

Developing SUSTAINABLE VALUE

ANNUAL REPORT 2017





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CORPORATE PROFILE

Founded in 2007, Asia Fashion Holdings Limited (“Asia Fashion” or “the Group”) was in the business of manufacturing functional knitted fabrics. However, this business was divested into construction materials’ business in early 2015, into the media and entertainment business in late 2016 and further into the distribution sales business in early 2017.

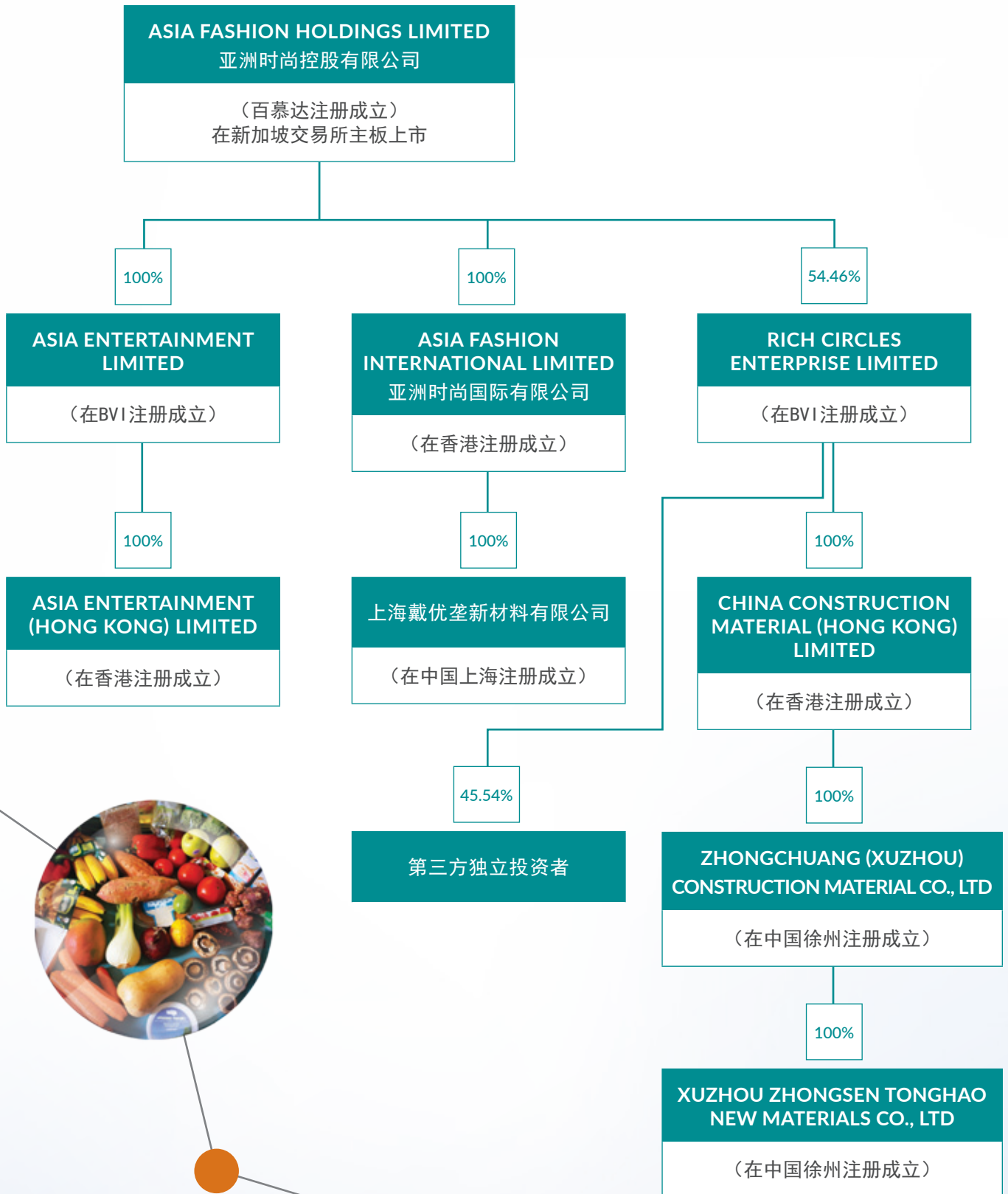
In early 2017, in line with the Group’s strategy to continuously identify viable, stable and sustainable business opportunities with reasonably healthy growth potential, the Group has incorporated a new wholly owned subsidiary in China, namely Shanghai Daiyoulong New Materials Company Limited (“上海戴优垄新材料有限公司”)(“Daiyoulong”)to develop a new distribution sales business initiative in the enormous and fast growing health care product market in China.

Through Daiyoulong, the Group has commenced its active business in the distribution sales of a specially branded graphene-based healthcare product called “Jiajinyo” to direct users in China. To kick start, Daiyoulong has entered into an exclusive distribution agreement with a Shenzhen manufacturer of nano-based and graphene-based healthcare products and supplements. With the gradual popularity and customer acceptance of “Jiajinyo”, it is envisaged that the Group’s focus on this distribution sales business in China could contribute positively to the Group’s financial growth going forward.

Asia Fashion’s vision is committed to creating shareholders’ value in the long run. Through our increasing focus in the continuous development and built on the steadily strengthening platform of this new business initiative, we will use our best endeavors to expand our health food products’ distribution sales platform to beyond China in order to achieve the vision of Asia Fashion in the best interests of our shareholders.



GROUP STRUCTURE



MESSAGE FROM CHAIRMAN AND CEO

DEAR SHAREHOLDERS

On behalf of the Board of Directors (the “Board”), we are pleased to present you the Annual Report 2017 of Asia Fashion Holdings Limited (“Asia Fashion” or the “Group”).

FY2017 was an evolving year to our Group. It is our Group’s vision that, as stewards of a listed company, we always prospect for viable, stable and sustainable business to revive our revenue stream, placing strong emphasis on our shareholders’ interest. In late 2016, the Group has intended to diversify into the media and entertainment business in Hong Kong and in early 2017, we have ultimately decided to build our own business of distribution sales of health care products in China, of which we consider to be a promising new initiative for the Group to pursue in the longer run.

OPERATIONS REVIEW

In the first quarter of 2017, the Group has incorporated a new wholly owned subsidiary in China, namely Shanghai Daiyoulong New Materials Company Limited (“上海戴优垄新材料有限公司”) (“Daiyoulong”) to develop the new distribution sales business initiative in the enormous and fast growing health care product market in China.

Through Daiyoulong, the Group has commenced its active business in the distribution sales of a specially branded graphene-based healthcare product called “Jiajinyo” to direct users in China. During the second quarter of 2017, Daiyoulong has entered into an exclusive distribution agreement with Shenzhen Ximei, a Shenzhen manufacturer of nano-based and graphene-based healthcare products and supplements (“Distribution Agreement”). Under the Distribution Agreement, the Group has committed a purchase target of 600,000 units of “Jiajinyo” with Shenzhen Ximei. Daiyoulong has already generated approximately RMB838K in sales revenue from the “Jiajinyo” distribution business since its kick-off in late June with reasonably healthy gross margin contribution to the Group.

REVIEW OF FINANCIAL POSITION

Property, plant and equipment of RMB6.5 million represented the purchase of office furniture and equipment and the furnishing cost of the Company’s new headquarter office in Hong Kong and Shanghai Daiyoulong’s new operating office in Shanghai.

Inventories of RMB572K represented the cost of inventories of the product “Jiajinyo” and relevant

product packing materials kept by Shanghai Daiyoulong.

Prepayments and other receivables of RMB29.5 million mainly represented (i) a deposit made by Shanghai Daiyoulong to a business associate of RMB23.7 million which has been fully settled and returned to Shanghai Daiyoulong in early July 2017; (ii) a deposit of RMB4 million made by Shanghai Daiyoulong to Shenzhen Ximei for the placement of orders for the product “Jiajinyo”; (iii) RMB0.6 million being prepayments made to cooperative business partners for the entertainment and amusement projects entered into by the Company’s subsidiary Asia Entertainment (Hong Kong) Limited; and (v) rental and utilities deposits made by the Group.

Loan to an associates of RMB61 million represented the loan extended to Rich Circles Enterprise Limited which was in connection to the acquisition of the 54.46% stake in the company. This loan is interest free and is repayable on demand.

Cash funds of RMB6 million exclusively represented the financial assets purchased by Shanghai Daiyoulong from reputable banking corporations in China with the objective of getting higher financial return for the Group on the cash possessed in its local bank account in Shanghai. Part of this cash funds have been disposed of subsequent to the yearend date at reasonably expected financial return.

Cash and cash equivalents of RMB104.8 million mainly represented by bank deposits with the banks in China and in Hong Kong.

Accruals and other payables of RMB143.2 million mainly represented customers’ deposits received of RMB136.9 million for purchase of the product “Jiajinyo” from Shanghai Daiyoulong and other accrued operating expenses and professional expenses of RMB6.3 million at the Company’s level.

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

Amount due to director/shareholder of RMB3.6 million represented RMB3.4 million due to Mr. Yuan Li Min and RMB0.2 million due to Mr. Mak Tin Sang, which are both interest free and repayable on demand.

Amount due to third parties of RMB8.5 million represented amount due to independent third parties which are interest free and repayable on demand.

MESSAGE FROM CHAIRMAN AND CEO

Amount due to associates of RMB6.4 million was the amount due to Rich Circles Group for payments of costs and expenses on behalf of Asia Fashion Group before the completion of the substantial fund raising exercises in June 2017.

Taxes payable of RMB152K exclusively represented the PRC income tax provision made at 25% on the estimated taxable net income generated by Shanghai Daiyoulong for its financial period ended 30 June 2017.

Bonds payable of RMB10.3 million solely represented the principal amount of the Convertible Bonds issued to Mr. Dai Ji Zhou on 2 June 2017 (S\$2.1 million).

Interest payable of RMB35K solely represented the interest on the above-mentioned Convertible Bonds issued to Mr. Dai Ji Zhou accrued for the period from 2 June 2017 to 30 June 2017.

REVIEW OF CASH FLOW

During the year ended 30 June 2017, the Group has generated RMB97.1 million from operating activities mainly as a result of receipt of customers' deposits of RMB139.2 million in Shanghai Daiyoulong.

During the year ended 30 June 2017, the Group has used RMB12.1 million in investing activities mainly as a result of purchase of property, plant and equipment of RMB6.8 million and the cash funds of RMB6 million.

During the year ended 30 June 2017, the Group has generated RMB19.5 million from financing activities summarized as follows:

- (i) receipt of net advances of RMB3.6 million from director/shareholder during the year;
- (ii) receipt of net loans of RMB8.5 million from independent third parties during the year;
- (iii) repayment of bonds of RMB21.8 million to both Prime Pacific Investments Limited and Alternus Capital Holdings Limited during the year;
- (iv) proceeds received of RMB18.8 million on the issue and allotment of 35,000,000 new ordinary shares to four places in June 2017; and
- (v) proceeds received of RMB10.6 million on the issuance of Convertible Bonds to Mr. Dai Ji Zhou in June 2017.

As a result of the above, the Group has reported a total cash and cash equivalent balance of RMB104.8 million as of 30 June 2017.

PROSPECTS

With the gradual popularity and customer acceptance of "Jiajinyo", it is envisaged that the Group's focus on this distribution sales business in China could contribute positively to the Group's financial growth going forward.

Through the promising sales platform of Daiyoulong, the Group will continue to devote resources to Daiyoulong and continue to strengthen our health care product portfolio through the co-operation with more prominent health care product developers and/or manufacturers primarily to the growing China market. The Group and Daiyoulong will also grow the business through the strategic partnerships and M&A with potential market players in the health care product field. Our Board is confident that the new business initiative could bring steady and sustainable overall improvement in the financial performance of our Group.

Looking ahead, Asia Fashion's vision is committed to creating shareholders' value in the long run. Through our increasing focus in the continuous development and built on the steadily strengthening platform of this new business initiative, we will use our best endeavors to expand our health food products' distribution sales platform to beyond China in order to achieve the vision of Asia Fashion in the best interests of our shareholders and enhance our Group's sustainable value for our shareholders in the coming years.

APPRECIATION

Before closing this Chairman & CEO's Message, to cope with our new business development, we would like to highlight the changes to the Board and management team - I would like to extend a warm welcome to Mr. Zhang Wei, our new non-Executive Chairman and non-Executive Director on board on 18 January 2017 and Mr. Han Yue Gao, our new Executive Director on board on 1 September 2017.

Last but not least, we would like to extend our thankfulness to all our shareholders, business partners, employees, and customers who have provided us with their continuous support, dedication and trust. We are committed to give our full effort and ambition to sustain and grow the new business initiative for more breakthrough in the coming financial year.

**Non-Executive Chairman
CEO**

CORPORATE INFORMATION

DIRECTORS

Chong Tin Yam, Alex

Executive Director and Chief Executive Officer
(Appointed on 6 June 2016)

Mak Tin Sang

Executive Director and Chief Financial Officer
(Appointed on 25 May 2015 and 6 Jun 2016 respectively)

Zhang Wei

Non-Executive Director and Non-Executive Chairman (Appointed on 18 Jan 2017)

Han Yue Gao

Executive Director
(Appointed on 1 September 2017)

Kwok Wei Woon (Guo WeiWen)

Independent Director
(Appointed on 27 March 2014)

Lee Ka Shao

Independent Director
(Appointed on 25 May 2016)

AUDIT COMMITTEE

Kwok Wei Woon (Guo WeiWen) (Chairman)

Zhang Wei

Lee Ka Shao

NOMINATING COMMITTEE

Lee Ka Shao (Chairman)

Kwok Wei Woon (Guo WeiWen)

Zhang Wei

REMUNERATION COMMITTEE

Lee Ka Shao (Chairman)

Kwok Wei Woon (Guo WeiWen)

Zhang Wei

COMPANY SECRETARY

Mak Tin Sang

REGISTERED OFFICE

Canon's Court, 22 Victoria Street
Hamilton HM 12, Bermuda

BERMUDA SHARE REGISTRAR

Estera Management (Bermuda) Limited

Canon's Court, 22 Victoria Street
Hamilton HM12, Bermuda

SINGAPORE SHARE TRANSFER AGENT

M&C services Private Limited

112 Robinson Road #05-01
Singapore 068902

PRINCIPAL BANKERS

Hang Seng Bank Limited
Shanghai Commercial Bank Limited
Bank of China (Hong Kong) Limited

INDEPENDENT AUDITOR

Foo Kon Tan LLP

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

PARTNER-IN-CHARGE

Yeo Boon Chye

(Appointed with effect from financial year ended
31 December 2012)

BOARD OF DIRECTORS

MR. CHONG TIN YAM, ALEX

Executive Director and Chief Executive Officer

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

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

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

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

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

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

MR. MAK TIN SANG

Executive Director and Chief Financial Officer

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

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

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

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

BOARD OF DIRECTORS

MR. HAN YUE GAO

Executive Director

Mr. Han Yue Gao was the founder and the president of 'Shanghai Weicheng Paintball Shooting Sports Centre Limited' which is the first and one of the largest paintball shooting sports and training centres in China. Mr. Han Yue Gao is fully responsible for overall management, strategy formulation, business development and marketing promotion of Shanghai Weicheng, which has developed more than 50 franchises in 30 provinces in China till now.

Mr. Han was being awarded the Associate Degree of Law by the Shanghai University of Political Science and Law in 1985.

MR. ZHANG WEI

Non-Executive Director and Non-Executive Chairman

Mr. Zhang Wei was appointed as the managing Director of 'Jia Jing You New Materials (Shanghai) Limited' and is responsible for the overall sales and operation of the company, as well as design and implementation of the overall business development plan and strategy.

The company was being principally engaged in the production, marketing and sales of various agricultural products in the Eastern China Regions.

From 2015 to 2016, Mr. Zhang was appointed as the Head of Business Development of the 'MSFG Limited' and is mainly responsible for the devise of the long-term business development plan and relevant sales and marketing strategies. The company was principally engaged in the provision of financial and investment services to clients mainly based in China.

