,320	–	–	9	(102,440)	42,889	–	42,889
2015								
Beginning of financial year	104,766	114,040	727	178	(203,731)	15,980	(8)	15,972
Rights issue (Note 21)	39,708	–	–	–	–	39,708	–	39,708
Warrant reserve exercised (Note 24)	846	–	(53)	–	–	793	–	793
Loss for the financial year	–	–	–	–	(188,882)	(188,882)	–	(188,882)
Foreign currency translation difference	–	–	–	(287)	–	(287)	–	(287)
Total comprehensive loss for the financial year	–	–	–	(287)	(188,882)	(189,169)	–	(189,169)
End of financial year	145,320	114,040	674	(109)	(392,613)	(132,688)	(8)	(132,696)

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

CONSOLIDATED STATEMENT OF CASH FLOWS

For the financial year ended 31 December 2016

	Note	2016 RMB'000	2015 RMB'000
Cash flows from operating activities			
Total profit/(loss)		289,499	(188,882)
Adjustments for:			
– Income tax expense	8	1,374	3,437
– Amortisation and depreciation		72	6,849
– Gain on disposal of property, plant and equipment		–	(5,942)
– Gain on disposal of subsidiary corporations	11	(285,693)	–
– Property, plant and equipment written off	6	30	–
– Interest expense		–	9,873
– Interest income		(276)	(3,105)
– Fair value losses on derivative financial assets		–	1,854
– Unrealised currency translation (gains)/losses		(120)	84
– Allowance for impairment of other receivables	6	793	–
		5,679	(175,832)
Change in working capital, net effects from disposal of subsidiary corporations:			
– Trade and other receivables		(70,811)	127,727
– Inventories		230	41,879
– Other current assets		(187)	(1,295)
– Trade and other payables		65,138	16,020
Cash generated from operations		49	8,499
Interest received		276	3,105
Income tax refunded/(paid)		195	(4,335)
Net cash provided by operating activities		520	7,269
Cash flows from investing activities			
Disposal of subsidiary corporations, net of cash disposed of	11	(475)	–
Additions to property, plant and equipment	17	(5)	(255)
Proceeds from disposal of property, plant and equipment		–	2,080
Net cash (used in)/provided by investing activities		(480)	1,825
Cash flows from financing activities			
Proceeds from rights issues		–	42,133
Right issues expenses		–	(2,425)
Proceeds from warrants exercised		–	793
Proceeds from borrowings		–	269,195
Repayment of borrowings		–	(342,533)
Interest paid		–	(9,873)
Decrease in short-term bank deposits pledged		–	52,614
Net cash provided by financing activities		–	9,904
Net increase in cash and cash equivalents		40	18,998
Cash and cash equivalents			
Beginning of financial year		38,817	20,190
Effects on currency translation on cash and cash equivalents		–	(371)
End of financial year	11	38,857	38,817

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

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 2016 were authorised for issue in accordance with a resolution of the directors on 6 April 2017.

1 Corporate information

Forise International Limited is listed on the Singapore Exchange Security Trading Limited ("SGX-ST") and incorporated and domiciled in Singapore. The address of its registered office is 80 Raffles Place, 11-20 UOB Plaza 2, Singapore 048624. 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 that of investment holding. The principal activities of the subsidiary corporations are disclosed in Note 16.

The Company's immediate holding corporation is Forise Capital Group Limited and ultimate holding corporation is Forise Global Holdings Limited, 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") under the historical cost convention, except as disclosed in the accounting policies below.

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

Interpretations and amendments to published standards effective in 2016

On 1 January 2016, the Group adopted the new or amended FRS and Interpretations of FRS ("INT FRS") that are mandatory for application for the financial year. Changes to the Group's accounting policies have been made as required, in accordance with the transitional provisions in the respective FRS and INT FRS.

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

2 Summary of significant accounting policies (continued)

2.2 Group accounting

(a) Subsidiary corporations

(i) Consolidation

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

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

Non-controlling interests comprise the portion of a subsidiary corporation's net results of operations and its net assets, which is 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 corporation, even if this results in the non-controlling interests having a deficit balance.

(ii) Acquisition

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

The consideration transferred for the acquisition of a subsidiary corporation or business comprises 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 corporation 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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

2 Summary of significant accounting policies (continued)

2.2 Group accounting (continued)

(a) Subsidiary corporations (continued)

(ii) Acquisition (continued)

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

The excess of (a) the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquire over the (b) fair value of the identifiable net assets acquired is recorded as goodwill.

(iii) Disposals

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

(b) Transactions with non-controlling interests

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

2.3 Revenue recognition

Sales comprise the fair value of the consideration received or receivable for the sale of goods and rendering of services 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 trading goods – Garments

Revenue from sales of trading goods 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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

2 Summary of significant accounting policies (continued)

2.3 Revenue recognition (continued)

(b) Rendering of services – Corporate advisory

Revenue from corporate advisory services is recognised when the services are rendered.

(c) 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. Cost also include borrowing costs (refer to Note 2.6 on borrowing costs).

(b) Depreciation

Depreciation of property, plant and equipment is calculated using the 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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

2 Summary of significant accounting policies (continued)

2.4 Property, plant and equipment (continued)

(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, 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 expensed off 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.

The amortisation period and amortisation method of intangible assets 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.

2.7 Investments in subsidiary corporations

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

2 Summary of significant accounting policies (continued)

2.8 Impairment of non-financial assets

Property, plant and equipment
Intangible assets
Investments in subsidiary corporations

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

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

2.9 Inventories

Inventories are carried at the lower of cost and net realisable value. Cost is determined using the weighted average method. 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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

2 Summary of significant accounting policies (continued)

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

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are presented as current assets, except for those expected to be realised later than 12 months after the balance sheet date which are presented as non-current assets. Loans and receivables are presented as “trade and other receivables” (Note 12) and “cash and cash equivalents” (Note 11) on the balance sheet.

(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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

2 Summary of significant accounting policies (continued)

2.11 Financial assets (continued)

(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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

2 Summary of significant accounting policies (continued)

2.13 Employee compensation

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

(a) Defined contribution plans

Singapore

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

People's Republic of China ("PRC")

The subsidiary corporations, 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 subsidiary corporations' 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) 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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

2 Summary of significant accounting policies (continued)

2.14 Leases

When the Group is the lessee:

The Group leases office premises 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.

2.15 Income taxes

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

2 Summary of significant accounting policies (continued)

2.15 Income taxes (continued)

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.

2.16 Provisions

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

2.17 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 (RMB'000) unless otherwise stated.

(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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

2 Summary of significant accounting policies (continued)

2.17 Currency translation (continued)

(b) Transactions and balances (continued)

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 gains, 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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

2 Summary of significant accounting policies (continued)

2.18 Cash and cash equivalents

For the purpose of presentation in the consolidated statement of cash flows, cash and cash equivalents include cash on hand and deposits with financial institutions which are subject to an insignificant risk of change in value. For cash subjected to restriction, assessment is made on the economic substance of the restriction and whether they meet the definition of cash and cash equivalents.

2.19 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.

2.20 Dividends to Company's shareholders

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

2.21 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.

2.22 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-makers. The chief operating decision-makers have been identified as the Executive Chairman and Executive Directors who makes strategic decisions.

2.23 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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

2 Summary of significant accounting policies (continued)

2.24 Discontinued operations

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

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

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

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

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.

Impairment of trade receivables

The Group assess at the end of each reporting period whether there is any objective evidence that trade receivable is impaired. Factors such as the significant financial difficulties of the debtor and significant delay in payments are objective evidence of impairment.

In determining this, management makes judgements as to whether there is observable data indicating that there has been a significant change in the payment ability of the debtor, or whether there have been significant changes with adverse effect in the market, economic or legal environment in which the debtor 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 at the balance sheet date are disclosed in Note 12.

If the net present values of estimated cash flows had been higher/lower by 10% (2015: 10%) from management's estimates for all past due receivables and advances to suppliers, the allowance of the Group would have been lower/higher by RMB559,200 and Nil (2015: RMB1,411,900 and RMB54,300) for trade receivables and advances to suppliers respectively.

Followed by the management's decision to cease production activities and disposal of subsidiary corporations, there are no advances paid to suppliers as at 31 December 2016 to secure raw materials.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

4 Revenue

	Group	
	2016	2015
	RMB'000	RMB'000
Sales of trading goods	86,231	862
Corporate advisory services	5,042	–
	91,273	862

5 Other gains, net

	Group	
	2016	2015
	RMB'000	RMB'000
Interest income – bank deposits	276	46
Gains on disposal of subsidiary corporations (Note 11)	285,693	–
Currency exchange gains, net	371	243
Other	–	100
	286,340	389

6 Expenses by nature

	Group	
	2016	2015
	RMB'000	RMB'000
Purchases of trading goods	77,511	831
Depreciation of property, plant and equipment (Note 17)	72	41
Property, plant and equipment written off	30	–
Directors' fees	912	1,027
Employee compensation (Note 7)	2,495	1,917
Listing compliance expenses	225	232
Professional and consultancy fees	1,082	4,048
Allowance for impairment of trade receivables written back [Note 27(b)(ii)]	(300)	–
Allowance for impairment of other receivables [Note 27(b)(ii)]	793	–
Fees on audit services paid/payable to:		
– Auditor of the Company	336	459
Rental expenses on operating leases	1,753	633
Utilities and office expenses	347	294
Insurance charges	87	78
Other expenses	1,393	2,011
Total cost of sales, selling and distribution, administrative expenses and other operating expenses	86,736	11,571

7 Employee compensation

	Group	
	2016	2015
	RMB'000	RMB'000
Salaries and bonuses	2,348	1,802
Employer's contribution to defined contribution plans, including Central Provident Fund ("CPF")	144	115
Other short-term benefits	3	–
Amounts attributable to continuing operations (Note 6)	2,495	1,917

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

8 Income tax expense

	Group 2016 RMB'000	Group 2015 RMB'000
Tax expense attributable to profit/(loss) is made up of:		
– Profit/(loss) for the financial year:		
From continuing operations		
Current income tax – PRC	260	–
– Hong Kong	1,114	–
From discontinued operations		
Current income tax – PRC	–	3,437
	1,374	3,437
Tax expense is attributable to:		
– continuing operations	1,374	–
– discontinued operations [Note 9(a)]	–	3,437
	1,374	3,437

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

	Group 2016 RMB'000	Group 2015 RMB'000
Tax expense is attributable to:		
– continuing operations	290,873	(10,320)
– discontinued operations [Note 9(a)]	–	(175,125)
Profit/(loss) before income tax	290,873	(185,445)
Tax calculated at tax rate of 25% (2015: 25%)	72,718	(46,361)
Effects of:		
– Different tax rates in other countries	(11,546)	(8,453)
– Expenses not deductible for tax purposes	662	47,630
– Income not subject to tax	(60,879)	(463)
– Deferred income tax assets not recognised	419	11,084
Tax charge	1,374	3,437

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 RMB3,699,000 (2015: RMB98,983,000, where RMB91,641,000 are in relation to the Disposal Group) as at end of reporting year 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. Unrecognised tax losses of approximately RMB5,318,000 brought forward from 31 December 2015 was expired during the financial year.

The tax losses have no expiry date except for RMB1,600,000, RMB423,000 and RMB1,676,000 which will expire in 2017, 2020 and 2021 respectively and are not recognised as it is not probable that future taxable profits will be available against which those companies can utilise the benefits.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

9 Discontinued operations

On 27 November 2015, 29 November 2015 and 30 November 2015, the Group has disposed the machinery equipment of its production facilities held under the subsidiary corporations of the contract manufacturing segment to various third parties and retrenched all production workers. The factors that led to the management's decision to cease production activities are due to the following reasons:

– years of recurring operating losses arising from highly intensified competition
– continuing deterioration in the business conditions of the garment manufacturing business in PRC
– rising cost of labour and other business costs
– compressed gross profit margins

Consequently, the Group has classified the contract manufacturing business as discontinued operations.

On 6 April 2016, the Company entered into a Sale and Purchase Agreement ("SPA") with Weng Wenwei ("Purchaser") to dispose its subsidiary corporations for a cash consideration of SGD1. The sales of all its interests relates to the following subsidiary corporations ("Disposal Group"):

– Grandus Pte Ltd
– Fujian Great Fashion Industry Co., Ltd
– Quanzhou Great Garments Co., Ltd
– Great (Hong Kong) Limited
– Grixpro Trading (Xiamen) Co., Ltd
– Great (Fujian) Textile Technology Co., Ltd
– Great Worldwide (Trading) Limited
– 3W Life Investment Pte Ltd
– Fashvacation Pte Ltd
– 183Art Media Pte Ltd
– 183Art Media (Xiamen) Co., Ltd

In accordance with the contractual terms in the SPA, all parties have agreed that all risks and rewards will be transferred to the Purchaser effective from 1 January 2016. The SPA was approved and passed by the shareholders at the Extraordinary General Meeting held on 18 August 2016 and the disposal has been completed in December 2016.

Upon signing the SPA, the Group has deconsolidated the Disposal Group from 6 April 2016 resulting from the loss of control over the Disposal Group because the Group is neither exposed to, nor has rights to, variable returns from its involvement with the entities and has no ability to affect those returns through its power over the entities.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

9 Discontinued operations (continued)

Notwithstanding the fact that the loss of control was on 6 April 2016, in accordance with the contractual terms in the SPA, the risks and rewards of the Disposal Group have been transferred to the Purchaser effective from 1 January 2016, consequently, the financial results of the Disposal Group for the period from 1 January 2016 to 6 April 2016 will be transferred to the Purchaser. The effects of the disposal on the cash flows of the Group have been disclosed in Note 11 to the financial statements.

The discontinued operations during the financial years ended 31 December 2016 and 2015 represented discontinued operations of contract manufacturing.

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

	Group	
	2016	**2015**
	RMB'000	**RMB'000**
Revenue	68,025	315,850
Cost of sales	(64,278)	(297,170)
Gross profit	3,747	18,680
Other gains, net	570	8,321
Expenses		
– Selling and distribution	(845)	(8,007)
– Administrative	(2,375)	(19,458)
– Other operating expenses	(860)	(165,927)
– Finance	(2,834)	(8,734)
Loss before income tax from discontinued operations	(2,597)	(175,125)
Income tax credit/(expense)	5	(3,437)
Loss after income tax from discontinued operations	(2,592)	(178,562)
Loss after income tax transferred to Purchaser (Note 11)	2,592	–
Loss for the financial year from discontinued operations	–	(178,562)

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

	Group	
	2016	**2015**
	RMB'000	**RMB'000**
Operating cash inflows	–	57
Investing cash inflows	–	2,080
Financing cash outflows	–	(35,657)
Total cash outflows	–	(33,520)

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

10 Earnings/(losses) per share

Basic earnings/(losses) per share are calculated by dividing the net profit/(loss) 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 earnings/(losses) per share, earning/(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.

Warrants have not been included in the calculation of diluted losses per share because they are anti-dilutive.

	Group		
	Continuing operations	Discontinued operations	Total
2016			
Net profit attributable to equity holders of the Company (RMB'000)	289,499	–	289,499
Weighted average number of ordinary shares outstanding for basic earnings per share ('000)	2,130,000	–	2,130,000
Weighted average number of ordinary shares outstanding for diluted earnings per share ('000)	2,130,000	–	2,130,000
Basic earnings per share (RMB cents)	13.59	–	13.59
Diluted earnings per share (RMB cents)	13.59	–	13.59
2015			
Net loss attributable to equity holders of the Company (RMB'000)	(10,320)	(178,562)	(188,882)
Weighted average number of ordinary shares outstanding for basic losses per share ('000)	942,493	942,493	942,493
Weighted average number of ordinary shares outstanding for diluted losses per share ('000)	942,493	942,493	942,493
Basic losses per share (RMB cents)	(1.09)	(18.95)	(20.04)
Diluted losses per share (RMB cents)	(1.09)	(18.95)	(20.04)

11 Cash and cash equivalents

	Group		Company	
	2016	2015	2016	2015
	RMB'000	RMB'000	RMB'000	RMB'000
Cash at bank and on hand	5,983	42,849	447	1,512
Cash held-in-trust	3,369	–	–	–
Short-term bank deposits	29,505	36,732	24,699	36,732
	38,857	79,581	25,146	38,244

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

11 Cash and cash equivalents (continued)

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

	Group	
	2016	**2015**
	RMB'000	**RMB'000**
Cash and bank balances (as above)	38,857	79,581
Less: Bank deposits pledged	–	(40,764)
Cash and cash equivalents per consolidated statement of cash flows	38,857	38,817

In the financial year ended 31 December 2015, 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 RMB45,824,000 (Note 20).

Disposal of subsidiary corporations

Following the disposal of subsidiary corporations explained in Note 9, the effects of the disposal on the cash flows of the Group were:

	Group
	2016
	RMB'000
Carrying amounts of assets and liabilities disposed of on 6 April 2016	
Cash and cash equivalents	34,887
Trade and other receivables	51,354
Other current assets	1,297
Inventories	10,707
Property, plant and equipment (Note 17)	36,633
Intangible assets (Note 18)	15,520
Derivative financial assets	439
Total assets	150,837
Trade and other payables	(58,584)
Tax payables	(5,201)
Borrowings	(208,087)
Total liabilities	(271,872)
Net liabilities disposed of	(121,035)

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

11 Cash and cash equivalents (continued)

Disposal of subsidiary corporations (continued)

The aggregate cash outflows arising from the disposal of subsidiary corporations were:

	Group 2016 RMB'000
Net liabilities disposed of (as above)	(121,035)
Less: Restructuring reserve derecognised (Note 22)	(114,040)
Less: Payables waived#	(53,210)
Loss after income tax transferred to Purchaser for the period from 1 January 2016 to 6 April 2016 [Note 9(a)]	2,592
Gain on disposal (Note 5)	285,693
Cash proceeds from disposal	–*
Net cash and cash equivalents transferred@	34,412
Less: Cash and cash equivalents in subsidiary corporations disposed of	(34,887)
Net cash outflows on disposal of subsidiary corporations	(475)

* Less than RMB1,000

\# In accordance with the contractual terms in the SPA, the Purchaser has agreed that all amounts payable to the Disposal Group are waived upon completion of the SPA.