From 2001 to 2015, Mr. Zhang was appointed as the Managing Director of 'Hua Tai Agricultural Group Limited' and is responsible for the overall operation and management of the Group and together with the other members of the board of directors, to design and devise the overall business development plan and strategy for the Group. In addition to that, he have also been actively involved in the direct negotiation and implementation of major joint ventures and cooperative ventures of the company.

BOARD OF DIRECTORS

MR. LEE KA SHAO

Independent Director

Mr. Lee Ka Shao was appointed on 25 May 2015 as our Independent Director and he is the Chairman of the Nominating Committee and Remuneration Committee and a member of the Audit Committee.

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

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

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

MR. KWOK WEI WOON (GUO WEIWEN)

Independent Director

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

Mr. Kwok is CEO of SooChow Securities CSSD (Singapore) Pte Ltd, a licensed fund manager in Singapore that is majority owned by SooChow Securities with China-Singapore Suzhou Industrial Park Development Co. Ltd as a minority shareholder. Due to his job, he is a director of China Reform Overseas Management Co Ltd & China Reform SooChow Overseas Holdings Limited.

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

He has more than 18 years of experience in the financial services industry and had previously held senior roles with global financial institutions like JP Morgan (Executive Director); UBS AG (Director, Advisory Consultant, North Asia); Standard Chartered Bank Singapore (Deputy GM, Wealth Management).

Mr. Kwok is Fellow of Singapore University of Social Science and volunteers as President of Financial Planning Association of Singapore (FPAS); President of University Of New South Wales Alumni Association Singapore and Vice President of Australian Alumni Singapore.

Mr. Kwok graduated with a Master Of Commerce degree (majoring in advance finance) and a Bachelor of Commerce degree (majoring in Accounting and Finance) from University of New South Wales. He is a certified accountant with CPA Australia, a Certified Financial Planner (CFP) and a member of Singapore Institute of Directors (SID).

KEY MANAGEMENT

MR. MAK TIN SANG

Chief Financial Officer ("CFO")

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

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

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

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

MR. CHONG TIN YAM, ALEX

Executive Director and Chief Executive Officer ("CFO")

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

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

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

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

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

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



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CORPORATE GOVERNANCE

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

(A) BOARD MATTERS

Board’s Conduct of its Affairs

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

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

The principal functions of the Board include the following:

1. Protecting and enhancing long-term value and return to its shareholders;
2. Providing entrepreneurial leadership, setting strategic objectives and ensuring that the necessary financial and human resources are in place for the Company, and the Group, to meet its objectives;
3. Establishing, reviewing and approving the board policies, strategies and financial objectives of the Group;
4. Reviewing and monitoring the performance of Management;
5. Establishing a framework of prudent and effective controls to enable risks to be assessed and managed including safeguarding shareholders’ interests and the Company’s assets;
6. Overseeing the process for evaluating the adequacy of internal controls, risk management, financial reporting and compliance;
7. Identifying the key stakeholder groups and recognizing that their perception affects the Company’s reputation;
8. Declaration of interim and final dividends, if applicable;
9. Approving the nomination of Board of Directors and appointment of key personnel;
10. Setting the Company’s values and standards (including ethical standards), and ensuring that obligations to shareholders of the Company and other stakeholders are understood and met;
11. Ensuring the Group’s compliance with all relevant and applicable laws and regulations;
12. Considering sustainability issues as part of the Company’s strategic formulation; and
13. Assuming responsibility for the corporate governance of the Group.

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

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

CORPORATE GOVERNANCE

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

The attendance of the Directors at the Board meetings and Board Committees meetings held for the financial year ended 30 June 2017 ("FY2017") are as follows:

Name of Director	Board		Audit Committee		Nominating Committee		Remuneration Committee	
	No. of Meetings held	No. of Meetings attended	No. of Meetings held	No. of Meetings attended	No. of Meetings held	No. of Meetings attended	No. of Meetings held	No. of Meetings attended
Kwok Wei Woon (Guo Weiwen)	9	9	1	1	2	2	2	2
Mak Tin Sang	9	9	1	0	2	0	2	0
Huo Weisheng ⁽¹⁾	9	7	1	0	2	0	2	0
Wang Huai Dong ⁽²⁾	9	7	1	1	2	1	2	1
Lee Ka Shao	9	9	1	1	2	2	2	2
Chong Tin Yam, Alex	9	9	1	0	2	0	2	0
Zhang Wei ⁽³⁾	9	2	1	0	2	1	2	1
Zhu Zhi Hong ⁽⁴⁾	9	1	1	0	2	0	2	0

Note:

- (1) Mr. Huo Weisheng resigned as Executive Director on 21 March 2017.
- (2) Mr. Wang Huai Dong resigned as Non-Executive Director and Non-Executive Chairman on 18 January 2017.
- (3) Mr. Zhang Wei was appointed as Non-Executive Director and Non-Executive Chairman on 18 January 2017.
- (4) Mr. Zhu Zhi Hong had been appointed as Executive Director on 21 March 2017.

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

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

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

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

CORPORATE GOVERNANCE

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

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

Board Composition and Guidance

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

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

Name of Directors	Board	AC	NC	RC
Chong Tin Yam, Alex	Executive Director and CEO	-	-	-
Mak Tin Sang	Executive Director and CFO	-	-	-
Han Yue Gao ⁽¹⁾	Executive Director	-	-	-
Zhang Wei ⁽²⁾	Non-Executive Director and Non-Executive Chairman	Member	Member	Member
Kwok Wei Woon (Guo Weiwen)	Independent Director	Chairman	Member	Member
Lee Ka Shao	Independent Director	Member	Chairman	Chairman

Note:

(1) Mr. Han Yue Gao was appointed as Executive Director on 1 September 2017.

(2) Mr. Zhang Wei was appointed as Non-Executive Director and Non-Executive Chairman on 18 January 2017.

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

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

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

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

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

The Independent Directors exercise no Management functions in the Group. The role of the Non-Executive Directors and Independent Directors is particularly important in ensuring that the strategies proposed by the Management are fully discussed and rigorously examined and reviewing the performance of the Management in meeting agreed goals and objectives and monitor the reporting of performance.

CORPORATE GOVERNANCE

The Company co-ordinates informal meeting sessions for Independent Directors to meet on a need-basis without the presence of the Management to discuss matters such as the Group's financial performance, corporate governance initiatives, Board processes, succession planning as well as leadership development and the remuneration of the Executive Directors.

Chairman and Chief Executive Officer ("CEO")

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

The Chairman and the CEO of the Company are separate persons and are not related.

The current Executive Director and CEO, Mr. Chong Tin Yam, Alex who was appointed on 6 June 2016, is responsible for the overall business operations, overall management, strategic direction and ensuring that the organizational objectives are achieved and the day-to-day operations of the Group. He ensures effective and constructive relations within the Board and between the Board and the Management.

The current Non-Executive Chairman, Mr. Zhang Wei, was appointed to his current post on 18 January 2017. The responsibilities of the Chairman include:

1. Scheduling of meetings to enable the Board to perform its duties responsibly while not interfering with the flow of the Group's operations;
2. Ensuring that Directors receive accurate, timely and clear information, and ensuring effective communication with shareholders;
3. Promoting high standards of corporate governance and ensuring the Group's compliance with the Code;
4. Acting in the best interest of the Group and of the shareholders;
5. Leading the Board to ensure its effectiveness on all aspects of its role;
6. Setting the agenda and ensure that adequate time is available for discussion of all agenda items, in particular strategic issues;
7. Promoting a culture of openness and debate at the Board;
8. Ensuring that the directors receive complete, adequate and timely information;
9. Ensuring effective communication with shareholders;
10. Encouraging constructive relations within the Board and between the Board and Management; and
11. Facilitating the effective contribution of non-executive directors in particular.

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

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

Board Membership

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

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

Nominating Committee

Mr. Lee Ka Shao (Chairman)
Mr. Kwok Wei Woon (Guo Weiwen) Mr. Zhang Wei

Mr. Zhang Wei was appointed as Non-Executive Director and member of the NC on 18 January 2017.

CORPORATE GOVERNANCE

The NC's has written terms of reference that set out their roles, duties, responsibilities and authority, which is mainly to establish a formal and transparent process for:

1. Reviewing and making recommendations to the Board on all candidates nominated for appointment to the Board of the Company;
2. Reviewing and recommending to the Board on a regular basis the Board structure, size and composition having regard to the scope and nature of the operations and the core competencies of the Directors as a group;
3. Determining annually the independence of a Director;
4. Reviewing the ability of a Director to adequately carry out his duties as Director when he has multiple Board representations;
5. Recommending to the Board as to which Directors are to retire and to be put forward for re-election at each Annual General Meeting ("AGM");
6. Developing a process for evaluation of the performance of the Board, its Board Committees and directors and assessing the effectiveness of the Board as a whole;
7. Reviewing Board succession plans for directors, in particular, the Chairman and for the CEO; and
8. Reviewing training and professional development programmes for the Board.

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

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

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

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

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

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

There is no alternate director being appointed to the Board.

Key information on Directors of the Company such as academic and professional qualifications, board committees served, directorships or chairmanships both present and past held over the preceding three years in other listed companies and other major appointments, whether the appointment is executive or non-executive can be found on page 24 of this Annual Report.

CORPORATE GOVERNANCE

Board Performance

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

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

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

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

Access to Information

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

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

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

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

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

(B) REMUNERATION MATTERS

Procedures for Developing Remuneration Policies

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

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

Remuneration Committee

Mr. Lee Ka Shao (Chairman)
Mr. Kwok Wei Woon (Guo Weiwen) Mr. Zhang Wei

Mr. Zhang Wei was appointed as Non-Executive Director and member of RC on 18 January 2017.

CORPORATE GOVERNANCE

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

1. Reviewing and submitting its recommendations for endorsement by the entire Board, a framework of remuneration and the specific remuneration packages and terms of employment (where applicable) for each Director, the CEO (if CEO is not a Director), Senior Management and key executives;
2. Reviewing and approving annually the total remuneration of the Directors and key executives;
3. Reviewing and submitting its recommendations for endorsement by the entire Board, Share Option Schemes or any long term incentive schemes which may be set up from time to time and to do all acts necessary in connection therewith.

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

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

No Director is involved in deciding his own remuneration.

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

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

Level and Mix of Remuneration

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

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

Mr. Zhang Wei, appointed on 18 January 2017 as the Non-Executive Director and Non-Executive Chairman, has a service agreement for an initial term of 2 years commencing from 18 January 2017. The service agreement can be terminated by either party giving not less than three (3) months' notice in writing to the other.

Mr. Zhu Zhi Hong, appointed on 21 March 2017 as the Executive Director, had a service agreement for an initial term of 2 years commencing from 21 March 2017. The service agreement can be terminated by either party giving not less than three (3) months' notice in writing to the other. Mr. Zhu Zhi Hong's appointment has been terminated in accordance with the terms of the service agreement with effect from 1 September 2017.

Mr. Han Yue Gao, appointed on 1 September 2017 as the Executive Director, has a service agreement for an initial term of 2 years commencing from 1 September 2017. The service agreement can be terminated by either party giving not less than three (3) months' notice in writing to the other.

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

CORPORATE GOVERNANCE

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

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

Disclosure of remuneration

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

- (a) Breakdown of each individual Director's remuneration, in percentage terms showing the level and mix for the financial year ended 30 June 2017 is as follows (expressed in RMB'000 Yuan):

Directors	Salary	Fee	Bonus	Other Benefits	Total
Mak Tin Sang	805	-	-	-	805
Huo Weisheng ⁽¹⁾	-	-	-	-	-
Kwok Wei Woon (Guo Weiwen)	-	245	-	-	245
Lee Ka Shao	-	245	-	-	245
Wang Huai Dong ⁽²⁾	-	-	-	-	-
Chong Tin Yam, Alex	743	-	-	-	743
Zhang Wei ⁽³⁾	-	347	-	-	347
Zhu Zhi Hong ⁽⁴⁾	352	-	-	-	352

Note:

- (1) Mr. Huo Weisheng resigned as Executive Director on 21 Mar 2017.
- (2) Mr. Wang Huai Dong resigned as Non-Executive Director and Non-Executive Chairman on 18 Jan 2017.
- (3) Mr. Zhang Wei was appointed as Non-Executive Director and Non-Executive Chairman on 18 Jan 2017.
- (4) Mr. Zhu Zhi Hong had been appointed as Executive Director on 21 Mar 2017.
- (b) The remuneration paid to the key management personnel (who are not the Directors) for the financial year ended 30 June 2017 are as follows:

Key Management Personnel	Salary (RMB)	Bonus (RMB)	Other Benefits (RMB)	Total (RMB)
Yue Guang	155	-	-	155
Han Yue Gao	352	-	-	352
Meng Yan Ping	272	-	-	272

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

The aggregate amount of the total remuneration paid (including benefit) to the key management personnel for the financial year ended 30 June 2017 was RMB 779,000.

No termination, retrenchment and post-employment benefits were granted to the Directors and key management personnel during FY2017.

CORPORATE GOVERNANCE

Immediate Family Members of Directors

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

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

(C) ACCOUNTABILITY AND AUDIT

Accountability

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

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

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

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

RISK MANAGEMENT AND INTERNAL CONTROLS

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

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

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

Based on the discussion with and the reports submitted by the external auditors and internal auditors, the discussion with the Management, the Board, with the concurrence of the AC is of the opinion that, the system of internal controls addressing financial, operational, compliance and information technology risks as well as risk management system maintained by the Company that are in place throughout the financial year ended 30 June 2017 is adequate and effective, but warrants further adjustments and improvements. The system provides reasonable, but not absolute, assurance against material financial misstatements or loss, and includes the safeguarding of assets, the maintenance of proper accounting records, the reliability of financial information, compliance with appropriate legislation, regulations and best practices, and the identification and containment of financial, business and compliance risks.

CORPORATE GOVERNANCE

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

- (a) The financial records have been properly maintained and the financial statements for the financial year ended 30 June 2017 give a true and fair view in all material respects, of the Company's operations and finances; and
- (b) The Group's internal controls and risk management systems are operating effectively in all material respects given its current business environment.

Audit Committee

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

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

Audit Committee

Mr. Kwok Wei Woon (Guo Weiwen) (Chairman) Mr. Zhang Wei
Mr. Lee Ka Shao

Mr. Zhang Wei was appointed as Non-Executive Director and member of AC on 18 January 2017.

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

The AC has written terms of reference, setting out their duties and responsibilities, which include the following:

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

CORPORATE GOVERNANCE

- review interested person transactions to consider whether they are on normal commercial terms and are not prejudicial to the interests of the Company or its minority shareholders; and
- review the Company's procedures for detecting fraud and whistle-blowing, and ensure that arrangements are in place by which staff may, in confidence, raise concerns about possible improprieties in matters of financial reporting, financial control, or any other matters.

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

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

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

Annually, the AC meets with the external auditors without the presence of the Management and had established that the external auditors have had the full co-operation of the Management in carrying out the audit and conducts a review of all the non-audit services provided by the external auditors and is satisfied that the nature and extent of such services will not prejudice the independence and objectivity of the external auditors. Fees paid or payable by the Company to the external auditors for audit services for the financial year ended 30 June 2017 amounted to S\$200,000. For the financial year ended 30 June 2017, there were no non-audit fees paid to the external auditors.

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

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

Internal Audit

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

The Board recognises the importance of the internal audit function. The Company outsources its internal audit function to HLP Atrede LLP. The company has also engaged PricewaterhouseCoopers LLP to review the cash and bank balances of the Group's Fabrics business units in FY2014 for enhancing its corporate governance.

The roles of the internal auditors are to:

- (a) assess the effectiveness of the key internal controls, including financial, operational, compliance and information technology controls and risk management on an on-going basis;
- (b) identify and recommend improvement to internal control procedures, where required; and
- (c) Non-compliance and internal control weaknesses noted during internal audits and the recommendations thereof are reported to the AC.