@ Being cash and cash equivalents transferred to the Purchaser in accordance with the contractual terms in the SPA that all parties have agreed that all risks and rewards will be transferred to the Purchaser effective from 1 January 2016.

12 Trade and other receivables

	Group		Company	
	2016 RMB'000	2015 RMB'000	2016 RMB'000	2015 RMB'000
Trade receivables				
– Non-related parties	24,526	184,990	–	–
Less: Allowance for impairment of trade receivables – Non-related parties [Note 27(b)(ii)]	(3,761)	(160,973)	–	–
Trade receivables – net	20,765	24,017	–	–
Advances to suppliers				
– Non-related parties	–	133,030	–	–
Less: Allowance for impairment of advances to suppliers – Non-related parties [Note 27(b)(ii)]	–	(118,304)	–	–
	–	14,726	–	–
Non-trade receivables				
– Non-related parties	825	6,910	–	–
Less: Allowance for impairment of non-trade receivables – Non-related parties [Note 27(b)(ii)]	(793)	–	–	–
	32	6,910	–	–
– Subsidiary corporations	–	–	9,061	–
Value added tax receivables	–	4,354	–	–
	20,797	50,007	9,061	–

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

12 Trade and other receivables (continued)

Certain subsidiary corporations of the Group have factored trade receivables to banks in exchange for cash during the financial year ended 31 December 2015. 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 20).

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

13 Inventories

	Group	
	2016	2015
	RMB'000	RMB'000
Raw materials	–	3,408
Finished goods	12	7,541
	12	10,949

The cost of inventories recognised as an expense and included in "cost of sales" amounted to Nil (2015: RMB335,275,000).

The Group recognised a write-down in inventories of approximately Nil (2015: RMB19,818,000), included within Note 9 in the statement of comprehensive income. As disclosed in Note 9 to the financial statements, the Group has ceased its manufacturing operations and hence has written-down inventories of finished goods and raw materials which were considered obsolete.

14 Other current assets

	Group		Company	
	2016	2015	2016	2015
	RMB'000	RMB'000	RMB'000	RMB'000
Refundable deposits	417	424	410	401
Prepayments	172	1,275	172	–
	589	1,699	582	401

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

15 Derivative financial instruments

	Group		
	Contract Notional Amount	Fair Value	
		Asset	Liability
	RMB'000	RMB'000	RMB'000
2016			
Non-hedging instruments			
– Currency forwards	–	–	–
2015			
Non-hedging instruments			
– Currency forwards	52,340	439	–

Currency forwards

In the financial year ended 31 December 2015, 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.

16 Investments in subsidiary corporations

	Company	
	2016	2015
	RMB'000	RMB'000
Equity investments at cost:		
Beginning of financial year	209,975	209,975
Additions[(a)]	923	–
Disposal of subsidiary corporations[(b)]	(207,918)	–
End of financial year	2,980	209,975
Less: Allowance for impairment		
Beginning of financial year	209,975	162,148
Allowance charge[(c)]	–	47,827
Disposal of subsidiary corporations[(b)]	(207,918)	–
End of financial year	2,057	209,975
Carrying amount		
End of financial year	923	–

(a) On 13 January 2016, the Company incorporated a wholly-owned subsidiary corporation, Forise Management Limited, in Hong Kong with paid-up capital of Hong Kong Dollar ("HKD")10,000 which is equivalent to RMB8,000. On 10 March 2016, new shares were allotted and issued to the Company resulting in the total paid-up capital increasing from HKD10,000 (approximately RMB8,000) to HKD1,100,000 (approximately RMB923,000).

(b) On 6 April 2016, the Group entered into a SPA to dispose its manufacturing operations which relates to the sale of all its interests in certain subsidiary corporations. Please refer to Note 9 and Note 11 for details.

(c) As at 31 December 2015, the Company carried out a review on the recoverable amounts of its investments in subsidiary corporations. The management is of the view that all the subsidiary corporations are in net liabilities position and the contract manufacturing business has ceased as at end of the financial year ended 31 December 2015. The recoverable amount of each of the subsidiary corporations is deemed as nil. The review led to the recognition of an impairment loss of approximately RMB47,827,000 that has been recognised in the statement of comprehensive income during the financial year ended 31 December 2015.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

16 Investments in subsidiary corporations (continued)

The Group had the following subsidiary corporations as at 31 December 2016 and 2015:

Name	Principal activities	Country of business/ incorporation	Proportion of ordinary shares directly held by the parent and the Group 2016 %	2015 %	Proportion of ordinary shares held by non-controlling interests 2016 %	2015 %
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	–	–
Fujian Great Fashion Industry Co., Ltd[a]	Producing garments, apparel products and weaving	The People's Republic of China	–	100	–	–
Great Worldwide (Trading) Limited[a]	Sale and distribution of garments and apparel production	The British Virgin Islands	–	100	–	–
Great Holding Limited[b]	Sale and distribution of garments and apparel production	Hong Kong	100	100	–	–
Forise Management Limited[b]	Investment holding	Hong Kong	100	–	–	–
Great (Hong Kong) Limited[a]	Trading	Hong Kong	–	100	–	–
3W Life Investment Pte Ltd[a]	Trading	Singapore	–	100	–	–
Grandus Pte Ltd[a]	Other investment holding company	Singapore	–	100	–	–
Held by 3W Life Investment Pte Ltd						
Fashvacation Pte Ltd[a]	Fashion Branding	Singapore	–	100	–	–
183Art Media Pte Ltd[a]	Other investment holding company	Singapore	–	51	–	49
Held by 183Art Media Pte Ltd						
183Art Media (Xiamen) Co., Ltd[a]	Promotion of arts and culture, creative products design and events management	The People's Republic of China	–	100	–	–

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

16 Investments in subsidiary corporations (continued)

The Group had the following subsidiary corporations as at 31 December 2016 and 2015: (continued)

Name	Principal activities	Country of business/ incorporation	Proportion of ordinary shares directly held by the parent and the Group		Proportion of ordinary shares held by non-controlling interests	
			2016 %	2015 %	2016 %	2015 %
Held by Great Holding Limited						
Great Fashion Trading (Shanghai) Limited[(b)]	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 Forise Management Limited						
Tianjin Forise Corporation Management Consultancy Limited[(b)(c)]	Provision of corporate advisory and management consulting services and undertaking market survey	The People's Republic of China	100	–	–	–
Held by Great (Hong Kong) Limited						
Grixpro Trading (Xiamen) Co., Ltd[(a)]	Wholesale of apparel, footwear, headwear, boxes, fabrics and accessories, as well as the import and export business	The People's Republic of China	–	100	–	–
Great (Fujian) Textile Technology Co., Ltd[(a)]	Production, trading, sales and distribution of textile and apparels	The People's Republic of China	–	100	–	–

(a) These subsidiary corporations had been disposed during the financial year ended 31 December 2016 (Note 11).

(b) Reviewed by Nexia TS Public Accounting Corporation, Singapore, for Group consolidation purposes.

(c) On 28 October 2016, a subsidiary corporation of the Company incorporated a wholly-owned subsidiary corporation, Tianjin Forise Corporation Management Consultancy Limited, in the People's Republic of China with share capital of United States Dollar ("USD")1,000,000 which is equivalent to RMB4,803,000. The share capital was paid-up on 22 March 2017.

Significant restrictions

Cash and short-term deposits of RMB2,892,000 (2015: RMB41,168,000) are held in the PRC 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

	2016 RMB'000	2015 RMB'000
183 Art 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 corporation that has non-controlling interests is not considered necessary.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

17 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					
2016					
Cost					
Beginning of financial year	145	168,043	4,881	2,633	175,702
Reclassification	–	(929)	929	–	–
Additions	–	–	5	–	5
Disposal of subsidiary corporations	(145)	(166,511)	(4,881)	(2,633)	(174,170)
Write-off	–	–	(41)	–	(41)
End of financial year	–	603	893	–	1,496
Accumulated depreciation and impairment					
Beginning of financial year	145	130,646	4,881	2,309	137,981
Reclassification	–	(734)	734	–	–
Depreciation charge:					
– continuing operations	–	30	42	–	72
– discontinued operations	–	636	–	50	686
Transfer to Purchaser	–	(636)	–	(50)	(686)
Disposal of subsidiary corporations	(145)	(129,516)	(4,881)	(2,309)	(136,851)
Write-off	–	–	(11)	–	(11)
End of financial year	–	426	765	–	1,191
Net book value					
End of financial year	–	177	128	–	305
2015					
Cost					
Beginning of financial year	18,347	168,043	7,434	2,977	196,801
Additions	233	–	22	–	255
Disposal/write-off	(18,435)	–	(2,575)	(344)	(21,354)
End of financial year	145	168,043	4,881	2,633	175,702
Accumulated depreciation and impairment					
Beginning of financial year	12,673	127,186	6,711	2,316	148,886
Depreciation charge:					
– continuing operations	–	–	41	–	41
– discontinued operations	1,588	3,460	1,005	198	6,251
Disposal/write-off	(14,116)	–	(2,876)	(205)	(17,197)
End of financial year	145	130,646	4,881	2,309	137,981
Net book value					
End of financial year	–	37,397	–	324	37,721

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

17 Property, plant and equipment (continued)

	Furniture & fitting and office equipment RMB'000
Company	
2016	
Cost	
Beginning of financial year	163
Write-off	(41)
End of financial year	122
Accumulated depreciation	
Beginning of financial year	41
Depreciation charge	41
Write-off	(11)
End of financial year	71
Net book value	
End of financial year	51
2015	
Cost	
Beginning of financial year	117
Additions	163
Disposal	(117)
End of financial year	163
Accumulated depreciation	
Beginning of financial year	110
Depreciation charge – continuing operations	41
Disposal	(110)
End of financial year	41
Net book value	
End of financial year	122

As at 31 December 2015, bank borrowings of the Group are secured by the leasehold buildings and workshops of the Group with carrying amounts of approximately RMB1,783,000 (Note 20). There are no terms and conditions stated in the loan agreements relating to this pledge.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

18 Intangible assets

	Group 2016 RMB'000	Group 2015 RMB'000
Composition:		
Land-use rights	–	15,357
Computer software licenses	–	76
	–	15,433

(a) Land-use rights

	Group 2016 RMB'000	Group 2015 RMB'000
Cost		
Beginning of financial year	17,631	17,631
Disposal of subsidiary corporations (Note 11)	(17,631)	–
End of financial year	–	17,631
Accumulated amortisation		
Beginning of financial year	2,274	1,921
Amortisation charge – discontinued operations	88	353
Transferred to Purchaser	(88)	–
Disposal of subsidiary corporations (Note 11)	(2,274)	–
End of financial year	–	2,274
Net book value	–	15,357

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

As at 31 December 2015, bank borrowings of the Group are secured by the land-use rights of the Group with carrying amounts of approximately RMB15,357,000 (Note 20). There are no terms and conditions stated in the loan agreements relating to this pledge.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

18 Intangible assets (continued)

(b) Computer software licenses

	Group		Company	
	2016	2015	2016	2015
	RMB'000	RMB'000	RMB'000	RMB'000
Cost				
Beginning of financial year	1,020	1,020	3	3
Addition	230	–	–	–
Disposal of subsidiary corporations (Note 11)	(1,247)	–	–	–
End of financial year	3	1,020	3	3
Accumulated amortisation				
Beginning of financial year	944	740	3	3
Amortisation charge – discontinued operations	55	204	–	–
Transfer to Purchaser	(55)	–	–	–
Disposal of subsidiary corporations (Note 11)	(941)	–	–	–
End of financial year	3	944	3	3
Net book value	–	76	–	–

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

	Group	
	2016	2015
	RMB'000	RMB'000
Discontinued operations		
Cost of sales	53	205
Selling and distribution expenses	3	12
Administrative expenses	87	340
Total	143	557

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

19 Trade and other payables

	Group		Company	
	2016	**2015**	**2016**	**2015**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**
Trade payables – Non-related parties	14,423	45,934	–	–
Accrued operating expenses				
– Salaries and wages	89	12,602	89	–
– Professional fees	792	1,784	792	1,710
– Directors' fees	456	599	456	391
– Others	63	712	–	950
	1,400	15,697	1,337	3,051
Advances from customers				
– Non-related parties	–	15,823	–	–
Non-trade payables				
– Non-related parties	8	16,053	–	1,102
– Related party	453	351	368	–
– Subsidiary corporations	–	–	–	18,282
	461	16,404	368	19,384
	16,284	93,858	1,705	22,435

Non-trade payables to related party and subsidiary corporations are unsecured, interest-free and are payable on demand.

20 Borrowings

	Group	
	2016	**2015**
	RMB'000	**RMB'000**
Current		
Bank borrowings	–	120,359
Bills payable	–	75,111
Trade financing	–	37,579
Total borrowings	–	233,049

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

20 Borrowings (continued)

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

	Group	
	2016 RMB'000	2015 RMB'000
6 months or less	–	129,226
6 – 12 months	–	103,823
	–	233,049

Security granted

As at 31 December 2015, bank borrowings of the Group are secured over leasehold buildings and workshops (Note 17), land-use rights [Note 18(a)] 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 11) and corporate guarantee from certain subsidiary corporations. Trade financing of the Group are secured by certain trade receivables (Note 12) and joint and several guarantees from a shareholder and its related parties.

21 Share capital

	No. of ordinary shares	Amount RMB'000
Group and Company		
2016		
Beginning and end of financial year	2,130,000,000	145,320
2015		
Beginning of financial year	265,000,000	104,766
Issue of new shares:		
– Rights issue	1,855,000,000	39,708
– Exercise of warrants	10,000,000	846
End of financial year	2,130,000,000	145,320

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

21 Share capital (continued)

On 18 August 2015, 1,885,000,000 rights shares were allotted and issued by the Company. The net proceeds from the rights shares is SGD8,741,000 (approximately RMB39,708,000). The New Shares rank pari passu in all respects with the existing Shares of the Company.

Pursuant to a Subscription Agreement with SAPO Investment Pte Ltd (the "Subscriber"), the Company has agreed to issue and the Subscriber has agreed to subscribe for 30,000,000 unlisted and non-transferable warrants ("Warrants") of the Company at an issue price of SGD0.005 for each Warrant, with each Warrant carrying the right to subscribe for one (1) new ordinary share (the "New Share") of the Company upon exercise of the Warrants by the Subscriber at an exercise price of SGD0.075 for each New Share, subject to adjustments in accordance with the terms and conditions of the Warrants. The issue of the Warrants was completed on 19 July 2013. Subsequently, following the renounceable non-underwritten rights issue of 2,065,000,000 new ordinary shares ("Rights Shares") at an issue price of SGD0.005 per Rights Share, on the basis of seven (7) Rights Shares for every one (1) existing Share held by the entitled shareholders ("Rights Issue") which was completed on 19 August 2015, the number of Warrants was adjusted from 30,000,000 to 128,000,000, to be exercised at an exercise price of SGD0.0176 for each New Share.

On 6 November 2015 allotted and issued 10,000,000 New Shares to the Subscriber pursuant to the exercise of 10,000,000 Warrants at an exercise price of SGD0.0176 for each New Share on 30 October 2015, resulting in the total issued Shares of the Company increasing from 2,120,000,000 to 2,130,000,000. The gross proceeds received by the Company from the exercise of the 10,000,000 Warrants are SGD176,000 (approximately RMB846,000). The New Shares rank pari passu in all respects with the existing Shares of the Company,

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.

22 Restructuring reserve

Business combination involving entities under common control are accounted for under the "pooling-of-interest" method. The acquisitions of the subsidiary corporations 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 subsidiary corporations. The restructuring reserve is non-distributable.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

23 Currency translation reserve

	Group	
	2016	**2015**
	RMB'000	**RMB'000**
Beginning of financial year	(109)	178
Net currency translation differences of financial statements of foreign subsidiary corporations	118	(287)
End of financial year	9	(109)

Currency translation reserve is non-distributable.

24 Warrant reserve

On 20 May 2013, the Company issued 30,000,000 warrants at an issue price of SGD0.005 for each warrant for a total of SGD150,000 (approximately 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 SGD0.075 for each new share totaling SGD2,250,000 (approximately RMB10,439,000), on the basis of one warrant for one share of the Company, subject to adjustments in accordance with the terms and conditions of the Warrants. Subsequently, following the renounceable non-underwritten rights issue as disclosed in Note 21, the number of Warrants was adjusted from 30,000,000 to 128,000,000, to be exercised at an exercise price of SGD0.0176 for each New Share.

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.

On 6 November 2015, the warrant holder SAPO Investment Pte Ltd ("SAPO") had exercised 10,000,000 warrants of SGD0.0176 per warrant and the Company has issued 10,000,000 ordinary shares to SAPO for the warrants exercised.

The warrant reserve is non-distributable and the number of warrants outstanding as at 31 December 2015 was 118,000,000.

During the financial year ended 31 December 2016, the warrant reserve of RMB674,000 has been reclassified to accumulated losses upon expiration of the warrants.