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

CORPORATE GOVERNANCE

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

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

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

SHAREHOLDER RIGHTS AND RESPONSIBILITIES

Shareholder Rights

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

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

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

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

(D) COMMUNICATION WITH SHAREHOLDERS

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

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

- annual reports that are prepared and sent to all shareholders. The Board ensures that the annual report includes all relevant information about the Company and the Group, including future developments and other disclosures as prescribed by the Companies Act, Chapter 50 and Singapore Financial Reporting Standards
- quarterly announcements containing a summary of the financial information and affairs of the Group for that period; and
- notices of explanatory memoranda for AGMs and Extraordinary General Meetings (the "EGMs"). The notice of AGMs and EGMs are also advertised in a national newspaper.

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

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

For FY2017 the Company will not be paying dividends to shareholders as it had reported losses and due to the ongoing challenges in the economic and business environment, there is a need to conserve cash.

CORPORATE GOVERNANCE

CONDUCT OF SHAREHOLDER MEETINGS

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

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

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

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

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

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

(E) DEALING IN COMPANY'S SECURITIES

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

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

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

(F) MATERIAL CONTRACTS

Saved for the service agreements entered with the Executive Directors as abovementioned, there were no material contracts entered into by the Company or any of its subsidiaries involving the interest of the CEO, CFO, any Director or controlling shareholder at the end of FY2017.

(G) INTERESTED PERSON TRANSACTIONS

The Company has adopted an internal policy with regard to transactions with interested persons and has set out procedures for review and approval of the Company's interested person transactions. The Company also ensures that all transactions with interested persons are reported on a timely manner to the AC, if any and that the transactions are carried out on a normal commercial terms and will not be prejudicial to the interests of the Company and its minority shareholders. There were no interested person transactions which require disclosure pursuant to the rules under the Listing Manual of the SGX-ST in FY2017.

CORPORATE GOVERNANCE

Name of Director	Academic / Professional Qualifications	Board Appointment Executive/ Non-executive	Board Committees as Chairman or Member	Directorship Date First Appointed	Date of Last Re-election	Directorships in other listed companies and other major appointments	Past directorships in other listed companies and other major appointments over the preceding 3 years
Chong Tin Yam, Alex	Bachelor of Commerce Degree in Finance from the University of Toronto	Executive Director and CEO	Board Member	6 June 2016	-	Nil	Nil
Mak Tin Sang	Master's Degree in Business Administration from University of Sheffield, UK. Fellow of the United Kingdom Chartered Association of Certified Accountants	Executive Director and CFO	Board Member	25 May 2015	30 June 2015	Nil	③ Armarda Group Limited
Kwok Wei Woon (Guo Weiwen)	Master of Commerce Degree (majoring in Advance Finance) and a Bachelor of Commerce Degree (majoring in Accounting and Finance) from University of New South Wales. He is also a Certified Financial Planner (CFP) and a certified accountant with CPA Australia as well as a member with Singapore Institute of Directors.	Independent Director	Board Member, Chairman of the AC and Member of the NC and RC	27 March 2014	-	③ ISR Capital Ltd ③ Chiwayland International Limited	Nil
Lee Ka Shao		Independent Director	Board Member, Chairman of the NC and RC and Member of the AC	25 May 2016	-	Nil	Nil
Zhang Wei		Non-Executive Director and Non-Executive Chairman	Board Member, Member of the AC, NC and RC	18 January 2017	-	Nil	Nil
Han Yue Gao	Associate Degree of Law, Shanghai University of Political Science and Law	Executive Director	Board Member	1 September 2017	-	Nil	Nil

DIRECTORS' STATEMENT

The Directors present their statement to the members together with the audited financial statements of the Group for the financial year ended 30 June 2017 and the statement of financial position of the Company as at 30 June 2017.

In the opinion of the Directors,

- (a) the accompanying financial statements of the Group and statement of financial position of the Company are drawn up so as to give a true and fair view of the financial position of the Group and of the Company as at 30 June 2017 and the financial performance, changes in equity and cash flows of the Group for the financial year ended on that date in accordance with Singapore Financial Reporting Standards;
- (b) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debt as and when they fall due, except as disclosed in Note 2(a) to the financial statements.

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

Names of Directors

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

Chong Tin Yam, Alex - Executive Director and Chief Executive Officer

Mak Tin Sang - Executive Director and Chief Financial Officer

Han Yue Gao - Executive Director (appointed on 01.09.2017)

Zhang Wei - Non-Executive Director and Non-Executive Chairman (appointed on 18.01.2017)

Kwok Wei Woon - Independent Director

Lee Ka Shao - Independent Director

Zhu Zhi Hong - Executive Director (appointed on 21.03.2017 and terminated on 01.09.2017)

Wang Huai Dong - Non-Executive Director and Non-Executive Chairman (resigned on 18.01.2017)

Huo Wei Sheng - Executive Director and Chief Operating Officer (resigned as Executive Director on 21.03.2017 but remained as Chief Operating Officer)

Arrangements to enable directors to acquire shares and debentures

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

Directors' interest in shares or debentures

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

Share options

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

No shares were issued during the financial year to which this report related by virtue of the exercise of options to take up unissued shares of the Company or any subsidiaries.

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

DIRECTORS' STATEMENT

Audit Committee

The Audit Committee (“AC”) at the end of the financial year comprises the following members:

Kwok Wei Woon (Chairman)
Lee Ka Shao
Zhang Wei

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

The Audit Committee performs the functions set out in the Listing Manual of the Singapore Exchange Securities Trading Limited (“SGX-ST”) and the Code of Corporate Governance. In performing those functions, the Audit Committee reviewed the following:

- (i) overall scope of external audit and the assistance given by the Company’s officers to the auditors. It met with the Company’s external auditors to discuss the results of their respective examinations and their evaluation of the Company’s system of internal accounting controls;
- (ii) the audit plan of the Company’s independent auditor and any recommendations on internal accounting controls arising from the statutory audit;
- (iii) the quarterly financial information and the statement of financial position of the Company and the consolidated financial statements of the Group for the financial year ended 30 June 2017 as well as the independent auditor’s report thereon;
- (iv) effectiveness of the Company’s material internal controls, including financial, operational, information technology and compliance controls and risk management systems where appropriate;
- (v) met with the external auditor, other committees and management in separate executive sessions to discuss any matters that these groups believe should be discussed privately with the Audit Committee;
- (vi) legal and regulatory matters that may have a material impact on the financial statements, related compliance policies and programmes and any reports received from regulators;
- (vii) the cost effectiveness and the independence and objectivity of the external auditor;
- (viii) the nature and extent of non-audit services provided by the external auditor;
- (ix) recommended to the Board of Directors the external auditor to be nominated, approved the compensation of the external auditor and reviewed the scope and results of the audit;
- (x) reported actions and minutes of the Audit Committee to the Board of Directors with such recommendations as the Audit Committee considered appropriate; and
- (xi) interested person transactions (as defined in Chapter 9 of the Listing Manual of the Singapore Exchange).

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

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

Full details regarding the Audit Committee are provided in the “Corporate Governance Statement”.

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

DIRECTORS' STATEMENT

Independent auditor

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

Other information required by the SGX-ST

Material information

There are no material contract to which the Company or its subsidiaries, is a party which involve Directors' interests subsisted or have been entered into during the financial year ended 30 June 2017 except as disclosed under "Disclosure on Remuneration" in "Corporate Governance Statement and in Note 26 to the financial statements.

Interested person transactions

There was no interested person transactions as defined in Chapter 9 of Listing Manual of the Singapore Exchange conducted during the financial year ended 30 June 2017 except as disclosed under "Interested Person Transactions" on "Corporate Governance Statement" and in Note 29 to the financial statements.

On behalf of the Board of Directors

CHONG TIN YAM, ALEX

MAK TIN SANG

Dated: 15 September 2017

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF ASIA FASHION HOLDINGS LIMITED

Report on the Audit of the financial statements

Disclaimer of Opinion

We have engaged the financial statements of Asia Fashion Holdings Limited (the "Company") and its subsidiaries (collectively the "Group"), which comprise the statements of financial position of the Group and the Company as at 30 June 2017, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies.

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

Basis for Disclaimer of Opinion

We did not express an audit opinion on the consolidated financial statements of the Group for the financial period ended 30 June 2016. Similarly to the financial year ended 30 June 2017, our audit report contained the following bases for the disclaimer of opinion:

The Company

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

As reported in the auditor's report for financial year ended 31 December 2014, there were unverified transactions of the associated company group, Rich Circles and its subsidiaries due to the fact that at that material time, no reasonable access was given to examine sufficiently the documentation that will adequately support the acquisition which took place as well as certain transactions that were recorded in the accounting books of Rich Circles and its subsidiaries.

As of the date of this report, the RMB 61 million loan which includes a carried forward loan of RMB 49 million and a loan of RMB 12 million extended in 2016 and the interest thereon owing by Rich Circles to the Company have not been repaid. There is also a loan of RMB 51 million owing by Rich Circles to a shareholder, Ms. Li Ya Xin which has not been repaid.

Subsequent to the financial year end, the Chief Operating Officer of the Company, Mr. Huo Weisheng entered into a letter of intent with the Company and the shareholder, Ms. Li Ya Xin to propose the acquiring of the shares held by each party for a sum of RMB 40 million and RMB 20 million respectively. On completion of the proposed sale of shares, the Company and the shareholder agree to waive the loan amount of RMB 61 million and RMB 51 million extended to Rich Circles respectively. To the date of this report, the said letter of intent did not materialise.

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

On the basis of the matters referred to above, we were unable to obtain sufficient evidence to ascertain the recoverability of the loan totalling RMB 61 million owing by Rich Circles to the Company as at 30 June 2017. The financial statements did not include any adjustments that would be necessary if the amounts are not recoverable.

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

As mentioned in Note 7 to the financial statements, towards the end of the financial period ended 30 June 2016, the Chief Operating Officer of the Company, Mr. Huo Weisheng was in negotiation to sell the Group's entire interest of 54.46% in Rich Circles and its subsidiaries (collectively known as the "associated company group") due to the default of the SME bond of RMB 180 million due on 28 March 2016. The Chief Operating Officer of the Company, Mr. Huo Weisheng had been making attempts to renegotiate the settlement of this debt securities which had been extended once in the financial year 2014. As mentioned in Note 7 to the financial statements, there were on-going litigation cases against Xuzhou Zhongwei made by the bondholders as at 30 June 2017. Based on the available public information, there were a total of eighteen reported cases filed against Xuzhou Zhongwei, which includes the application to the Court for Orders of freezing of assets.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF ASIA FASHION HOLDINGS LIMITED

Basis for Disclaimer of Opinion (Cont'd)

The Company (Cont'd)

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

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

As reported in the financial year 2016, we were not allowed access to the books and records accordingly. However, on 12 August 2017, we paid a plant visit located at Pizhou and noted that there were no inventories noted and the machinery had been idle. All books and records cannot be found in the premises. All locks and chains were found to be rusty. The building was run-down and not under occupied conditions. The building remained vacant except for a watchman.

Please refer to the paragraph 1(i) for change of events subsequent to financial year ended 30 June 2017.

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

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 Singapore Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material statement, whether due to fraud or error.

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 responsibility is to conduct an audit of these financial statements in accordance with Singapore Standards on Auditing (SSAs) and to issue an auditor's report. However, because of the matters described in the Basis for Disclaimer of Opinion paragraph of our report, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements. 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.

Report on Other Legal and Regulatory Requirements

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

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF ASIA FASHION HOLDINGS LIMITED

Other Matters

The 2016 audited report dated 11 November 2016 on the financial statements contained a disclaimer opinion on the appropriateness of going concern of the Group and the Company, which was resolved for the financial year ended 30 June 2017. Please refer to Note 2(a) on going concern for details.

The Company and The Group

Going concern

HK\$10 million straight bond

On 4 March 2015, the Company raised a bond of RMB 7.9 million (HK\$10 million) to provide working capital for the Company and the Group. This bond had interest carried at 10% which was due on 3 March 2017 and extended to 4 May 2017, at an interest rate of 12% per annum.

During the financial period ended 30 June 2016, the Company made an interest payment of HK\$1 million (RMB 0.793 million) to the bond holder.

S\$2.66 million convertible bond

On 5 March 2015, the Company further raised RMB 11.9 million by way of issuance of convertible bonds of S\$2.66 million bearing an interest rate of 7% per annum for working capital purpose which matured on 4 March 2017 and extended to 4 June 2017, at an interest rate of 9% per annum.

The above bonds, together with the accrued interest, were fully paid in tranches during the financial year ended 30 June 2017.

The engagement partner on the audit resulting in this independent auditor's report is Yeo Boon Chye.

Foo Kon Tan LLP
Public Accountants and
Chartered Accountants

Singapore, 15 September 2017

STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2017

	Note	The Company		The Group	
		30 June 2017	30 June 2016	30 June 2017	30 June 2016
		RMB'000	RMB'000	RMB'000	RMB'000
ASSETS					
Non-Current Assets					
Property, plant and equipment	4	2,724	-	6,515	-
Intangible asset	5	-	-	20	-
Subsidiaries	6	8	8	-	-
Associated companies	7	-	-	-	-
		2,732	8	6,535	-
Current Assets					
Inventories	8	-	-	572	-
Other receivables	9	1,134	102	29,508	111
Loan to associated company	7	61,000	61,000	61,000	61,000
Amount due from associated companies	7	-	-	22	302
Amount due from subsidiary (non-trade)	10	5,279	547	-	-
Cash funds	11	-	-	6,003	-
Cash and cash equivalents	12	67	67	104,838	311
		67,480	61,716	201,943	61,724
Total assets		70,212	61,724	208,478	61,724
EQUITY					
Share capital	13	46,041	27,293	46,041	27,293
Reserves	14	(10,999)	509	(10,898)	509
Total equity		35,042	27,802	35,143	27,802
LIABILITIES					
Non-Current Liabilities					
Bond payable	20	10,281	-	10,281	-
Interest payable	20	35	-	35	-
		10,316	-	10,316	-
Current Liabilities					
Accruals and other payables	15	6,203	6,313	143,241	6,313
Amount due to third parties	16	7,144	-	8,446	-
Amount due to a former director/shareholder	17	1,221	1,221	1,221	1,221
Amount due to subsidiaries (non-trade)	10	351	-	-	-
Amount due to associated companies	18	6,375	4,051	6,399	4,051
Amount due to a director and a shareholder of the Company	19	3,560	-	3,560	-
Bond payable	20	-	21,614	-	21,614
Interest payable	20	-	723	-	723
Tax payable		-	-	152	-
		24,854	33,922	163,019	33,922
Total liabilities		35,170	33,922	173,335	33,922
Total equity and liabilities		70,212	61,724	208,478	61,724

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

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017

The Group	Note	Year ended 30 June 2017 RMB'000	Period from 1 January 2015 to 30 June 2016 RMB'000
Revenue	3	838	-
Cost of sales		(205)	-
Gross profit		633	-
Other operating income	3	543	19,317
Changes in fair value of option derivatives in relation to convertible bonds	20	37	1,838
Loss on disposal of subsidiaries	21	-	(6,434)
Selling and distribution expenses	22	(700)	-
Administrative expenses	23	(9,266)	(10,442)
(Loss)/profit from operations		(8,753)	4,279
Finance costs	24	(2,502)	(5,318)
Share of loss from associated companies, net of tax	7	-	(27,354)
Loss before taxation	25	(11,255)	(28,393)
Taxation	27	(152)	-
Loss after taxation		(11,407)	(28,393)
Other comprehensive income, net of tax		-	-
Total comprehensive loss attributable to owners of the parent for the year/period		(11,407)	(28,393)
		Fen	Fen
Loss per share			
- Basic	28	(21.52)	(61.66)
- Diluted	28	(21.52)	(61.66)

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017

The Group	Note	Share capital	Share premium	Capital reserve	Merger reserve	Statutory reserve	Contributed surplus	Accumulated losses	Sub-total	Total equity
		(Note 13)	(Note 14(a))	(Note 14(b))	(Note 14(c))	(Note 14(d))	(Note 14(e))			
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Balance at 1 January 2015		19,220	65,466	4,230	(64,889)	45,303	172,983	(226,827)	(3,734)	15,486
Share placements, net of transaction costs	13	8,073	32,636	-	-	-	-	-	32,636	40,709
Loss and representing total comprehensive loss for the period		-	-	-	-	-	-	(28,393)	(28,393)	(28,393)
Disposal of subsidiaries		-	(13,967)	(1,216)	64,889	(45,303)	-	(4,403)	-	-
Balance at 30 June 2016		27,293	84,135	3,014	-	-	172,983	(259,623)	509	27,802
Share placements, net of transaction costs	13	18,748	-	-	-	-	-	-	-	18,748
Loss and representing total comprehensive loss for the period		-	-	-	-	-	-	(11,407)	(11,407)	(11,407)
Balance at 30 June 2017		46,041	84,135	3,014	-	-	172,983	(271,030)	(10,898)	35,143