25 Accumulated losses

Movement in accumulated losses of the Company is as follows:

	Company	
	2016	**2015**
	RMB'000	**RMB'000**
Beginning of financial year	(243,702)	(187,730)
Net profit/(loss) – continuing operations	132,440	(55,972)
End of financial year	(111,262)	(243,702)

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

26 Commitments

Operating lease commitments – where the Group and the Company are the lessees

The Group and the Company lease office premises 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 and Company	
	2016	2015
	RMB'000	RMB'000
Not later than one year	1,170	1,676
More than one year	–	1,117

27 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, liquidity risk and capital risk. The Group's overall risk management strategy seeks to minimise adverse effects from the unpredictability of financial markets on the Group's financial performance.

The Board of Directors is responsible for setting the objectives and underlying principles of financial risk management for the Group. 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 of the PRC.

Currency risk arises within entities in the Group when transactions are denominated in foreign currencies such as the Singapore Dollar ("SGD"), United State Dollar ("USD") and Hong Kong Dollar ("HKD"). To manage the currency risk, individual group entities match the currency of sale and purchase contracts so as to mitigate the exposure of currency fluctuation risk.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

27 Financial risk management (continued)

(a) Market risk (continued)

(i) Currency risk (continued)

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

	RMB RMB'000	USD RMB'000	SGD RMB'000	HKD RMB'000	Total RMB'000
Group					
At 31 December 2016					
Financial assets					
Cash and cash equivalents	2,814	3,425	31,998	620	38,857
Trade and other receivables	1,356	19,403	–	38	20,797
Receivables from subsidiary corporations	10,745	–	–	–	10,745
Other financial assets	–	–	410	7	417
	14,915	22,828	32,408	665	70,816
Financial liabilities					
Trade and other payables	(280)	(14,233)	(1,705)	(66)	(16,284)
Payables to subsidiary corporations	(10,745)	–	–	–	(10,745)
	(11,025)	(14,233)	(1,705)	(66)	(27,029)
Net financial assets	3,890	8,595	30,703	599	43,787
Add: Net non-financial (liabilities)/assets	(223)	–	222	(897)	(898)
Net assets	3,667	8,595	30,925	(298)	42,889
Currency profile including non-financial assets/ (liabilities)	3,667	8,595	30,925	(298)	42,889
Currency exposure of financial assets, net of those denominated in the respective entities' functional currencies	–	8,595	30,703	599	39,897

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

27 Financial risk management (continued)

(a) Market risk (continued)

(i) Currency risk (continued)

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

	RMB RMB'000	USD RMB'000	SGD RMB'000	HKD RMB'000	Total RMB'000
Group					
At 31 December 2015					
Financial assets					
Cash and cash equivalents	41,094	200	38,269	18	79,581
Trade and other receivables	19,548	15,733	–	–	35,281
Receivables from subsidiary corporations	52,965	–	–	–	52,965
Other financial assets	–	–	401	23	424
Derivative financial assets	–	439	–	–	439
	113,607	16,372	38,670	41	168,690
Financial liabilities					
Borrowings	(233,049)	–	–	–	(233,049)
Trade and other payables	(62,829)	(11,053)	(4,153)	–	(78,035)
Payables to subsidiary corporations	(52,965)	–	–	–	(52,965)
	(348,843)	(11,053)	(4,153)	–	(364,049)
Net financial liabilities	(235,236)	5,319	34,517	41	(195,359)
Add: Net non-financial assets/(liabilities)	71,777	(9,236)	122	–	62,663
Net (liabilities)/assets	(163,459)	(3,917)	34,639	41	(132,696)
Add: Currency forwards	–	52,340	–	–	52,340
Currency profile including non-financial (liabilities)/assets	(163,459)	48,423	34,639	41	(80,356)
Currency exposure of financial assets, net of those denominated in the respective entities' functional currencies	–	5,319	34,517	41	39,877

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

27 Financial risk management (continued)

(a) Market risk (continued)

(i) Currency risk (continued)

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

	RMB RMB'000	SGD RMB'000	HKD RMB'000	Total RMB'000
Company				
At 31 December 2016				
Financial assets				
Cash and cash equivalents	–	25,146	–	25,146
Other receivables	–	9,061	–	9,061
Other current assets	–	410	–	410
	–	34,617	–	34,617
Financial liabilities				
Trade and other payables	–	(1,705)	–	(1,705)
Net financial assets	–	32,912	–	32,912
Add: Net non-financial assets	–	223	923	1,146
Currency profile including non-financial assets	–	33,135	923	34,058
Currency exposure of financial assets, net of those denominated in the Company's functional currency	–	32,912	–	32,912
At 31 December 2015				
Financial assets				
Cash and cash equivalents	–	38,244	–	38,244
Other current assets	–	401	–	401
	–	38,645	–	38,645
Financial liabilities				
Trade and other payables	–	(22,435)	–	(22,435)
Net financial assets	–	16,210	–	16,210
Add: Net non-financial assets	122	–	–	122
Currency profile including non-financial assets	122	16,210	–	16,332
Currency exposure of financial assets, net of those denominated in the Company's functional currency	–	16,210	–	16,210

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

27 Financial risk management (continued)

(a) Market risk (continued)

(i) Currency risk (continued)

If the USD, SGD and HKD change against the RMB by 7%, 4% and 7% (2015: 6%, 1% and 0%) respectively with all other variables 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 be as follows:

	Group		Company	
	2016	2015	2016	2015
	RMB'000	RMB'000	RMB'000	RMB'000
USD against RMB				
– Weakened	(451)	(239)	–	–
– Strengthened	451	239	–	–
SGD against RMB				
– Weakened	(921)	(259)	(987)	(122)
– Strengthened	921	259	987	122
HKD against RMB				
– Weakened	(31)	–	–	–
– Strengthened	31	–	–	–

(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 fair 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.

The Group has no exposure to interest rate risk as the Group has discharged its obligations on borrowings upon disposal of subsidiary corporations on 6 April 2016 (Note 9).

For the financial year ended 31 December 2015, if the interest rates increase/decrease by 1% with all other variables including tax rate being held constant, the net profit of the Group would have been lower/higher by RMB2,697,000 as a result of higher/lower interest expenses on these borrowings.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

27 Financial risk management (continued)

(b) Credit risk

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Group. The major classes of financial assets of the Group and of the Company are trade and other receivables and cash and cash equivalents. For trade receivables, the Group adopts the policy of dealing only with customers of appropriate credit standing and history, and obtaining cash deposits where appropriate to mitigate credit risk. 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 Executive Director. In assessing the credit limits and terms granted, the Group considers the nature of the contract, credit-worthiness, payment history and the relationship with the customers.

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

The trade receivables of the Group comprise 2 debtors (2015: 3 debtors) that individually represented >10% of trade receivables.

In the financial year ended 31 December 2015, advances to suppliers of the Group comprise 1 supplier that individually represented > 60% of advances to suppliers.

Following by the management's decision to cease manufacturing activities and disposal of subsidiary corporations, there are no advances to suppliers as at 31 December 2016 to secure raw materials.

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

	Group	
	2016	**2015**
	RMB'000	**RMB'000**
By types of customers		
Non-related parties		
– Multi-national companies	–	13,510
– Other companies	20,765	10,507
	20,765	24,017

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

27 Financial risk management (continued)

(b) Credit risk (continued)

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

	Group	
	2016	2015
	RMB'000	RMB'000
By geographical areas		
People's Republic of China	1,363	19,377
France	–	830
Sweden	–	499
Hong Kong	19,402	–
Germany	–	2,259
Other countries	–	1,052
	20,765	24,017

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

	Group	
	2016	2015
	RMB'000	RMB'000
By types of suppliers		
Non-related parties		
– Other companies	–	14,726
By geographical areas		
People's Republic of China	–	14,726

(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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

27 Financial risk management (continued)

(b) Credit risk (continued)

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

There is no other class of financial assets that is past due and/or impaired except for trade receivables, other 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	
	2016	**2015**
	RMB'000	**RMB'000**
Past due less than 3 months	4,188	2,861
Past due 3 to 6 months	948	11,258
Past due over 6 months	456	–
	5,592	14,119

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

	Group	
	2016	**2015**
	RMB'000	**RMB'000**
Past due less than 3 months	19,361	–
Past due 3 to 6 months	948	11,258
Past due over 6 months	4,217	173,732
	24,526	184,990
Less: Allowance for impairment	(3,761)	(160,973)
	20,765	24,017
Beginning of financial year	160,973	137,793
Allowance made	–	23,180
Allowance written-back (Note 6)	(300)	–
Disposal of subsidiary corporations	(156,912)	–
End of financial year (Note 12)	3,761	160,973

The impaired trade receivables arise mainly from sales to customers and distributors of which the balances have been long overdue and where the customers have defaulted on payments and thus the likelihood of recoverability is low.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

27 Financial risk management (continued)

(b) Credit risk (continued)

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

Advances to suppliers – Non-related parties

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

	Group	
	2016	2015
	RMB'000	RMB'000
Past due less than 2 months	–	543

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	
	2016	2015
	RMB'000	RMB'000
Past due less than 2 months	–	28,643
Past due over 2 months	–	90,204
		118,847
Less: Allowance for impairment	–	(118,304)
	–	543
Beginning of financial year	118,304	3,393
Allowance made	–	114,911
Disposal of subsidiary corporations	(118,304)	–
End of financial year (Note 12)	–	118,304

The impaired advances to suppliers are mainly from balances which have not been utilised or refunded for more than one year as at end of reporting period.