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

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017

	Note	Year ended 30 June 2017 RMB'000	Period from 1 January 2015 to 30 June 2016 RMB'000
Cash flows from operating activities			
Loss before taxation from operations		(11,255)	(28,393)
Adjustments for:			
Depreciation of property, plant and equipment	4	249	-
Loss on disposal of subsidiaries	21	-	6,434
Waiver of loan interest charged to an associated company	23	-	1,851
Interest income	3	(373)	-
Gain arising from the difference in carrying amount of bond liability extinguished and settlement made	3	-	(14,766)
Fair value gains on convertible bonds	20	(37)	(1,838)
Interest expense	24	2,502	5,318
Share of loss of associated companies	7	-	27,354
Impairment loss on investments in associated companies	23	-	37
Operating loss before working capital changes		(8,914)	(4,003)
Increase in inventories		(572)	-
Increase in operating receivables		(29,397)	(111)
Increase/(decrease) in operating payables		139,213	(14,414)
Cash generated from/(used in) from operations		100,330	(18,528)
Interest paid		(3,191)	(828)
Net cash generated from/(used in) operating activities		97,139	(19,356)
Cash flows from investing activities			
Acquisition of property, plant and equipment	4	(6,764)	-
Acquisition of associated companies	7	-	(7)
Acquisition of intangible asset	5	(20)	-
Net movement in cash funds	11	(6,003)	-
Advances from associated companies		312	-
Loan to an associated company		-	(12,000)
Net cash outflow from disposal of subsidiaries (Note A)		-	(4,554)
Expenses paid on behalf (for)/by associated companies		(8)	5,361
Interest received	3	373	-
Net cash used in investing activities		(12,110)	(11,200)
Cash flows from financing activities			
Advances from a director and a shareholder of the Company	19	3,560	-
Share placements	13	18,748	28,547
Loan from third parties	16	8,446	-
Repayment of bonds	20	(21,826)	(22,063)
Net proceeds from issuance of S\$2.66 million convertible bonds	20	-	11,739
Proceeds from issuance of HK\$10 million straight bond	20	-	7,908
Proceeds from issuance of S\$2.1 million convertible bond	20	10,570	-
Net cash generated from financing activities		19,498	26,131
Net increase/(decrease) in cash and cash equivalents		104,527	(4,425)
Cash and cash equivalents at beginning of year/period	12	311	4,736
Cash and cash equivalents at end of year/period	12	104,838	311

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

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017

Note:

A Disposal of subsidiaries

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

	30 June 2017 RMB'000	30 June 2016 RMB'000
Property, plant and equipment	-	37,633
Intangible assets	-	7,649
Inventories	-	11,043
Trade and other receivables	-	101,710
Cash and cash equivalents	-	4,554
Trade and other payables	-	(121,339)
Bank loans	-	(10,000)
Net assets disposed of	-	31,250
Loss on disposal of subsidiaries	-	(6,434)
Proceeds	-	24,816
Less:		
Accruals for compensations to distributors and minimum guaranteed royalty fees transferred to Chengde Industrial Co., Limited	-	(13,916)
Amount owing to Qianfeng group	-	(9,600)
Residual gain on discharge of liabilities	-	(1,300)
Cash and bank balances in subsidiaries disposed of	-	(4,554)
	-	29,370
Net cash outflow on disposal of subsidiaries	-	(4,554)

B Incorporation of subsidiaries

During the financial year ended 30 June 2017, the Group incorporated the following subsidiaries:

- Asia Entertainment Limited
- Asia Entertainment (Hong Kong) Ltd
- AB Family Entertainment Limited
- Shanghai Dai You Long New Materials Co., Ltd

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017

1 General information

The financial statements of Asia Fashion Holdings Limited (the “Company”) and its subsidiaries (the “Group”) for the financial year ended 30 June 2017 were authorised for issue in accordance with a resolution of the directors on the date of the Directors’ Statement.

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

The registered office of the Company is located at Claredon House 2 Church Street Hamilton HM 11 Bermuda. The principal place of business of the Group is located at No.968 Jinzhong Road, Room 703 & 705, Tower 3, Sky Soho, Chang’ning District, Shanghai City, the People’s Republic of China.

The principal activity of the Company is investment holding. The principal activities of the subsidiaries are set out in Note 6 to the financial statements.

2(a) Basis of preparation

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

The financial statements are presented in Renminbi (RMB) which is the Company’s functional currency. All financial information presented in RMB has been rounded to the nearest thousand (“RMB’000”), unless otherwise stated.

Significant accounting estimates and judgements

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

The critical accounting estimates and assumptions used and areas involving a significant judgement are described below:

Significant judgements made and assumptions used in applying accounting policies

Determination of functional currency

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

Revenue - gross presentation (Note 3)

During the financial year ended 30 June 2017, the Company incorporated a wholly-owned subsidiary, Shanghai Dai You Long New Materials Co., Ltd in the People’s Republic of China (“PRC”), in the business of distribution of food product to customers located in PRC.

The Group assesses at the end of each financial period whether the subsidiary acts as a principal or an agent. To determine whether the subsidiary acts as a principal, the Group considers factors such if the subsidiary has primary responsibility for providing the goods or services to the customer, has latitude in establishing prices, either directly or indirectly and bears the customer’s credit risk for the amount receivable from the customer. The Group has determined, based on an evaluation of the terms and conditions of the sales arrangement, that the subsidiary acts as a principal and so accounts the revenue as gross presentation in the statement of profit or loss and other comprehensive income.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017

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

Significant judgements made and assumptions used in applying accounting policies (Cont'd)

Income tax (Note 27)

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

Ability to repay bonds issued by the Company when fall due (Note 20)

During the financial year ended 30 June 2017, the Group reported loss of RMB 11.4 million. The Group, including the Company, is of the view that it will have sufficient cash resources to repay the S\$2.1 million convertible bond that is due on 1 June 2020 as the Group is confident that the food distribution business by Shanghai Dai You Long New Materials Co., Ltd is a sustainable business which can make positive contribution to the Group and sufficient cash resources will be generated to enable the payment of the bond when it falls due. Shanghai Dai You Long New Materials Co., Ltd has generated RMB 838,000 in sales revenue since the commencement of the distribution business in mid-June 2017.

Classification of Rich Circles and its subsidiaries as associated companies (Note 7)

The Company held 54.46% ownership in Rich Circles and its subsidiaries as at 30 June 2017. The directors of the Company applied judgement and assessed whether or not the Company has control over Rich Circles and its subsidiaries based on whether the Company has the practical ability to direct the relevant activities of Rich Circles and its subsidiaries unilaterally. After assessment, the directors concluded that the Company:

- has no effective rights to direct the relevant activities;
- has no sufficient ability to use its power over Rich Circles to affect the amount of the Company's returns; and
- did not have exposure or rights to variable returns arising from the lack of management involvement in Rich Circles and its subsidiaries.

Recoverability of loan to associated company (Note 7)

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

Subsequent to the financial year end, the Chief Operating Officer of the Company, Mr. Huo Weisheng entered into a letter of intent with the Company and the shareholder, Ms. Li Ya Xin to propose the acquiring of the shares held by each party for a sum of RMB 40 million and RMB 20 million respectively. On completion of the proposed sale of shares, the Company and the shareholder agree to waive the loan amount of RMB 61 million and RMB 51 million extended to Rich Circles respectively. To the date of this report, the said letter of intent did not materialise.

We were unable to obtain sufficient evidence to ascertain the recoverability of the loan totalling RMB 61 million owing by Rich Circles to the Company as at 30 June 2017. The financial statements did not include any adjustments that would be necessary if the amounts are not recoverable.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017

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

Significant judgements made and assumptions used in applying accounting policies (Cont'd)

Going concern

During the financial year ended 30 June 2017, the Group reported a loss and total comprehensive loss of RMB 11.4 million.

As at 30 June 2017, the total liabilities represent mainly advances received from customers of RMB 136.6 million for the delivery of goods ordered for which these advances will be materialised and recognised as revenue when goods are delivered to the customers. The Group has bank balance of RMB 104.8 million as at end of the financial year.

On 25 November 2016, the Company (the issuer) entered into a convertible bond agreement with Mr. Dai Ji Zhou (the bond holder) to issue S\$2.1 million (RMB 10.570 million) of convertible bond for a period of 3 years bearing an interest rate of 7% per annum. The issuance of the convertible bond was completed on 2 June 2017. The maturity date of the convertible bond is 1 June 2020. The issuance of convertible bond of S\$2.1 million is for working capital purpose. The bond holder of the convertible bond may convert all or part of the outstanding bond and any accrued and unpaid interest in respect of each bond into new ordinary shares at the conversion price of \$0.35. Upon maturity date on 1 June 2020, the bond which is not previously redeemed or cancelled by the Company shall be redeemed by the Company at 100% of their principal amount together with all accrued and unpaid interest that was scheduled to be paid at the redemption date, which is three years from the issue date of 2 June 2017.

The directors of the Company have prepared a 12-month cash flow forecast to the financial year 30 June 2018, considering the advances received from customers of RMB 136.6 million will be materialised and recognised as revenue when goods are delivered. In their assessment of the Group's and Company's ability to continue as a going concern where the liabilities owing to the bond holder is to be fully settled, they are of the view that the use of the going concern assumption in the preparation of the Group's financial statements and the Company's statement of financial position is appropriate.

Critical accounting estimates and assumptions used in applying accounting policies

Depreciation of property, plant and equipment (Note 4)

Property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives. Management estimates the useful lives of property, plant and equipment to be within 2 to 5 years. The carrying amount of the Group's and the Company's property, plant and equipment as at 30 June 2017 is RMB 6,515,000 (2016 - nil) and RMB 2,724,000 (2016 - nil) respectively. Changes in the expected level of usage and technological developments could impact the economic useful lives and the residual values of these assets, therefore future depreciation charges could be revised.

If the actual useful lives of property, plant and equipment differ by 10% from management's estimates, the carrying amounts of the property, plant and equipment of the Group and the Company will be approximately RMB 23,000 (2016 - nil) higher or RMB 28,000 (2016 - nil) lower and RMB 19,000 (2016 - nil) higher or RMB 23,000 (2016 - nil) lower respectively.

Impairment of investments in a subsidiary and associated companies (Notes 6 and 7)

Determining whether investments in a subsidiary and associated companies are impaired require an estimation to the recoverable amounts of the investments in a subsidiary and associated companies. The recoverable amounts of the investments in a subsidiary and associated companies are estimated using the "fair value less costs of disposal" approach. Fair value is based on the revalued net assets of a subsidiary and associated companies. In deriving the revalued net assets of a subsidiary and associated companies, the fair value of the underlying assets are estimated based on their expected selling prices and the fair values of the underlying liabilities are based on the estimated cash outflows to settle the obligations. Management has evaluated the recoverability of the investments based on such estimates. Investments in a subsidiary and associated companies have been fully impaired as at 30 June 2017.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017

2(b) Interpretations and amendments to published standards effective in 2016/2017

The directors do not anticipate that the adoption of the FRSs will have a material impact on the financial statements of the Company in the period of their initial adoption except for the following new or amended FRS and INT FRS issued and effective in year 2016/2017:

Reference	Description
Amendments to FRS 1	Disclosure initiatives – Presentation of Financial Statements

The amendments to FRS 1 *Presentation of Financial Statements* clarify, rather than significantly change, existing FRS 1 requirements. The amendments clarify:

- The materiality requirements in FRS 1
- That specific line items in the statement(s) of profit or loss and other comprehensive income (“OCI”) and the statement of financial position may be disaggregated
- That entities should adopt a systemic order in which they present the notes to financial statements
- That the share of OCI of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, and classified between those items that will or will not be subsequently reclassified to profit or loss

Furthermore, the amendments clarify the requirements that apply when additional subtotals are presented in the statement of financial position and the statement(s) of profit or loss and OCI. The amendments to FRS 1 are effective for annual periods beginning on or after 1 January 2016. As this is a disclosure standard, it will have no impact to the financial position of the Company and the Group and performance of the Group when applied in.

2(c) FRS issued but not yet effective

The Accounting Standards Council announced on 29 May 2014 that Singapore-incorporated companies listed on the SGX-ST will apply a new financial reporting framework identical to the International Financial Reporting Standards (“IFRS”) for financial year ending 31 December 2018 onwards. Singapore-incorporated companies listed on the SGX-ST will have to assess the impact of IFRS 1 First-time adoption of IFRS when transitioning to the new reporting framework. The Company was incorporated in Bermuda and accordingly, the above does not apply.

The following are the new or amended FRS issued that are not yet effective but may be early adopted for the current financial year:

Reference	Description	Effective date (Annual periods beginning on or after)
<i>Amendments to:</i>		
FRS 7	Disclosure Initiative - Statement of Cash Flows	1 January 2017
FRS 12	Recognition of Deferred Tax Assets for Unrealised Losses	1 January 2017
FRS 115	Revenue from Contracts with Customers	1 January 2018
Clarification to FRS 115	Revenue from Contracts with Customers	1 January 2018
FRS 109	Financial Instruments	1 January 2018
FRS 116	Leases	1 January 2019

The directors do not anticipate that the adoption of the above FRSs in future periods will have a material impact on the financial statements of the Group and the Company in the period of their initial adoption, except the following:

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017

2(c) FRS issued but not yet effective (Cont'd)

Amendments to FRS 7 Statement of Cash Flows

The Amendments to FRS 7 *Statement of Cash Flows* required entities to reconcile cash flows arising from financing activities as reported in the statement of cash flows – excluding contributed equity – to the corresponding liabilities in the opening and closing statements of financial position and to disclose on any restrictions over the decisions of an entity to use cash and cash equivalent balances, in particular way - e.g. any tax liabilities that would arise on repatriation of foreign cash and cash equivalent balances. These amendments are effective on beginning or after 1 January 2017. As this is a disclosure standard, it will have no impact to the financial position and performance of the Group when applied in.

FRS 115 Revenue Contracts with Customers

FRS 115 *Revenue from Contracts with Customers* establishes a framework for determining when and how to recognise revenue. The objective of the standard is to establish the principles that an entity shall apply to report useful information about the nature, amount, timing and uncertainty of revenue and cash flows arising from a contract with a customer. It established a new five-step model that will apply to revenue arising from contracts with customers. Under FRS 115, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods and services to a customer.

The standard replaces FRS 11 *Construction Contracts*, FRS 18 *Revenue*, INT FRS 113 *Customer Loyalty Programmes*, INT FRS 115 *Agreements for Construction of Real Estate*, INT FRS 118 *Transfer of Assets from Customers* and INT FRS 31 *Revenue - Barter Transactions involving Advertising Services*. The new standard applies to contracts with customers. However, it does not apply to insurance contracts, financial instruments or lease contracts, which fall into the scope of other standards.

FRS 115 is effective for annual periods beginning on or after 1 January 2018. The Group is currently assessing the impact to the consolidated financial statements.

Clarifications to FRS 115 Revenue Contracts with Customers

The amendments clarify how to:

- Identify a performance obligation (the promise to transfer a good or a service to a customer) in a contract
- Determine whether a company is a principal (the provider of a good or service) or an agent (responsible for arranging for the good or service to be provided)
- Determine whether the revenue from granting a licence should be recognised at a point in time or over time.

The amendments have the same effective date as the Standard, FRS 115, i.e. on 1 January 2018.

FRS 109 Financial Instruments

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

- Classification and measurement;
- A single, forward-looking “expected loss” impairment model; and
- A substantially reformed approach to hedge accounting.

FRS 109 is effective for annual periods beginning on or after 1 January 2018. The Group is currently assessing the impact to the consolidated financial statements.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017

2(c) FRS issued but not yet effective (Cont'd)

FRS 116 Leases

FRS 116 *Leases* replaces accounting requirements introduced more than 30 years ago in accordance with FRS 17 *Leases* that are no longer considered fit for purpose, and is a major revision of the way in which companies where it is required lessees to recognise most leases on their balance sheets. Lessor accounting is substantially unchanged from current accounting in accordance with FRS 17. FRS 116 *Leases* will be effective for accounting periods beginning on or after 1 January 2019. Early adoption will be permitted, provided the company has adopted FRS 115. The Group is currently assessing the impact to the consolidated financial statements.

2(d) Significant accounting policies

Consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at the end of the reporting period. The financial statements of the subsidiaries used in the preparation of the consolidated financial statements are prepared for the same reporting date as the Company. Consistent accounting policies are applied to like transactions and events in similar circumstances. Information on its subsidiaries is given in Note 6 to the financial statements.

Subsidiaries 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. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date on which control ceases.

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

Non-controlling interests comprise the portion of a subsidiary's net results of operations and its net assets, which 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 profit or loss and other comprehensive income, consolidated statement of changes in equity and statements of financial position. Total comprehensive income is attributed to the non-controlling interests based on their respective interests in a subsidiary, even if this results in the non-controlling interests having a deficit balance.

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 or business combination 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 arrangement and any pre-existing equity interest in the subsidiary measured at their fair values at the acquisition date.

Acquisition-related costs are expensed as incurred.

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017

2(d) Significant accounting policies (Cont'd)

Consolidation (Cont'd)

Disposals

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

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

Transactions with non-controlling interests

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

Subsidiaries

Investment in subsidiaries is carried at cost less accumulated impairment losses in the Company's statement of financial position. On disposal of such investments, the difference between disposal proceeds and the carrying amounts of the investments are recognised in profit or loss.

Property, plant and equipment and depreciation

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

Motor vehicles	5 years
Furniture and office equipment	2 - 5 years
Computers	3 - 5 years
Renovation	2 - 5 years

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

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

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

Depreciation methods, useful lives and residual values of property, plant and equipment are reviewed and adjusted as appropriate at each reporting date as a change in estimates.

Intangible asset

Intangible asset relates to the accounting software acquired from a third party, which is not an integral part of related hardware, with finite useful life is measured at cost less accumulated amortisation and impairment losses, if any. Amortisation is calculated on a straight-line basis over its useful life of 10 years.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017

2(d) Significant accounting policies (Cont'd)

Associated companies

An associated company is an entity over which the Group has significant influence, but not control, over its financial and operating policies. Significant influence is presumed to exist when the Group holds 20% or more but not exceeding 50% of the voting power of another entity.

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

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

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

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

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

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

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

Details of the associated companies are given in Note 7 to the financial statements.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on a weighted average cost method, and includes all costs incurred in bringing the inventories to their present location and condition.

Allowance, if any, is made for obsolete, slow-moving and defective inventories in arriving at the net realisable value.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017

2(d) Significant accounting policies (Cont'd)

Financial assets

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

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

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

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

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

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets that are either classified as held for trading or are designated by the entity to be carried at fair value through profit or loss upon initial recognition. In addition, derivative financial instruments that do not qualify for hedge accounting are classified as held for trading. Assets in this category are classified as current assets if they are either held for trading or are expected to be realised within 12 months of the end of the reporting period.

Subsequent to initial recognition, the financial assets included in this category are measured at fair value with changes in fair value recognised in profit or loss, if any.

Financial assets at fair value through profit or loss include cash funds.

Loans and receivables

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

Loans and receivables include other receivables, related party balances, deposits and bank balances. They are subsequently measured at amortised cost using the effective interest method, less allowance for impairment, if any. If there is objective evidence that the asset has been impaired, the financial asset is measured at the present value of the estimated future cash flows discounted at the original effective interest rate. Impairment losses are reversed in subsequent periods when an increase in the asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to a restriction that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised. The impairment or write back is recognised in profit or loss.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and bank deposits.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017

2(d) Significant accounting policies (Cont'd)

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.

Dividends

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

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

Financial liabilities

The Group's financial liabilities include accruals and other payables, related party balances, amount due to third parties, amount due to a former director/shareholder and amount due to a director and a shareholder of the Company.

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

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

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

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

Convertible bond

Conversion option

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017

2(d) Significant accounting policies (Cont'd)

Extinguishment of liability

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

Leases

Operating lease

Rentals on operating leases are charged to profit or loss on a straight-line basis over the lease term. Lease incentives, if any, are recognised as an integral part of the net consideration agreed for the use of the leased asset. Penalty payments on early termination, if any, are recognised in the profit or loss when incurred.

Income taxes

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

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

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

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

Deferred income tax is measured:

- (a) at the tax rates that are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted by the end of reporting period; and
- (b) based on the tax consequence that will follow from the manner in which the Company and the Group expect, at the end of reporting period, to recover or settle the carrying amounts of its assets and liabilities.

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

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

There is no forecasted dividend payout of the earnings of the Company's subsidiaries in the People's Republic of China ("PRC").

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017

2(d) Significant accounting policies (Cont'd)

Value-added tax

The Group's sales of goods in the PRC are subjected to Value-Added Tax ("VAT") at the applicable tax rate of 17% for PRC domestic sales. Input VAT on purchases can be deducted from output VAT subject to agreement by the tax authority. The Group's export sales are not subject to VAT.

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

- Where the VAT incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the VAT is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- Receivables and payables that are stated with the amount of VAT included.

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

Employee benefits

Defined contribution schemes

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

Employee leave entitlements

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

Key management personnel

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

Related parties

A related party is defined as follows:

- (a) A person or a close member of that person's family is related to the Group and the Company if that person:
 - (i) has control or joint control over the Company;
 - (ii) has significant influence over the Company; or
 - (iii) is a member of the key management personnel of the Group or the Company or of a parent of the Company.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017

2(d) Significant accounting policies (Cont'd)

Related parties (Cont'd)

- (b) An entity is related to the Group and the Company if any of the following conditions applies:
- (i) the entity and the Company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others);
 - (ii) one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member);
 - (iii) both entities are joint ventures of the same third party;
 - (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
 - (v) the entity is a post-employment benefit plan for the benefit of employees of either the Company or an entity related to the Company. If the Company is itself such a plan, the sponsoring employers are also related to the Company;
 - (vi) the entity is controlled or jointly controlled by a person identified in (a);
 - (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); or
 - (viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the reporting entity or to the parent of the reporting entity.

Impairment of non-financial assets

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

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

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level. Goodwill is allocated to those cash-generating units that are expected to benefit from synergies of the related business combination and represent the lowest level within the company at which management controls the related cash flows.

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017

2(d) Significant accounting policies (Cont'd)

Impairment of non-financial assets (Cont'd)

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

A reversal of an impairment loss on a revalued asset, if any, is credited directly to equity under the heading revaluation surplus. However, to the extent that an impairment loss on the same revalued asset was previously recognised as an expense in the profit or loss, a reversal of that impairment loss is recognised as income in the profit or loss.

Revenue recognition

Revenue is recognised when the significant risks and rewards of ownership have been transferred to the buyer. Revenue excludes goods and services taxes and is arrived at after deduction of trade discounts. No revenue is recognised if there are significant uncertainties regarding recovery of the consideration due, associated costs.

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

Revenue from entertainment events is recognised when services are performed.

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

Earnings per share

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

Functional currencies

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 Group's principal operations are predominantly conducted in the PRC and thus the financial statements are presented in Renminbi (to the nearest thousand), which is also the functional currency of the Company.

Conversion of foreign currencies

Transactions and balances

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017

2(d) Significant accounting policies (Cont'd)

Conversion of foreign currencies (Cont'd)

Transactions and balances (Cont'd)

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

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

Group entities

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

- (i) assets and liabilities are translated at the closing rate at the end of the reporting period;
- (ii) income and expenses are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
- (iii) all resulting currency translation differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve.

Operating segments

No operating segment is presented as the Group only has one revenue stream in the distribution of food product in PRC as its main business. Segment assets and liabilities are held by the Company and the PRC entity, Shanghai Dai You Long New Materials Co., Ltd.

Financial instruments

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

Disclosures on financial risk management objectives and policies are provided in Note 31 to the financial statements.

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017

3 Revenue and other operating income

The Group	Year ended 30 June 2017 RMB'000	Period from 1 January 2015 to 30 June 2016 RMB'000
Revenue - distribution of food product	838	-
Other operating income		
Interest income	88	-
Investment income from cash funds	285	-
	373	-
Exchange gain (Note 25)	170	2,488
Gain arising from the difference in carrying amount of non-equity-linked bond liability extinguished and settlement made (Note 25)	-	14,766
Others	-	2,063
	543	19,317

Income from distribution of food product is net of discounts and excludes applicable value-added taxes.

4 Property, plant and equipment

The Group	Motor vehicles RMB'000	Furniture and office equipment RMB'000	Renovation RMB'000	Computers RMB'000	Total RMB'000
Cost					
At 1 July 2015 and 30 June 2016	-	-	-	-	-
Additions	1,739	799	3,787	439	6,764
At 30 June 2017	1,739	799	3,787	439	6,764
Accumulated depreciation					
At 1 July 2015 and 30 June 2016	-	-	-	-	-
Depreciation for the year	36	15	183	15	249
At 30 June 2017	36	15	183	15	249
Net book value					
At 30 June 2017	1,703	784	3,604	424	6,515
At 30 June 2016	-	-	-	-	-

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017

4 Property, plant and equipment (Cont'd)

The Company	Motor vehicles RMB'000	Furniture and office equipment RMB'000	Renovation RMB'000	Computers RMB'000	Total RMB'000
<u>Cost</u>					
At 1 July 2015 and 30 June 2016	-	-	-	-	-
Additions	719	477	1,333	403	2,932
At 30 June 2017	719	477	1,333	403	2,932
<u>Accumulated depreciation</u>					
At 1 July 2015 and 30 June 2016	-	-	-	-	-
Depreciation for the year	36	15	142	15	208
At 30 June 2017	36	15	142	15	208
<u>Net book value</u>					
At 30 June 2017	683	462	1,191	388	2,724
At 30 June 2016	-	-	-	-	-

5 Intangible asset

The Group	Software RMB'000
<u>Cost</u>	
At 1 July 2015 and 30 June 2016	-
Additions	20
At 30 June 2017	20
<u>Accumulated amortisation</u>	
At 1 July 2015 and 30 June 2016	-
Amortisation for the year	- *
At 30 June 2017	-
<u>Net book value</u>	
At 30 June 2017	20
At 30 June 2016	-

* denotes less than RMB 1,000

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017

6 Subsidiaries

The Company	30 June 2017 RMB'000	30 June 2016 RMB'000
Unquoted equity investments, at cost	342	8
Less: Impairment loss		
Balance at beginning of year/period	-	-
Impairment loss for the year/period	(334)	-
Balance at end of year/period	(334)	-
	8	8

During the financial year ended 30 June 2017, the Company recognised an impairment loss totalling RMB 334,000 (2016 - nil) in one of its subsidiaries, Asia Entertainment Limited as the management of the Company has intention to cease the entertainment business under this sub-group. There is no available resources to explore this area of business and the sub-group has been reporting losses since its incorporation in 2016. The recoverable amount of the investment in a subsidiary is determined based on revalued net liability position as at 30 June 2017 which is classified under Level 3 of the fair value hierarchy.

Details of the subsidiaries are as follows:

Name of company	Country of incorporation and operation	Cost of investment		Proportion of ownership interest and voting rights held by the Group		Principal activities
		30 June 2017	30 June 2016	30 June 2017	30 June 2016	
		RMB'000	RMB'000	%	%	
<u>Held by the Company:</u>						
Asia Fashion International Limited* [@]	Hong Kong	8	8	100	100	Investment holding
Asia Entertainment Limited* [@]	British Virgin Islands	334	-	100	-	Investment holding
<u>Held by Asia Fashion International Limited:</u>						
Shanghai Dai You Long New Materials Co., Ltd* [@]	The People's Republic of China	-	-	100	-	Distribution of food product to customers located in PRC
<u>Held by Asia Entertainment Limited:</u>						
Asia Entertainment (Hong Kong) Ltd* [@]	Hong Kong	-	-	100	-	Investment holding
<u>Held by Asia Entertainment (Hong Kong) Limited:</u>						
AB Family Entertainment Limited* [@]	Hong Kong	-	-	100	-	Inactive
		342	8			

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017

7 Associated companies

A Investment in associated companies

	The Company		The Group	
	30 June 2017	30 June 2016	30 June 2017	30 June 2016
	RMB'000	RMB'000	RMB'000	RMB'000
<u>Unquoted equity investments, at cost</u>				
Balance as at beginning of year/period	37	30	37	30
Addition during the year/period	-	7	-	7
Balance as at end of year/period	37	37	37	37
<u>Impairment loss</u>				
Balance at beginning of year/period	(37)	-	(37)	-
Impairment loss for the year/period (Note 23)	-	(37)	-	(37)
Balance at end of year/period	(37)	(37)	(37)	(37)
Share of post-acquisition results	-	-	-	-
Balance as at end of year/period	-	-	-	-
Share of associated companies' results, net of tax	-	-	-	(27,354)

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

During the financial period ended 30 June 2016, the Company and Group have impaired fully its investment in associated companies on the basis that Rich Circles and its subsidiaries ("associated company group") are no longer a profit generating unit as well as the default of the RMB 180 million SME bond issued by Xuzhou Zhongwei since 28 March 2016. Following the default of the SME bond on 28 March 2016, the bond has been delisted from the Loans Trading Platform of the Shanghai Stock Exchange and accordingly, no further information relevant to this bond could be found in the website of the said Platform. Management has announced on 17 June 2016 that Xuzhou Zhongwei is unable to repay its bond holders due to its financial inability and as of the date of this report, is in negotiation with the bond holders on the next course of action and settlement thereon. The recoverable amount of the investment in associated companies is determined based on revalued net liability position as at 30 June 2017 which is classified under Level 3 of the fair value hierarchy.

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

	Xuzhou Zhongwei New Board Co., Ltd	
	30 June 2017	30 June 2016
	RMB'000	RMB'000
Summarised statement of financial position		
Current assets	235,627	252,786
Includes:		
Cash and cash equivalents	4,534	3,182
Current liabilities	(269,791)	(276,927)
Includes:		
Financial liabilities	(269,503)	(275,769)
Non-Current assets	121,444	217,374
Net assets	87,280	193,233

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017

7 Associated companies (Cont'd)

A Investment in associated companies (Cont'd)

	Xuzhou Zhongwei New Board Co., Ltd	
	Year ended 30 June 2017	Period from 1 January 2015 to 30 June 2016
Summarised statement of profit or loss and other comprehensive income	RMB'000	RMB'000
Revenue	13,542	426,606
Cost of sales	(22,727)	(336,950)
Gross (loss)/profit	(9,185)	89,656
Expenses	(96,767)	(150,276)
Includes:		
- Interest expense	(18,480)	(31,211)
Loss from operations before taxation	(105,952)	(60,620)
Income tax expense	-	(14,965)
Loss from operations after taxation	(105,952)	(75,585)
Other comprehensive income, net of tax	-	-
Total comprehensive loss for the year/period	(105,952)	(75,585)

Details of the associated companies are as follows:

Name of company	Country of incorporation and operation	Proportion of ownership interest and voting rights held by the Group		Principal activities
		30 June 2017	30 June 2016	
		%	%	
<u>Held by the Company:</u>				
Rich Circles Enterprise Limited* [@]	British Virgin Islands	54.46	54.46	Investment holding
<u>Held by Rich Circles Enterprise Limited:</u>				
China Construction Material (Hong Kong) Limited* [@]	Hong Kong	100	100	Investment holding
Zhongchuang (Xuzhou) Construction Material Co., Ltd* 中创（徐州）建筑材料有限公司	The People's Republic of China	100	100	Inactive
Xuzhou Zhongwei New Board Co., Ltd* [#] 中伟（徐州）新型材料科技有限公司	The People's Republic of China	100	100	Ceased operations since last financial period

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

no local statutory audit has been carried out for financial year ended 30 June 2017 and the financial period ended 30 June 2016.