Other receivables – Non-related parties

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

	Group	
	2016	2015
	RMB'000	RMB'000
Past due less than 2 months	–	–
Past due over 2 months	32	6,910
	32	6,910

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

27 Financial risk management (continued)

(b) Credit risk (continued)

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

Other receivables – Non-related parties (continued)

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

	Group	
	2016	**2015**
	RMB'000	**RMB'000**
Past due over 2 months	825	6,910
Less: Allowance for impairment	(793)	–
	32	6,910
Beginning of financial year	–	–
Allowance made (Note 6)	793	–
End of financial year (Note 12)	793	–

The impaired other receivables arise mainly from balances which have been long overdue and thus the likelihood of recoverability is low.

(c) Liquidity risk

Prudent liquidity risk management includes by maintaining sufficient cash and cash equivalents (Note 11), and adequate amount of committed credit facilities (Note 20) to enable them to meet their normal operating commitments.

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

	Group		Company	
	2016	**2015**	**2016**	**2015**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**
Less than one year				
Trade and other payables	16,284	78,035	1,705	22,435
Borrowings	–	233,049	–	–
	16,284	311,084	1,705	22,435

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

27 Financial risk management (continued)

(c) Liquidity risk (continued)

The table below analyses the derivative financial instruments of the Group 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	
	2016 RMB'000	2015 RMB'000
Less than one year		
Gross-settled currency forward		
– Receipts	–	52,340
– Payments	–	(51,901)

(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. The Group's and the Company's strategies, which were unchanged from 2015, are to maintain gearing ratios of 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	
	2016 RMB'000	2015 RMB'000	2016 RMB'000	2015 RMB'000
Net debt	–	247,326	–	–
Total equity	42,889	(132,696)	34,058	16,332
Total capital	42,889	114,630	34,058	16,332
Gearing ratio	NM*	NM*	NM*	NM*

* NM = Not meaningful

The Group and the Company has no externally imposed capital requirements for the financial years ended 31 December 2016 and 31 December 2015.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

27 Financial risk management (continued)

(e) Fair value measurements

The assets and liabilities are 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 as at end of reporting period. 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.

(f) Financial instruments by category

The carrying amount of financial instruments other than those disclosed in Note 15 to the financial statements is as follows:

	Group		Company	
	2016 RMB'000	2015 RMB'000	2016 RMB'000	2015 RMB'000
Loans and receivables	60,071	115,286	34,617	38,645
Financial liabilities at amortised cost	16,284	311,084	1,705	22,435

28 Related party transactions

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

(i) Sales and purchase of goods and services

	Group	
	2016 RMB'000	2015 RMB'000
Services received from other related parties	800	130

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

28 Related party transactions (continued)

(i) Sales and purchase of goods and services (continued)

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 arising from sale/purchase of goods and services, are unsecured and receivable/payable within 12 months from balance sheet date are disclosed in Notes 12 and 19 respectively.

(ii) Key management personnel compensation

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

	Group	
	2016 RMB'000	2015 RMB'000
Salaries and bonus	2,107	1,802
Directors' fees	912	1,027
Employer's contribution to defined contribution plans including CPF	131	115
	3,150	2,944

Included in the above is total compensation to directors of the Company amounted to RMB2,351,000 (2015: RMB1,503,000).

29 Segment information

The Group's chief operating decision maker ("CODM") comprises of the Executive Chairman and the Executive Directors. Management has determined the operating segments based on the reports reviewed by the CODM that are used to make strategic decisions, allocate resources, and assess performance.

The CODM considers the business from both geographical and business segment perspectives. Geographically, management manages and monitors the business mainly in the PRC and Hong Kong. From a business segment perspective, following the disposal of subsidiary corporations, the Group's operations derive its revenue from trading business and corporate advisory business. Other services 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 CODM. The result of its operations is included under "All other segments".

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

29 Segment information (continued)

The segment information provided to the CODM for the reportable segments are as follows:

	Trading business RMB'000	Corporate advisory RMB'000	All other segments RMB'000	Total RMB'000
2016				
Sales				
Sales to external parties	86,231	5,042	–	91,273
Gross profit	8,720	4,119	–	12,839
Other gains, net	202	–	286,138	286,340
Selling and distribution expenses	(1)	–	(238)	(239)
Administrative expenses	(1,911)	(1,218)	(3,005)	(6,134)
Other operating expense	(1,929)	–	–	(1,929)
Finance expenses	(3)	–	(1)	(4)
Profit before income tax	5,078	2,901	282,894	290,873
Income tax expense	(1,114)	(260)	–	(1,374)
Net profit	3,964	2,641	282,894	289,499
Net profit includes:				
– Depreciation of property, plant and equipment	30	–	42	72
Segment assets	23,852	10,937	25,771	60,560
Segment assets includes:				
Additions to:				
– property, plant and equipment	–	5	–	5
Segment liabilities	15,556	410	1,705	17,671

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

29 Segment information (continued)

The segment information provided to the CODM for the reportable segments are as follows: (continued)

	Trading business RMB'000	Corporate advisory RMB'000	All other segments RMB'000	Total RMB'000
2015				
Sales				
Sales to external parties	862	–	–	862
Gross profit	31	–	–	31
Other gains, net	118	–	271	389
Administrative expenses	(331)	–	(3,717)	(4,048)
Other operating expenses	(2,003)	–	(4,689)	(6,692)
Loss before income tax	(2,185)	–	(8,135)	(10,320)
Income tax expense	–	–	–	–
Net loss	(2,185)	–	(8,135)	(10,320)
Net loss includes:				
Depreciation of property, plant and equipment	–	–	41	41
– Inventories written-down	10	–	–	10
Segment assets	1,045	–	194,784	195,829
Segment assets includes:				
Additions to:				
– property, plant and equipment	92	–	163	255
Segment liabilities	34,244	–	294,281	328,525

The revenue from external parties reported to the CODM is measured in a manner consistent with that in the statement of comprehensive income.

The CODM 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, administrative expenses, other losses/gains, finance expenses and income tax expense. This is the measure reported to CODM for the purposes of resource allocation and assessment of segment performance.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

29 Segment information (continued)

Reconciliations

(a) A reconciliation of gross profit to profit/(loss) before income tax is provided as below:

	Group	
	2016	**2015**
	RMB'000	**RMB'000**
Gross profit for reportable segments	12,839	31
Other gains, net	286,340	389
Selling and distribution expenses	(239)	–
Administrative expenses	(6,134)	(4,048)
Other operating expenses	(1,929)	(6,692)
Finance expenses	(4)	–
Profit/(loss) before income tax and discontinued operations	290,873	(10,320)

(b) Reportable segments' assets are reconciled to total assets as follows:

The amounts reported to the Board of Directors with respect to the total assets are measured in a manner consistent with that of the financial statements. Hence, no reconciliation is provided.

(c) Reportable segments' liabilities are reconciled to total liabilities as follows:

The amounts reported to the Board of Directors with respect to the total liabilities are measured in a manner consistent with that of the financial statements. Hence, no reconciliation is provided.

Revenue from major products and major customers

Revenue from external customers are derived from the sale of goods under trading business segment and rendering of services under corporate advisory segment as disclosed in Note 4.

Geographical information

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

	2016	**2015**
	RMB'000	**RMB'000**
By geographical areas		
People's Republic of China	5,247	862
Hong Kong	86,026	–
	91,273	862

Revenue of RMB20,059,000 (2015: RMB862,000) are derived from a single external customer. These revenues are attributable to "trading business segment".

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

30 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 2017 which the Group has not early adopted:

Effective for annual periods beginning on or after 1 January 2017

- Amendments to FRS 7: Disclosure Initiatives
- Amendments to FRS 12: Recognition of Deferred Tax Assets for unrealised losses
- Improvements to FRSs (December 2016)
  - Amendments to FRS 112: Disclosure of Interest in Other Entities

Effective for annual periods beginning on or after 1 January 2018

- FRS 109 Financial Instruments
- FRS 115 Revenue from Contracts and Customers
- Amendments to FRS 115: Clarifications to FRS 115 Revenue from Contracts with Customers
- Amendments to FRS 102: Classification and Measurement of Share-based Payment Transactions
- Amendments to FRS 40: Transfer of Investment Property
- INT FRS 122 Foreign Currency Transactions and Advance Consideration
- Improvements to FRSs (December 2016)
  - Amendments to FRS 101: First-time Adoption of Financial Reporting Standards
  - Amendments to FRS 28: Investments in Associates and Joint Ventures

Effective for annual periods beginning on or after 1 January 2019

- FRS 116 Leases Illustrative Examples & Amendments to Guidance on Other Standards

The Group has yet to assess the full impact from adoption of the above standards and intends to apply the relevant standards in the financial years where the standards become effective.