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017

7 Associated companies (Cont'd)

A Investment in associated companies (Cont'd)

Acquisition of associated company

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

In the 2014 Annual Report, it was mentioned that arising from a change in the board composition of China Construction Material (Hong Kong) Limited (“CCMH”) and Xuzhou Zhongwei New Board Co., Ltd (“Xuzhou Zhongwei”), the Board has strong reasons to treat Rich Circles and its subsidiaries as the Company’s subsidiaries. Effective 27 May 2015 up to 31 March 2016, the Company has reported Rich Circles and its subsidiaries as consolidated subsidiaries to SGX-ST in its quarterly reports.

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

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

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

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

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

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

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

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

Mr. Huo Weisheng is the key sole decision maker in the running of Xuzhou Zhongchuang and Xuzhou Zhongwei. The Company does not have the power to make decisions or participate in the business strategy notwithstanding the fact that Mr. Huo Weisheng is not the director of Xuzhou Zhongchuang or Xuzhou Zhongwei per the company filing.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017

7 Associated companies (Cont'd)

A Investment in associated companies (Cont'd)

Acquisition of associated company (Cont'd)

As a result, the directors are of the view that it should account for the investment in Rich Circles as an associated company using the equity method in accordance with FRS 28 Investment in Associates and Joint Ventures. Under the equity method, on initial recognition the investment in an associated company is recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition. The investor's share of the investee's profit or loss is recognised in the investor's profit or loss. The consolidated financial statements of the Company for the financial period from 1 January 2015 to 30 June 2016 and financial year ended 30 June 2017 was prepared on this basis.

The share of associated companies' loss has exceeded the interest in the associated companies. Accordingly, the Group does not recognise further losses and has no legal or constructive obligation to make payments on behalf of the associated companies.

B Loan to associated company

	30 June 2017	30 June 2016
	RMB'000	RMB'000
The Company and The Group		
<u>Current</u>		
Interest-free loan to Rich Circles	<u>61,000</u>	<u>61,000</u>

The Company had provided a loan of RMB 49 million to the associated company, Rich Circles in 2014 and to be repaid on 18 June 2016. This loan has been revised as interest-free loan together with an additional interest-free loan of RMB 12 million granted in 2016. Interest was at 7% per annum.

The loan totalling RMB 61 million, which is repayable on demand, remained outstanding as at the date of this report.

C Amount due from associated companies

	30 June 2017	30 June 2016
	RMB'000	RMB'000
The Group		
Amount due from associated companies		
- Rich Circles Enterprise Limited	22	14
- China Construction Material (Hong Kong) Limited	-	288
	<u>22</u>	<u>302</u>

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017

7 Associated companies (Cont'd)

C Pending disposition of associated company group

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

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

Management is of the view that certain sum of the loan might be recoverable upon the disposal of the Group's entire interest of 54.46% in Rich Circles and its subsidiaries.

Subsequent to the financial year end, the Chief Operating Officer of the Company, Mr. Huo Weisheng entered into a letter of intent with the Company and the shareholder, Ms. Li Ya Xin to propose the acquiring of the shares held by each party for a sum of RMB 40 million and RMB 20 million respectively. On completion of the proposed sale of shares, the Company and the shareholder agree to waive the loan amount of RMB 61 million and RMB 51 million extended to Rich Circles respectively. To the date of this report, the said letter of intent did not materialise.

There were on-going litigation cases against Xuzhou Zhongwei made by the bondholders as at 30 June 2017. Based on the available public information, there were a total of eighteen reported cases filed against Xuzhou Zhongwei, which includes the application to the Court for Orders of freezing of assets. The SME bond holders reserve their right to take legal action against Xuzhou Zhongwei on the default in payment of the SME bond.

8 Inventories

	30 June 2017	30 June 2016
	RMB'000	RMB'000
The Group		
Inventories, at lower of cost and net realisable value		
Trading stocks	570	-
Finished goods	2	-
	572	-

The cost of food inventories included in cost of sales amounted to RMB 158,000 (2016 - nil).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017

9 Other receivables

	The Company		The Group	
	30 June 2017	30 June 2016	30 June 2017	30 June 2016
	RMB'000	RMB'000	RMB'000	RMB'000
Advances to suppliers	-	-	3,245	-
Advances to a third party	-	-	23,749	-
Receivable from third parties	-	-	613	-
Deposits	1,024	-	1,282	-
Prepayments	7	-	392	-
Others	103	102	227	111
	1,134	102	29,508	111

Other receivables, excluding prepayments, are neither past due nor impaired and denominated in the following currencies:

	The Company		The Group	
	30 June 2017	30 June 2016	30 June 2017	30 June 2016
	RMB'000	RMB'000	RMB'000	RMB'000
Renminbi	-	-	27,367	-
Hong Kong Dollar	1,127	102	1,749	111
	1,127	102	29,116	111

Prepayments are denominated in the following currencies:

	The Company		The Group	
	30 June 2017	30 June 2016	30 June 2017	30 June 2016
	RMB'000	RMB'000	RMB'000	RMB'000
Renminbi	-	-	385	-
Hong Kong Dollar	7	-	7	-
	7	-	392	-

Advances to a third party relates to a sum of money of RMB 23,000,000 placed with a third party to act as a guarantor for a subsidiary, Shanghai Dai You Long New Materials Co., Ltd for certain business transactions with an external supplier and short-term advances of RMB 749,000 which is unsecured and interest-free. Subsequent to financial year ended 30 June 2017, the full sum of RMB 23,749,000 has been received by the Group on 3 July 2017.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017

10 Amount due from/to subsidiaries (non-trade)

The Company	30 June 2017 RMB'000	30 June 2016 RMB'000
Amount due from a subsidiary		
Asia Fashion International Limited	5,279	547
Amount due to subsidiaries		
Asia Entertainment Limited	334	-
Asia Entertainment (Hong Kong) Limited	17	-
	351	-

The amount due from/to subsidiaries represent advances which are unsecured, interest-free and repayable on demand.

The amount due from/to subsidiaries are denominated in Hong Kong Dollar.

11 Cash funds

The Group	30 June 2017 RMB'000	30 June 2016 RMB'000
Balance at beginning of year/period	-	-
Money deposited	145,003	-
Money withdrawn	(139,000)	-
Balance as at end of year/period	6,003	-

During the financial year ended 30 June 2017, the Group purchased interest rate-linked financial products with financial institutions. The cash funds earn an average interest rate between 2.50% and 4.58% per annum and have maturity period between 13 January 2022 and 11 May 2045. The cash funds could be withdrawn at any time before the maturity period by the Group. The interest amount is computed daily by the financial institutions. The financial products are acquired or incurred principally for the purpose of selling or repurchasing in the near term.

The fair value, as determined by the financial institutions, is RMB 6,003,000 (2016 - nil) as at the end of reporting period.

Cash funds are denominated in Renminbi.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017

12 Cash and cash equivalents

	The Company		The Group	
	30 June 2017	30 June 2016	30 June 2017	30 June 2016
	RMB'000	RMB'000	RMB'000	RMB'000
Cash on hand	-	-	30	-
Cash at bank	67	67	104,808	311
	67	67	104,838	311

Cash and cash equivalents are denominated in the following currencies:

	The Company		The Group	
	30 June 2017	30 June 2016	30 June 2017	30 June 2016
	RMB'000	RMB'000	RMB'000	RMB'000
Renminbi	-	-	99,410	-
Hong Kong Dollar	-	-	5,361	244
Singapore Dollar	67	67	67	67
	67	67	104,838	311

13 Share capital

	No. of ordinary shares		Amount	
	30 June 2017	30 June 2016	30 June 2017	30 June 2016
The Company	'000	'000	US\$'000	US\$'000
Authorised:				
At beginning and end of year/period	8,000,000	8,000,000	40,000	40,000
Issued and fully paid with par value of US\$0.005 per share:				
At beginning of year/period	50,500	548,802	4,040	2,744
Share placements during the year/period	35,000	259,198	2,800	1,296
Share consolidation	-	(757,500)	-	-
At end of year/period	85,500	50,500	6,840	4,040
Issued and fully paid at end of year/ period equivalent to (RMB'000)			46,041	27,293

Share placements

During the financial year ended 30 June 2017, the Company had issued 35,000,000 shares for US\$2,800,000 (RMB 18.7 million) for working capital purposes.

There is no share premium arising from the 2017 share placement.

During the financial period ended 30 June 2016, the Company had issued 259,197,362 shares for US\$1,295,987 (RMB 8 million) for working capital purposes.

The effect of share placement, net of transaction costs, is a sum of RMB 32.636 million credited to the share premium account in 2016.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017

13 Share capital (Cont'd)

Share consolidation

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

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

14 Reserves

The Group

(a) Share premium

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

(b) Capital reserve

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

(c) Merger reserve

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

(d) Statutory reserve

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

(e) Contributed surplus

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017

15 Accruals and other payables

	The Company		The Group	
	30 June 2017	30 June 2016	30 June 2017	30 June 2016
	RMB'000	RMB'000	RMB'000	RMB'000
Accrued operating expenses	5,613	3,989	5,884	3,989
Advances received from customers	-	-	136,604	-
VAT payables	-	-	16	-
Other government tax payables	-	-	48	-
Amount due to an employee of the Company	-	-	34	-
Non-trade amount due to New Star Education Limited	-	2,324	-	2,324
Other payables	590	-	655	-
	6,203	6,313	143,241	6,313

The carrying amount of other payables, due to their short duration, approximates their fair values.

Accrued operating expenses relate to operating expenses such as employee benefit costs, legal and professional expenses.

Advances received from customers relate to advance payments received from customers for the purchase of food product distributed by a subsidiary, Shanghai Dai You Long New Materials Co., Ltd.

Non-trade amount due to New Star Education Limited ("New Star") represented mainly advances which were unsecured, interest-free and repayable on demand.

Arising from the debt transfer agreement entered and signed on 2 November 2016, it has been agreed that the advances owing to New Star has been transferred from and derecognised as liability by the Company and the Group. All parties have agreed to legally enforce notwithstanding any events arising from the normal course of business, default, insolvency or bankruptcy.

Accruals and other payables are denominated in the following currencies:

	The Company		The Group	
	30 June 2017	30 June 2016	30 June 2017	30 June 2016
	RMB'000	RMB'000	RMB'000	RMB'000
Renminbi	527	1,279	137,466	1,279
Hong Kong Dollar	3,018	2,438	3,117	2,438
Singapore Dollar	2,514	2,385	2,514	2,385
United States Dollar	144	211	144	211
	6,203	6,313	143,241	6,313

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FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017

16 Amount due to third parties

	The Company		The Group	
	30 June 2017	30 June 2016	30 June 2017	30 June 2016
	RMB'000	RMB'000	RMB'000	RMB'000
Non-trade amount due to:				
China Natural Resources Development Limited (a)	7,144	-	7,144	-
Wong Chon Chong (b)	-	-	1,302	-
	7,144	-	8,446	-

(a) The non-trade amount due to China Natural Resources Development Limited represent advances which is unsecured, interest-free and repayable in two tranches. The first payment of RMB 1,736,000 is repayable by 20 July 2018 and the second payment of RMB 5,408,000 is repayable by 18 September 2018. A penalty of 10% per annum is imposed should the amounts not be settled by repayment dates. The amount is repayable at the discretion of China Natural Resources Development Limited giving a one-month notice to the Company.

(b) The non-trade amount due to Wong Chon Chong represent advances which is unsecured, interest-free and repayable by 30 April 2018. A penalty of 10% per annum is imposed should the amounts not be settled by repayment dates.

The amount due to third parties are denominated in Hong Kong Dollar.

17 Amount due to a former director/shareholder

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

18 Amount due to associated companies

	The Company		The Group	
	30 June 2017	30 June 2016	30 June 2017	30 June 2016
	RMB'000	RMB'000	RMB'000	RMB'000
Amount due to associated companies				
- Rich Circles Enterprise Limited	8	8	8	8
- China Construction Material (HK) Limited	6,367	4,043	6,391	4,043
	6,375	4,051	6,399	4,051

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

The amount due to associated companies are denominated in Hong Kong Dollar.

19 Amount due to a director and a shareholder of the Company

The amount due to a director, Mr. Mak Tin Sang and a shareholder of the Company, Mr. Yuan Limin of RMB 209,000 and RMB 3,351,000 respectively, represents advances which are unsecured, interest-free and has no repayment terms.

The amount due to a director and a shareholder of the Company is denominated in Hong Kong Dollar.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017

20 Bond payable / interest payable

The Company and The Group	30 June 2017 RMB'000	30 June 2016 RMB'000
<u>Convertible bonds</u>		
S\$2.66 million convertible bond		
- bond payable	-	13,217
- interest payable	-	448
	-	13,665
HK\$10 million straight bond		
- bond payable	-	8,397
- interest payable	-	275
	-	8,672
S\$2.1 million convertible bond		
- bond payable	10,281	-
- interest payable	35	-
	10,316	-
Total	10,316	22,337
Total:		
Bond payable	10,281	21,614
Interest payable	35	723
	10,316	22,337
Comprising:		
- current	-	22,337
- non-current	10,316	-
	10,316	22,337
	30 June 2017	30 June 2016
The Company and The Group	RMB'000	RMB'000
<u>Convertible bonds at fair value</u>		
At amortised cost	8,860	22,337
Option derivatives	1,456	-
	10,316	22,337
		Option derivatives
S\$2.1 million convertible bond		RMB'000
Change in fair value of option derivatives		
At issue date of 2 June 2017		1,493
Financial year ended 30 June 2017		1,456
Fair value gain recognised in profit or loss		37

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017

20 Bond payable / interest payable (Cont'd)

S\$2.66 million convertible bond

On 5 March 2015, the Company entered into a convertible bond agreement with Alternus Capital Holdings Limited to issue S\$2.66 million (RMB 11.864 million, net of transaction costs of RMB 0.125 million) of convertible bonds for a period of 2 years bearing an interest rate of 7% per annum. The maturity date of the convertible bond was 4 March 2017 and extended to 4 June 2017, at an interest rate of 9% per annum. During the financial year ended 30 June 2017, the Company has made full settlement of the principal amount of S\$2.66 million (RMB 13.018 million) and accrued interest thereon which totalled HK\$17.44 million (RMB 15.16 million) up to the final settlement date of 8 June 2017. Subsequent to the settlement date, Alternus Capital Holdings Limited has returned the convertible bond certificate to the Company for cancellation.

HK\$10 million straight bond

On 4 March 2015, the Company (the issuer) issued a 2-year HK\$10 million bond certificate to Prime Pacific Investments Limited (the bond holder) whereby the bond holder had agreed to subscribe for HK\$10 million (RMB 7.908 million) of bond. The bond borne a simple interest rate from the issue date at the rate of 10% per annum from the issue date up to and including the date of redemption of the bonds on 3 March 2017 and extended to 4 May 2017, at an interest rate of 12% per annum.

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

During the financial period ended 30 June 2016, the Company made an interest payment of HK\$1 million (RMB 0.793 million) to the bond holder.

During the financial year ended 30 June 2017, the Company has made full settlement of the principal amount of HK\$10 million (RMB 8.808 million) and accrued interest thereon which totalled HK\$11.2 million (RMB 9.857 million) in May 2017.

S\$2.1 million convertible bond

On 25 November 2016, the Company (the issuer) entered into a convertible bond agreement with Mr. Dai Ji Zhou (the bond holder) to issue S\$2.1 million (RMB 10.570 million) of convertible bond for a period of 3 years bearing an interest rate of 7% per annum. The issuance of the convertible bond was completed on 2 June 2017. The maturity date of the convertible bond is 1 June 2020. The conversion price is S\$0.35 per ordinary share.

Terms of conversion and redemption

Voluntary Conversion: The bondholder may convert all or part of the outstanding Bond and any accrued and unpaid interest in respect of each Bond into new ordinary shares at the Conversion Price at any time within the period commencing three (3) months from the Issue Date up until the Maturity Date, provided always that (i) the bondholder shall not have a conversion right in the event that the Company serves a Redemption Notice and the Redemption Conversion Period has expired; and (ii) the minimum aggregate principal amount of Bond to be converted in any single conversion of Bond shall be S\$700,000.

Mandatory Conversion: Upon the occurrence of the volume weighted average price trades done on the shares of the Company on the Singapore Exchange Securities Trading Limited ("SGX-ST") remaining at S\$0.55 and above for a consecutive period of fifteen (15) Stock Exchange Business Days on which the SGX-ST is open for securities trading ("Trading Day"), falling within the period commencing three (3) months from the date of issue of the Bond up until the Maturity Date, the bondholder shall be required to convert all of the outstanding Bond and any accrued and unpaid interest in respect of each Bond into new ordinary shares at the Conversion Price.

(i) If trading is not available for a full Stock Exchange Business Day ("No Available Trading"), the volume weighted average price for trades done on the Shares of the Company on the SGX-ST for that particular Trading Day shall be disregarded for the computation of the consecutive period of fifteen (15) Stock Exchange Business Days, and the consecutive period shall not be treated as being non-consecutive solely due to No Available Trading.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017

20 Bond payable / interest payable (Cont'd)

Terms of conversion and redemption (Cont'd)

(ii) In the event that a share consolidation exercise of the Company occurs, the Mandatory VWAP Price shall be adjusted as follows:

$$\text{New Mandatory VWAP Price} = \frac{\text{Aggregate number of issued and paid-up Shares immediately before such Share Consolidation Exercise}}{\text{Aggregate number of issued and fully paid-up Shares immediately such Share Consolidation Exercise}} \times A$$

A = existing Mandatory VWAP Price

Such adjustments will be effective from the close of Stock Exchange Business Day immediately preceding the date on which the consolidation becomes effective.

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

Redemption upon maturity: The Bond which are not previously redeemed or cancelled by the Company shall be redeemed by the Company at 100% of their Principal Amount together with all accrued and unpaid interest that was scheduled to be paid to the Redemption Date, on the date falling three years from the Issue Date (the "Maturity date"). The Bond may not be redeemed prior to the maturity date other than in accordance with the Conditions as stated in the convertible bond agreement. The Company shall deliver to the Bondholder a notice of the maturity of the bond no later than one month before the maturity date.

Purchase: The Company and/or any of its related corporations may at any time purchase Bond from the bondholder at any price. All Bond purchased by or on behalf of the Company or any of its related corporations may be surrendered for cancellation by and, if so surrendered, shall together with all Bond redeemed by the Company, be cancelled forthwith. Any Bond so surrendered for cancellation may not be re-issued or resold and the obligations of the Company in respect of any such Bond shall be discharged.

Valuation of S\$2.1 million convertible bond

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

The amortised cost of the convertible bond was calculated using cash flows of the convertible bonds at their corresponding discount rates and the fair value of the option derivatives was calculated using the Binomial Option Pricing Model. The option derivatives consisting the conversion option were carried at fair value at the inception date and at the end of each reporting period with changes in fair value recognised in profit or loss. The fair value gain resulting from the change in fair value of the option derivatives of RMB 37,000 recognised in profit or loss during the financial year ended 30 June 2017 (Note 25).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017

20 Bond payable / interest payable (Cont'd)

Valuation of S\$2.1 million convertible bond (Cont'd)

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

	2 June 2017 (issue date)	30 June 2017
Risk-free rate	1.34%	1.34%
Volatility	60.58%	60.58%
Discount rate	12.89%	12.89%

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

The fair value of the convertible bond is valued by Future Asia Advisory Pte Ltd, an independent professional valuer not connected to the Group.

21 Disposal of subsidiaries

The disposal in financial period ended 30 June 2016 involved the disposal of Qianfeng International Limited and its subsidiaries, Fujian Qianfeng Textile Technology Co. Ltd and Fujian Jiamei Textile Company Limited. The aggregate consideration sum for the purchase of the sale shares including the accruals for compensations to distributors and the minimum guaranteed royalty fees payable assumed by the purchaser, Chengde Industrial Co., Limited, was an amount of S\$2.4 million (equivalent to approximately RMB 10.9 million) in cash and transfer of liabilities assumed for accruals of RMB 13.9 million.

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

	The Company		The Group	
	30 June 2017 RMB'000	30 June 2016 RMB'000	30 June 2017 RMB'000	30 June 2016 RMB'000
Consideration	-	24,816	-	24,816
Less:				
Net assets disposed of	-	(4,558)	-	(31,250)
Gain/(loss) on disposal	-	20,258	-	(6,434)

Following the disposal of Qianfeng group, the Company was released and discharged from all liabilities including the carried forward amount owing to Qianfeng group of RMB 9.6 million.

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017

22 Selling and distribution expenses

The Group	Year ended 30 June 2017 RMB'000	Period from 1 January 2015 to 30 June 2016 RMB'000
Freight charges	5	-
Marketing expenses	684	-
Others	11	-
	700	-

23 Administrative expenses

The Group	Note	Year ended 30 June 2017 RMB'000	Period from 1 January 2015 to 30 June 2016 RMB'000
Legal and professional fees		2,415	3,352
Employee benefit costs	26	4,047	3,978
Waiver of loan interest charged to an associated company	25	-	1,851
Impairment loss on investment in associated companies	7,25	-	37
Rental expenses		953	-
Depreciation of property, plant and equipment	4	249	-
Travelling and entertainment expenses		451	1,079
Bank charges		180	12
Others		971	133
		9,266	10,442

24 Finance costs

The Group	Year ended 30 June 2017 RMB'000	Period from 1 January 2015 to 30 June 2016 RMB'000
Interest on bonds payable	2,502	5,318

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017

25 Loss before taxation

The Group	Note	Year ended 30 June 2017 RMB'000	Period from 1 January 2015 to 30 June 2016 RMB'000
Loss before tax has been arrived at after charging:			
Loss on disposal of subsidiaries	21	-	6,434
Waiver of loan interest charged to an associated company	23	-	1,851
Impairment loss on investment in associated companies	7,23	-	37
Employee benefit costs	26	4,047	3,978
Depreciation of property, plant and equipment	4	249	-
Audit fee of the Company		983	1,300
Interest on bond payables	24	2,502	5,318
and crediting:			
Exchange gain	3	170	2,488
Gain arising from the difference in carrying amount of non-equity-linked bond liability extinguished and settlement made	3	-	14,766
Fair value gains on:			
- S\$2.66 million convertible bonds		-	1,418
- HK\$10 million straight bond		-	420
- S\$2.1 million convertible bonds	20	37	-

26 Employee benefit costs

The Group	Year ended 30 June 2017 RMB'000	Period from 1 January 2015 to 30 June 2016 RMB'000
Key management personnel		
- Directors		
- directors' fees	837	1,250
- salaries and related costs	1,900	1,050
- Executive officers		
- salaries and related costs	779	1,236
Other than key management personnel		
- salaries and related costs	531	442
	4,047	3,978

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017

27 Taxation

The Group	Year ended 30 June 2017 RMB'000	Period from 1 January 2015 to 30 June 2016 RMB'000
Current taxation	152	-

The tax expense on the results of the financial year/period varies from the amount of income tax determined by applying the statutory rate of income tax on results as a result of the following:

The Group	Year ended 30 June 2017 RMB'000	Period from 1 January 2015 to 30 June 2016 RMB'000
Loss before taxation	(11,255)	(28,393)
Share of loss from associated companies	-	27,354
	(11,255)	(1,039)
Tax calculated at tax rate of 25% (2016 - 25%)	(2,814)	(259)
Difference in foreign tax rate	2,858	259
Tax effect on non-deductible expenses	3	2
Tax effect on non-taxable income	(22)	(2)
Deferred tax asset on losses not recognised	127	-
	152	-

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

The subsidiary, Asia Entertainment Limited, incorporated in British Virgin Island, is exempt from income tax.

The subsidiaries, Asia Fashion International Limited, Asia Entertainment (Hong Kong) Limited and AB Family Entertainment Limited, incorporated in Hong Kong, is subject to a tax rate of 16.5% (2016 - 16.5%).

The subsidiary, Shanghai Dai You Long New Materials Co., Ltd, incorporated in the People's Republic of China, is subject to a tax rate of 25% (2016 - 25%).

The Group has not recognised a deferred tax asset in respect of tax losses of RMB 0.8 million (2016 - nil) because it was not probable that future profits would be available to utilise the losses for its loss-making subsidiary. All tax losses would expire after five years from the year of assessment they related to.

28 Loss per share

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

The Company	30 June 2017	30 June 2016
Net loss attributable to owners of the parent (RMB'000)	(11,407)	(28,393)
Weighted average number of ordinary shares outstanding for basic and diluted loss per share ('000)	52,993	46,051
Basic and diluted loss per share (fen per share)	(21.52)	(61.66)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017

28 Loss per share (Cont'd)

The weighted average number of ordinary shares outstanding during the year/period is the number of ordinary shares outstanding at the beginning of the period, adjusted by the number of ordinary shares issued in share placements and share consolidation (Note 13) during the year/period multiplied by a time-weighting factor. The time-weighting factor is the number of days that the shares are outstanding as a proportion of the total number of days in the year/period.

As there are no dilutive potential ordinary shares that were outstanding during the year/period, the basic loss per share is the same as the diluted loss per share.

29 Related party transactions

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

The Group	Year ended 30 June 2017 RMB'000	Period from 1 January 2015 to 30 June 2016 RMB'000
Loan to an associated company		
- Rich Circles Enterprise Limited	-	12,000
Waiver of loan interest charged to an associated company		
- Rich Circles Enterprise Limited	-	1,851
Payments on behalf for an associated company		
- China Construction Material (Hong Kong) Limited	-	1,416
Payments on behalf by an associated company		
- China Construction Material (Hong Kong) Limited	-	9,040
Advances from an associated company		
- China Construction Material (Hong Kong) Limited	312	-
Advances from a director, Mr. Mak Tin Sang	234	-
Advances from a shareholder of the Company, Mr. Yuan Limin	3,618	-

30 Commitments

(i) Operating lease commitments

The Group

At the end of the reporting period, the Group is committed to making the following rental payments in respect of non-cancellable operating leases for office premises and office equipment with an original term of more than one year:

The Group	30 June 2017 RMB'000	30 June 2016 RMB'000
Not later than one year	4,011	-
Later than one year and not later than five years	6,287	-

NOTES TO THE FINANCIAL STATEMENTS

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30 Commitments

- (i) Operating lease commitments (Cont'd)

The Group (Cont'd)

The leases on the Group's office premises on which rentals are payable will expire between 15 March 2019 and 30 June 2022 (2016 - nil). The current rent payable on the leases are between RMB 86,000 and RMB 248,000 (2016 - nil) per month which are subject to revision on renewal.

The lease on the Group's office equipment on which rental is payable will expire on 27 November 2019 (2016 - nil) and the current rental payable is RMB 517 (2016 - nil) per month which are subject to revision on renewal.

The Company

At the end of the reporting period, the Company is committed to making the following rental payments in respect of non-cancellable operating lease for office premises with an original term of more than one year:

	30 June 2017	30 June 2016
	RMB'000	RMB'000
The Company		
Not later than one year	2,975	-
Later than one year and not later than five years	1,882	-

The lease on the Company's office premises on which rental is payable will expire on 15 March 2019 (2016 - nil). The current rent payable on the lease is RMB 248,000 (2016 - nil) per month which are subject to revision on renewal.

- (ii) Letter of undertaking

The Company

The Company has given a letter of undertaking to provide financial support for the subsidiary, Asia Entertainment (Hong Kong) Limited which had aggregate net tangible deficit of RMB 768,000 as at 30 June 2017 to enable it to continue to operate as a going concern and to meet its obligations as and when they fall due.

31 Financial risk management objectives and policies

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017

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

(i) Credit risk

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

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

Cash funds

The financial products are acquired from reputable banks or incurred principally for the purpose of selling or repurchasing in the near term.

Bank balances

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

Financial assets that are neither past due nor impaired

Other receivables, excluding prepayments and advances to suppliers, loan to associated company, amount due from associated companies and subsidiaries are neither past due nor impaired.

Financial assets that are past due and/or impaired

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

No single customer reported more than 5% of the Group's revenue for the financial year ended 30 June 2017.

(ii) Interest rate risk

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

The Group's exposure to interest rate risk arises from its fixed rate convertible bond payable amounting to RMB 10.281 million (2016 - RMB 21.614 million) and cash funds designated as financial assets at fair value through profit or loss amounting to RMB 6,003,000 (2016 - nil).

A change in interest rate at the reporting date would affect profit or loss. However, the impact would not be significant.

(iii) Liquidity risk

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017

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

(iii) Liquidity risk (Cont'd)

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

	Contractual cash flows			
	Total RMB'000	Less than 1 year RMB'000	Between 1 and 5 years RMB'000	Over 5 years RMB'000
<u>The Group</u>				
At 30 June 2017				
Accruals and other payables	6,573	6,573	-	-
Amount due to third parties	8,446	8,446	-	-
Amount due to a former director/shareholder	1,221	1,221	-	-
Amount due to associated companies	6,399	6,399	-	-
Amount due to a director and a shareholder of the Company	3,560	3,560	-	-
Bonds payable	10,281	-	10,281	-
Interest payable	35	-	35	-
	36,515	26,199	10,316	-
At 30 June 2016				
Accruals and other payables	6,313	6,313	-	-
Amount due to a former director/shareholder	1,221	1,221	-	-
Amount due to associated companies	4,051	4,051	-	-
Bonds payable	21,614	21,614	-	-
Interest payable	723	723	-	-
	33,922	33,922	-	-
<u>The Company</u>				
At 30 June 2017				
Accruals and other payables	6,203	6,203	-	-
Amount due to third parties	7,144	7,144	-	-
Amount due to a former director/shareholder	1,221	1,221	-	-
Amount due to subsidiaries	351	351	-	-
Amount due to associated companies	6,375	6,375	-	-
Amount due to a director and a shareholder of the Company	3,560	3,560	-	-
Bonds payable	10,281	-	10,281	-
Interest payable	35	-	35	-
	35,170	24,854	10,316	-
At 30 June 2016				
Accruals and other payables	6,313	6,313	-	-
Amount due to a former director/shareholder	1,221	1,221	-	-
Amount due to associated companies	4,051	4,051	-	-
Bonds payable	21,614	21,614	-	-
Interest payable	723	723	-	-
	33,922	33,922	-	-

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017

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

(iv) Market price risk

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

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

(v) Fair value measurements

The level of fair value measurement hierarchy are as follows:

- (a) quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1);
- (b) inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices) (Level 2); and
- (c) inputs for the asset or liability that are not based on unobservable market data (unobservable inputs) (Level 3).

See Note 11 for disclosure of the cash funds that are measured at fair value determined by the financial institutions using valuation models and assumptions that are based on market conditions existing at the end of reporting period (Level 2).

See Note 20 for disclosure of the convertible bonds that are measured at fair value and disclosure of information about the valuation technique and fair value measurements using significant unobservable inputs (Level 3).

(vi) Foreign currency risk

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017

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

(vi) Foreign currency risk (Cont'd)

Sensitivity analysis for foreign currency risk

A 5% strengthening/weakening of the Singapore dollar (SGD), Hong Kong dollar (HKD) and United States dollar (USD) against the respective functional currencies of the group entities at 30 June would have increased (decreased) equity and (loss)/profit before tax by the amounts shown below. This analysis is based on foreign currency exchange rate variances that the Group considered to be reasonably possible at the end of the reporting period. This analysis has not taken into account the associated tax effects and assumes that all other variables, in particular foreign currency rates, remain constant.