Except for FRS 109 and FRS 116, the directors expect that the adoption of the other standards above will have no material impact on the financial statements in the period of initial application. The nature of the impending changes in accounting policy adoption of FRS 109 and FRS 116 are described below.

FRS 109 Financial Instruments

The complete version of FRS 109 replaces most of the guidance in FRS 39. FRS 109 retains the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through Other Comprehensive Income ("OCI") and fair value through Profit or Loss. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investment in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in OCI.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

30 New or revised accounting standards and interpretations (continued)

FRS 109 Financial Instruments (continued)

While the Group has yet to undertake a detailed assessment of the classification and measurement of financial assets, the financial assets of the Group would appear to satisfy the conditions for classification as amortised cost and hence there will be no change to the accounting for these assets.

Accordingly, the Group does not expect the new guidance to have a significant impact on the classification of its financial assets.

For financial liabilities, there were no changes to classification and measurement except for the recognition of changes in own credit risk in OCI, for liabilities designed at fair value through profit or loss. There will be no impact on the Group's accounting for financial liabilities as the Group does not have any such liabilities.

FRS 109 relaxes the requirements for hedge effectiveness by replacing the bright line hedge effectiveness tests. It requires an economic relationship between the hedged item and hedging instrument and for the 'hedged ratio' to be the same as the one management actually use for risk management purposes. There will be no impact on the Group's accounting as the Group does not have any such hedging instrument.

There is now a new expected credit losses model that replaces the incurred loss impairment model used in FRS 39. It applies to financial assets classified at amortised cost, debt instruments measured at fair value through OCI, contract assets under FRS 115 Revenue from contracts with customers, lease receivables, loan commitments and certain financial guarantee contracts. While the Group has not yet undertaken a detailed assessment on how its impairment provisions would be affected by the new model, it may result in an earlier recognition of credit losses.

The new standard also introduces expanded disclosure requirements and changes in presentation. These are expected to change the nature and extent of the Group's disclosures about its financial instruments particularly in the year of the adoption of the new standard.

FRS 116 Leases Illustrative Examples & Amendments to Guidance on Other Standards

FRS 116 will result in almost all leases being recognised on the balance sheet, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases. The accounting for lessors will not change significantly.

The standard will affect primarily the accounting for the Group's operating leases. As at 31 December 2016, the Group has non-cancellable operating lease commitments of RMB1,170,000 (Note 26). However, the Group has yet to determine to what extent these commitments will result in the recognition of an asset and a liability for future payments and how this will affect the Group's profit and classification of cash flows.

Some of the commitments may be covered by the exception for short-term and low-value leases and some commitments may relate to arrangements that will not qualify as leases under FRS 116.

STATISTICS OF SHAREHOLDINGS

As at 15 March 2017

DISTRIBUTION OF SHAREHOLDINGS

SIZE OF SHAREHOLDINGS	NO. OF SHAREHOLDERS	%	NO. OF SHARES	%
1 – 99	0	0.00	0	0.00
100 – 1,000	38	6.45	16,000	0.00
1,001 – 10,000	90	15.28	606,400	0.03
10,001 – 1,000,000	399	67.74	77,272,700	3.63
1,000,001 AND ABOVE	62	10.53	2,052,104,900	96.34
TOTAL	**589**	**100.00**	**2,130,000,000**	**100.00**

TWENTY LARGEST SHAREHOLDERS

NO.	NAME	NO. OF SHARES	%
1	RAFFLES NOMINEES (PTE) LIMITED	1,206,145,800	56.63
2	UOB KAY HIAN PRIVATE LIMITED	250,809,604	11.78
3	G&W INVESTMENT MANAGEMENT CO LTD	100,000,000	4.69
4	KGI SECURITIES (SINGAPORE) PTE	74,333,300	3.49
5	DBS NOMINEES (PRIVATE) LIMITED	67,230,200	3.16
6	MORGAN STANLEY ASIA (SINGAPORE) SECURITIES PTE LTD	54,782,400	2.57
7	PHILLIP SECURITIES PTE LTD	32,813,196	1.54
8	OCBC SECURITIES PRIVATE LIMITED	20,473,600	0.96
9	DBS VICKERS SECURITIES (SINGAPORE) PTE LTD	15,680,000	0.74
10	WENG WENJU	15,680,000	0.74
11	WENG JINDAO	15,280,000	0.72
12	MAYBANK KIM ENG SECURITIES PTE. LTD.	14,538,200	0.68
13	CITIBANK NOMINEES SINGAPORE PTE LTD	12,605,000	0.59
14	TEOH TEIK KEE	12,500,000	0.59
15	HUANG FANGXUE	11,920,000	0.56
16	RAMESH S/O PRITAMDAS CHANDIRAMANI	9,102,000	0.43
17	ABN AMRO CLEARING BANK N.V.	8,740,400	0.41
18	LIM KIAN HONG (LIN JIAN HONG)	8,500,000	0.40
19	OCBC NOMINEES SINGAPORE PRIVATE LIMITED	7,390,200	0.35
20	NG CHEE CHOON	7,316,800	0.34
	TOTAL	**1,945,840,700**	**91.37**

STATISTICS OF SHAREHOLDINGS

As at 15 March 2017

SUBSTANTIAL SHAREHOLDERS

Substantial Shareholders of the Company (as recorded in the Register of Substantial Shareholders) as at 15 March 2017.

Name	Direct Interest	%	No. of Ordinary Shares	
			Indirect Interest	%
Wang Xin[(1)]	–	–	1,132,147,800	53.15%
Forise Capital Group Limited	1,132,147,800	53.15%	–	–
Forise Global Holdings Limited[(1)]	–	–	1,132,147,800	53.15%
Weng Wenwei[(2)]	61,500,000	2.89%	100,000,000	4.69%

Notes:

(1) Forise Global Holdings is deemed to be interested in the 1,132,147,800 Shares held by Forise Capital Group Limited by virtue of its interest in 100% of the shares in Forise Capital Group Limited. Wang Xin is also deemed to be interested in the 1,132,147,800 Shares held by Forise Capital Group Limited by virtue of his interest in 100% of the shares in Forise Global Holdings Limited. Registered in the name of Raffles Nominees (Pte) Ltd.

(2) Weng Wenwei is deemed to be interested in the 100,000,000 Shares held by G&W Investment Management Co., Ltd ("G&W") by virtue of his interest in 100% of the shares in G&W. Registered in the name of DBS Nominees (Private) Limited.

FREE FLOAT

As at 15 March 2017, approximately 39.27% 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 Forise International Limited (the "Company") will be held at 4 Shenton Way SGX Centre 2 #17-01, Singapore 068807 on Thursday, 27th day of April 2017 at 3.00 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 2016 together with the Directors' Statement and Independent Auditor's Report thereon.

   Resolution 1

2. To approve the payment of Directors' Fees of S$190,000.00 for the financial year ending 31 December 2017, to be paid quarterly in arrears (2016: S$200,000.00).

   Resolution 2

3. To re-elect Ms. Lee Kim Lian Juliana who is retiring under Article 107 of the Articles of Association, as Director of the Company.

   Resolution 3

4. To re-elect Mr. Christopher Chong Meng Tak who is retiring under Article 107 of the Articles of Association, as Director of the Company.

   Resolution 4

5. To re-appoint Messrs Nexia TS Public Accounting Corporation, as the Auditors 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,

NOTICE OF ANNUAL GENERAL MEETING

provided that:

(i) without prejudice to sub-paragraph (ii) below, 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) shall 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 (viii) 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) shall not exceed twenty per cent (20%) of the total issued Shares (excluding treasury shares) in the capital of the company (as calculated in accordance with sub-paragraph (viii) below) ("**General Limit**");

(ii) in addition to the General Limit, the aggregate number of Shares to be issued by way of renounceable rights issues on a pro rata basis ("**Renounceable Rights Issues**") shall not exceed fifty per cent (50%) of the total number of issued Shares (excluding treasury shares) in the capital of the Company (as calculated in accordance with sub-paragraph (viii) below) ("**Additional Limit**");

(iii) where an issue of shares is to be issued by way of Renounceable Rights Issues, that issue shall first use the Additional Limit, and in the event that the Additional Limit has been fully used and is insufficient to satisfy that issue, that issue may use the General Limit, but only to the extent of the then remaining General Limit;

(iv) where an issue of shares is to be issued otherwise than by way of Renounceable Rights Issues, that issue may only use the General Limit, but only to the extent of the then remaining General Limit;

(v) an issue of shares that is not for a financing purpose may only use the General Limit, but the number of such shares that may be issued shall be limited to the numerical number of the then remaining Additional Limit;

(vi) the General Limit and the Additional Limit shall not, in aggregate, exceed 100 per centum (100%) of the total number of issue shares (excluding treasury shares) in the capital of the Company (as calculated in accordance with sub-paragraph (viii) below);

(vii) no shares shall be issued pursuant to this Resolution after 31 December 2018, if on that date the aggregate number of shares (including shares to be issued in pursuant of the Instruments, made or granted pursuant to this Resolution) exceeds 50 per centum (50%) of the total number of issued shares (excluding treasury shares) in the capital of the Company (as calculated in accordance with sub-paragraph (viii) below);

(viii) (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-paragraphs (i) and (ii) 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:

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

NOTICE OF ANNUAL GENERAL MEETING

(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;

(ix) 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 Constitution of the Company; and

(x) (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 (iii)] Resolution 6

BY ORDER OF THE BOARD

PENG WEILE
EXECUTIVE DIRECTOR
12 April 2017
SINGAPORE

Explanatory Notes:

(i) If re-elected under Resolution 3, Ms. Lee Kim Lian Juliana will remain as the chairman of the Nominating Committee, member of the Audit Committee and Remuneration Committee, and will be considered an Independent Director of the Company.

(ii) If re-elected under Resolution 4, Mr. Christopher Chong Meng Tak will remain as the chairman of the Audit Committee, member of the Nominating Committee and Remuneration Committee, and will be considered an Independent Director of the Company.

(iii) The Ordinary Resolution 6 proposed in item 7 above, if passed, will empower the Directors of the Company, effective until the conclusion of the next Annual General Meeting ("AGM") of the Company, or the date by which the next AGM of the Company is required by law to be held or such authority is varied or revoked by the Company in a general meeting, whichever is the earlier, to issue shares and convertible securities in the Company up to (i) 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) ("General Limit");,and (ii) additional 50% for Renounceable Rights Issues, of the total number of issued shares (excluding treasury shares) in the capital of the Company ("Additional Limit"), provided that the total number of shares which may be issued pursuant to (i) and (ii) shall not exceed 100% of the issued shares (excluding treasury shares) at the time Ordinary Resolution 6 is passed, after adjusting for new shares arising from conversion or exercise of any convertible securities or share options or vesting of share awards which are outstanding or subsisting at the time when this Ordinary Resolution is passed and any subsequent bonus issue, consolidation or subdivision of shares.).

The authority for the Additional Limit is proposed pursuant to SGX-ST Practice Note 8.3 which became effective on 13 March 2017 until 31 December 2018 by which date no further shares shall be issued pursuant to this Resolution, if on that date the aggregate number of shares (including shares to be issued in pursuance of the Instruments, made or granted pursuant to this Resolution) exceeds 50% of the total number of issued shares (excluding treasury shares) in the capital of the Company ("the Enhanced Rights Issue Limit"). The Enhanced Rights Issue Limit is aimed at helping companies raise funds expediently for expansion activities or working capital. It is subject to the condition that the Company complies with applicable legal requirements including but not limited to provisions in the Companies Act requiring the Company to seek shareholders' approval and disclosure requirements under the Listing Manual on the use of the proceeds as and when the funds are materially disbursed and a status report on the use of proceeds in the annual report; and limitations in any existing mandate from shareholders.

The Board is of the view that the Enhanced Rights Issue Limit is in the interests of the Company and its shareholders. The Enhanced Rights Issue Limit will be exercised only if the Directors believe that to do so would be likely to promote the success of the Company for the benefit of shareholders as a whole.

NOTICE OF ANNUAL GENERAL MEETING

Notes:–

(1) (a) A member of the Company who is entitled to attend and vote at the Annual General Meeting and who is not a relevant intermediary is entitled to appoint not more than two (2) proxies to attend and vote in his stead. Where such member appoints more than one (1) proxy, he/she shall specify the proportion of his/her shareholding to be represented by each proxy. A proxy need not be a member of the Company. If the appointer is a corporation, the proxy must be executed under seal or the hand of its duly authorized officer or attorney.

(b) A member of the Company who is entitled to attend and vote at the Annual General Meeting who is and who is a relevant intermediary is entitled to appoint more than two (2) proxies to attend and vote in his stead. Where such member appoints more than one (1) proxy, the number and class of shares in relation to which each proxy has been appointed shall be specified in the form of proxy.

"Relevant intermediary" has the meaning ascribed to it in Section 181 of the Companies Act, Chapter 50.

(2) The instrument or form appointing a proxy, duly executed, must be deposited at the office of the Company's share registrar, Boardroom Corporate & Advisory Services Pte. Ltd. at 50 Raffles Place #32-01 Singapore Land Tower, Singapore 048623 not less than 48 hours before the time appointed for holding the Annual General Meeting in order for the proxy to be entitled to attend and vote at the Annual General Meeting.

(3) 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

(4) 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.

FORISE INTERNATIONAL LIMITED

(Company Registration No. 200804077W)

(Incorporated in the Republic of Singapore)

IMPORTANT

1 A relevant intermediary may appoint more than two proxies to attend the Annual General Meeting and vote (please see note 2 for the definition of "relevant intermediary")

2 For investors who have used their CPF monies to buy the Company's shares, this Circular is sent to them at the request of their CPF Approved Nominees solely FOR INFORMATION ONLY.

3 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.

Personal Data Privacy

By submitting an instrument appointing a proxy(ies) and/or representative(s), the member accepts and agrees to the personal data privacy terms set out in the Notice of AGM dated 12 April 2017.

I/We ____ (Name)

of ____ (Address)

being a *member/members of **FORISE INTERNATIONAL LIMITED** (the "**Company**") hereby appoint:

Name	**Address**	***NRIC/Passport No.**	**Proportion of Shareholdings (%)**

*and/or

Name	**Address**	***NRIC/Passport No.**	**Proportion of Shareholdings (%)**

or failing *him/her/them, the Chairman of the Annual General Meeting of the Company as *my/our *proxy/proxies to vote for *me/us on *my/our behalf at the Annual General Meeting of the Company to be held at 4 Shenton Way SGX Centre 2 #17-01, Singapore 068807 on 27 April 2017 at 3.00 p.m. and at any adjournment thereof.

*I/We direct *my/our *proxy/proxies to vote for or against the Resolutions to be proposed at the Annual General Meeting as indicated hereunder. If no specific direction as to voting is given or in the event of any other matter arising at the Annual General Meeting and at any adjournment thereof, the proxy/proxies will vote or abstain from voting at his/her discretion. All resolutions put to the vote at the Annual General Meeting shall be decided by way of poll.

* Please delete accordingly

(Please indicate your vote "For" or "Against" with a "X" within the box provided. Otherwise please indicate the number of votes)

No.	**Resolutions relating to:**	**For**	**Against**
	Ordinary Business		
1.	Adoption of Audited Accounts, Directors' Statement and Independent Auditor's Report for financial year ended 31 December 2016		
2.	Payment of Directors' Fees amounting to S$190,000 for financial year ending 31 December 2017, to be paid quarterly in arrears		
3.	Re-election of Ms. Lee Kim Lian Juliana as a Director of the Company		
4.	Re-election of Mr. Christopher Chong Meng Tak 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		

Dated this __________ day of ____________________ 2017.

Total No. of Shares	**No. of Shares**
In CDP Register	
In Register of Members	

____

Signature(s) of Member(s)/Common Seal

IMPORTANT: PLEASE READ NOTES OVERLEAF BEFORE COMPLETING THIS PROXY FORM

Notes:

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

2 (a) A member of the Company who is entitled to attend and vote at the Annual General Meeting and who is not a relevant intermediary is entitled to appoint not more than two (2) proxies to attend and vote in his stead. Where such member appoints more than one (1) proxy, he/she shall specify the proportion of his/her shareholding to be represented by each proxy. A proxy need not be a member of the Company. If the appointer is a corporation, the proxy must be executed under seal or the hand of its duly authorized officer or attorney.

(b) A member of the Company who is entitled to attend and vote at the Annual General Meeting who is and who is a relevant intermediary is entitled to appoint more than two (2) proxies to attend and vote in his stead. Where such member appoints more than one (1) proxy, he/she shall specify the proportion of his/her shareholding to be represented by each proxy. A proxy need not be a member of the Company. If the appointer is a corporation, the proxy must be executed under seal or the hand of its duly authorized officer or attorney.

"Relevant intermediary" has the meaning ascribed to it in Section 181 of the Companies Act, Chapter 50.

3 The instrument appointing a proxy or proxies must be deposited at the office of the Company's share registrar, Boardroom Corporate & Advisory Services Pte. Ltd., at 50 Raffles Place #32-01 Singapore Land Tower, Singapore 048623 not less than 48 hours before the time appointed for the meeting.

4 Where a member appoints two (2) proxies, the appointments shall be invalid unless he specifies the proportion of his shareholding (expressed as a percentage of the whole) to be represented by each proxy.

5 The instrument appointing a proxy or proxies must be under the hand of the appointer or his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed under its common seal or under the hand of its attorney or a duly authorised officer.

6 Where an instrument appointing a proxy or proxies is signed on behalf of the appointor by an attorney, the letter or power of attorney or a duly certified copy thereof must (failing previous registration with the Company) be lodged with the instrument of proxy, failing which the instrument may be treated as invalid.

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

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