	The Company		The Group	
	Loss before tax Increase/ (decrease) RMB'000	Equity Increase/ (decrease) RMB'000	Loss before tax Increase/ (decrease) RMB'000	Equity Increase/ (decrease) RMB'000
30 June 2017				
SGD against RMB				
- strengthened	638	638	638	638
- weakened	(638)	(638)	(638)	(638)
HKD against RMB				
- strengthened	763	763	780	780
- weakened	(763)	(763)	(780)	(780)
USD against RMB				
- strengthened	7	7	7	7
- weakened	(7)	(7)	(7)	(7)
30 June 2016				
SGD against RMB				
- strengthened	799	799	799	799
- weakened	(799)	(799)	(799)	(799)
HKD against RMB				
- strengthened	787	787	786	786
- weakened	(787)	(787)	(786)	(786)
USD against RMB				
- strengthened	11	11	11	11
- weakened	(11)	(11)	(11)	(11)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017

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

(vii) Classification of financial assets and liabilities

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

	The Company		The Group	
	30 June 2017 RMB'000	30 June 2016 RMB'000	30 June 2017 RMB'000	30 June 2016 RMB'000
<u>Financial assets:</u>				
Cash and cash equivalents	67	67	104,838	311
Cash funds	-	-	6,003	-
Other receivables	1,127	102	25,871	111
Amount due from associated companies	-	-	22	302
Loan to associated company	61,000	61,000	61,000	61,000
Amount due from subsidiaries	5,279	547	-	-
	67,473	61,716	197,734	61,724
<u>Financial liabilities:</u>				
Accruals and other payables	6,203	6,313	6,573	6,313
Amount due to a former director/shareholder	1,221	1,221	1,221	1,221
Amount due to third parties	7,144	-	8,446	-
Amount due to subsidiaries	351	-	-	-
Amount due to associated companies	6,375	4,051	6,399	4,051
Amount due to a director and a shareholder of the Company	3,560	-	3,560	-
Bonds payable	10,281	21,614	10,281	21,614
Interest payable	35	723	35	723
	35,170	33,922	36,515	33,922

32 Capital management

The Group's and the Company's objectives when managing capital are:

- To safeguard the Group's and the Company's ability to continue as a going concern;
- To support the Group's and the Company's stability and growth;
- To provide capital for the purpose of strengthening the Group's and the Company's risk management capability; and
- To provide an adequate return to shareholders.

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

Having regards to the issuance of convertible bond to meet its working capital purpose, the Group and the Company monitor capital on the basis of the carrying amount of equity as presented in the statements of financial position.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017

32 Capital management (Cont'd)

Gearing has a significant influence on the Company's and the Group's capital structure and the Board of Directors monitor capital using a gearing ratio. The gearing ratio is calculated as net debt divided by total capital. Net debt is calculated as the sum of accruals and other payables, amount due to third parties, related party balances, bond payable and interest payable less cash funds and cash and cash equivalents.

Total capital is calculated as equity plus net debt.

	Note	The Company		The Group	
		30 June 2017 RMB'000	30 June 2016 RMB'000	30 June 2017 RMB'000	30 June 2016 RMB'000
Accruals and other payables	15	6,203	6,313	143,241	6,313
Amount due to third parties	16	7,144	-	8,446	-
Amount due to a former director/shareholder	17	1,221	1,221	1,221	1,221
Amount due to subsidiaries	10	351	-	-	-
Amount due to associated companies	18	6,375	4,051	6,399	4,051
Amount due to a director and a shareholder of the Company	19	3,560	-	3,560	-
Bonds payable	20	10,281	21,614	10,281	21,614
Interest payable	20	35	723	35	723
		35,170	33,922	173,183	33,922
Less:					
Cash funds	11	-	-	(6,003)	-
Cash and cash equivalents	12	(67)	(67)	(104,838)	(311)
		(67)	(67)	(110,841)	(311)
Net debt		35,103	33,855	62,342	33,611
Total equity		35,042	27,802	35,143	27,802
Total capital		70,145	61,657	97,485	61,413
Gearing ratio (%)		50.04	54.91	63.95	54.73

There were no changes in the Group's and the Company's approach to capital management during the financial year.

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

33 Events after end of reporting period

Proposed placement of up to 145,000,000 new ordinary shares ("proposed placement")

The Company has entered into a placement agreement dated 8 August 2017 ("Placement Agreement") with Freeman Securities Limited as an overseas placement manager (the "Overseas Placement Manager") whereby the Overseas Placement Manager (as placement agent) has agreed to use its best efforts to identify subscriptions for up to 145,000,000 new ordinary shares in the capital of the Company ("Placement Shares") at the issue price of HK\$0.90 per Placement Share (the "Placement Price"), subject to and upon the terms of the Placement Agreement.

Appointment of Executive Director

Han Yue Gao was appointed as Executive Director on 1 September 2017.

Termination of Executive Director

Zhu Zhi Hong was terminated as Executive Director on 1 September 2017.

SHAREHOLDERS' INFORMATION

AS AT 29 SEPTEMBER 2017

Class of shares	:	Ordinary share
No. of shares	:	85,500,000
No. of Subsidiary Holdings Held	:	Nil
Voting rights	:	One vote per share

As at 29 September 2017, the Company did not hold any treasury shares.

DISTRIBUTION OF SHAREHOLDINGS

Size of Shareholdings	No. of Shareholders	%	No. of Shares	%
1 - 99	71	20.52	4,297	0.00
100 - 1,000	75	21.68	26,570	0.03
1,001 - 10,000	122	35.26	458,874	0.54
10,001 - 1,000,000	66	19.07	5,307,203	6.21
1,000,001 and above	12	3.47	79,703,056	93.22
	346	100.00	85,500,000	100.00

TWENTY LARGEST SHAREHOLDERS

No.	Name of Shareholder	No. of Shares	%
1	DBS Vickers Securities (S) Pte Ltd	23,530,124	27.52
2	Phillip Securities Pte Ltd	12,646,331	14.79
3	Hu Zhen	12,000,000	14.04
4	Li Zheng	9,000,000	10.53
5	Ng Wa Pang	7,000,000	8.19
6	Li Yu Huan	6,274,835	7.34
7	Link Profits Limited	1,800,000	2.11
8	UOB Kay Hian Pte Ltd	1,712,412	2.00
9	Feng Jiachen	1,562,500	1.83
10	OCBC Securities Private Ltd	1,485,311	1.74
11	Citibank Nominees Singapore Pte Ltd	1,366,543	1.60
12	Guo Wenqi	1,325,000	1.55
13	Lim Boon Guan	625,000	0.73
14	Raffles Nominees (Pte) Ltd	486,192	0.57
15	ABN Amro Clearing Bank N.V.	402,300	0.47
16	HL Bank Nominees (S) Pte Ltd	399,188	0.47
17	Png Cheng Heng Edwin	355,937	0.42
18	Chan Lai Hung Josephine	292,625	0.34
19	Yeo Lee Lee	154,400	0.18
20	Guo Shujuan	143,318	0.17
	TOTAL	82,562,016	96.59

SHAREHOLDERS' INFORMATION

AS AT 29 SEPTEMBER 2017

SUBSTANTIAL SHAREHOLDERS

	Direct Interest		Deemed Interest	
	No. of shares	%	No. of shares	%
Yong Tai Investment Company Limited	14,765,797	17.27	-	-
Yuan Limin ⁽¹⁾	-	-	14,765,797	17.27
Hu Zhen	12,000,000	14.03	-	-
Li Zheng	9,000,000	10.53	-	-
Ng Wa Pang	7,000,000	8.19	-	-
Dai Ju Yun	7,000,000	8.19	-	-
Li Yu Huan	6,274,835	7.34	-	-
Link Profits Limited	5,328,571	6.23	-	-
Wang Chunzhi ⁽²⁾	-	-	5,328,571	6.23

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

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

PERCENTAGE OF SHAREHOLDING IN PUBLIC'S HANDS

As at 29 September 2017, 28.22% of the Company's shares are held in the hands of public. Accordingly, the Company has complied with Rule 723 of the Listing Manual of the SGX-ST which requires 10% of the equity securities (excluding preference shares and convertible equity securities) in a class that is listed to be in the hands of the public.

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the 2017 Annual General Meeting (the “**Annual General Meeting**”) of Asia Fashion Holdings Limited (the “Company”) will be held at Maxwell Chambers, Level 3, 32 Maxwell Road, Singapore 069115 on Tuesday, 31 October 2017 at 10:00 a.m. (Singapore time) and any adjournment thereof for the following purposes:

AS ORDINARY BUSINESS

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

1. To receive and adopt the directors' report and the audited financial statements of the Company and the Group for the financial year ended 30 June 2017 together with the auditors' report thereon. **(Resolution 1)**
2. To re-elect the following persons as directors of the Company who were appointed by the board of directors of the Company as new directors of the Company at the time between the date of the 2016 annual general meeting and this Annual General Meeting and who will retire pursuant to Bye-law 85(6) of the Bye-Laws of the Company and who, being eligible, will offer themselves for re-election:
 - (i) Zhang Wei **(Resolution 2)**
[See Explanatory Note (i)]
 - (ii) Han Yue Gao **(Resolution 3)**
[See Explanatory Note (ii)]
3. To re-elect Mak Tin Sang as a director of the Company who will retire pursuant to Bye-law 86 of the Bye-Laws of the Company and who, being eligible, will offer himself for re-election. **(Resolution 4)**
[See Explanatory Note (iii)]
4. To approve the payment of directors' fees of the Company of S\$100,000 for the financial year ending 30 June 2018, to be paid quarterly in arrears. **(Resolution 5)**
5. To re-appoint Foo Kon Tan LLP, Public Accountants and Certified Public Accountants, as the auditors of the Company, until the conclusion of the next annual general meeting of the Company, and to authorize the directors of the Company to fix their remuneration. **(Resolution 6)**

AS SPECIAL BUSINESS

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

6. General authority to the directors of the Company to allot and issue Shares

That, pursuant to the Bye-Laws of the Company and the rules, guidelines and measures issued by the Singapore Exchange Securities Trading Limited (“**SGX-ST**”), the Directors of the Company be authorised and empowered to:

- (a)
 - (i) allot and issue shares in 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) options, warrants, debentures or other instruments convertible into shares,

at any time and upon such terms and conditions and for such purposes and to such persons as the Directors of the Company may in their absolute discretion deem fit; and
- (b) (notwithstanding the authority conferred by this Resolution may have ceased to be in force) issue Shares in pursuance of any Instruments made or granted by the Directors of the Company while this Resolution was in force,

NOTICE OF ANNUAL GENERAL MEETING

provided always that:

- (1) the aggregate number of Shares to be issued pursuant to this Resolution (including Shares to be issued in pursuance of the Instruments made or granted pursuant to this Resolution) shall be limited as follows:
 - (A) without prejudice to sub-paragraph (1)(B) below, the aggregate number of Shares to be issued shall not exceed 50 per centum (50%) of the total number of issued Shares (excluding treasury shares and subsidiary holdings) in the capital of the Company (as calculated in accordance with sub-paragraph (4) below), of which the aggregate number of Shares to be issued other than on a pro rata basis to shareholders of the Company shall not exceed 20 per centum (20%) of the total number of issued Shares (excluding treasury shares and subsidiary holdings) in the capital of the Company (as calculated in accordance with sub-paragraph (4) below) ("**General Limit**");
 - (B) 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 50 per centum (50%) of the total number of issued Shares (excluding treasury shares and subsidiary holdings) in the capital of the Company (as calculated in accordance with sub-paragraph (4) below ("**Additional Limit**");
 - (C) 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;
 - (D) where an issue of Shares is to be issued otherwise than by way of Renounceable Rights Issue, that issue may only use the General Limit, but only to the extent of the then remaining General Limit;
 - (E) 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;
- (2) the General Limit and the Additional Limit shall not, in aggregate, exceed 100 per centum (100%) of the total number of issued Shares (excluding treasury shares and subsidiary holdings) in the capital of the Company (as calculated in accordance with sub-paragraph (4) below);
- (3) 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 pursuance 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 and subsidiary holdings) in the capital of the Company (as calculated in accordance with sub-paragraph (4) below);
- (4) (subject to such manner of calculation as may be prescribed by the SGX-ST) for the purpose of determining the aggregate number of Shares that may be issued under sub-paragraph (1)(A) and (1)(B) above, the total number of issued Shares (excluding treasury shares and subsidiary holdings) shall be based on the total number of issued Shares (excluding treasury shares and subsidiary holdings) in the capital of the Company at the time this Resolution is passed, after adjusting for:
 - (i) new Shares arising from the conversion or exercise of any convertible securities;
 - (ii) (where applicable) new Shares arising from exercising share options or vesting of share awards outstanding or subsisting at the time of the passing of this Resolution, provided the options or awards were granted in compliance with the SGX-ST Listing Manual; and
 - (iii) any subsequent bonus issue, consolidation or subdivision of Shares;
- (5) in exercising the authority conferred by this Resolution, the Company shall comply with the rules, guidelines and measures issued by the SGX-ST for the time being in force (unless such compliance has been waived by the SGX-ST), all applicable legal requirements under the Companies Act 1981 of Bermuda (as amended) and otherwise and the Bye-Laws of the Company for the time being; and

NOTICE OF ANNUAL GENERAL MEETING

unless revoked or varied by the Company in a general meeting of the Company, 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.

(Resolution 7)

[See Explanatory Note (iv)]

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

By Order of the Board

Mak Tin Sang
Company Secretary
Singapore, 12 October 2017

IMPORTANT: Please read notes below.

Explanatory Notes:

(i) **Resolution 2**

Zhang Wei is a non-executive director and the non-executive chairman of the Company. Mr. Zhang is considered by the Board of Directors to be independent and non-executive. There are no other relationships (including immediate family relationships) between Mr. Zhang and the other Directors, the Company or any 10% shareholder of the Company. The profile of Mr. Zhang is set out on page 24 of the Annual Report.

(ii) **Resolution 3**

Han Yue Gao is an executive director of the Company. There are no other relationships (including immediate family relationships) between Mr. Han and the other Directors, the Company or any 10% shareholder of the Company. The profile of Mr. Han is set out on page 24 of the Annual Report.

(iii) **Resolution 4**

Mak Tin Sang is an executive director of the Company. There are no other relationships (including immediate family relationships) between Mr. Mak and the other Directors, the Company or any 10% shareholder of the Company. The profile of Mr. Mak is set out on page 24 of the Annual Report.

(iv) **Resolution 6**

Resolution 6, if passed, will empower the Directors of the Company, effective 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 or such authority is varied or revoked by the Company in a general meeting, whichever is the earlier, to issue Shares, make or grant instruments convertible into Shares and to issue Shares pursuant to such Instruments, up to a number not exceeding the aggregated of (i) 50% of the total number of issued Shares (excluding treasury shares and subsidiary holdings) in the capital of the Company, of which up to 20% may be issued other than on a pro-rata basis to shareholders of the Company (the General Limit) and (ii) additional 50% for Renounceable Rights Issues, of the total number of issued Shares (excluding treasury shares and subsidiary holdings) in the capital of the Company (the 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 and subsidiary holdings) at the time Resolution 6 is passed, after adjusting for new Shares arising from the conversion or exercise of any convertible securities or share options or vesting of share awards which are outstanding or subsisting at the time when Resolution 6 is passed and any subsequent bonus issue, consolidation or subdivision of Shares.

NOTICE OF ANNUAL GENERAL MEETING

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 Resolution 6, if on that date the aggregate number of Shares (including Shares to be issued in pursuance of the Instruments, made or granted pursuant to Resolution 6) exceeds 50% of the total number of issued Shares (excluding treasury shares and subsidiary holdings) 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 as the adoption of the Enhanced Rights Issue Limit would provide the Company with the flexibility to utilise this limit in the event that the Company wishes to undertake a rights issue, and will help the Company raise funds expediently for the development of its business or working capital purposes. 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.

Notes:

1. If a Shareholder who is not a Depositor is unable to attend the Annual General Meeting and wishes to appoint a proxy/proxies to attend and vote on his behalf, he could complete, sign and return the proxy form despatched to Shareholders who are not Depositors (“**Shareholder Proxy Form**”) in accordance with the instructions printed therein. With the exception of The Central Depository (Pte) Limited (“**CDP**”) who may appoint more than two proxies, a Shareholder entitled to attend and vote at the Annual General Meeting who holds two (2) or more shares is entitled to appoint no more than two proxies to attend and vote on his behalf. A proxy need not be a Shareholder.
2. Where a form of proxy appoints more than one proxy (including the case where such appointment results from a nomination by CDP), the proportion of the shareholding concerned to be represented by each proxy shall be specified in the form of proxy.
3. If a Depositor who is an individual and whose name appears in the Depository Register (as defined in Section 81SF of the Securities and Futures Act (Cap. 289) of Singapore) as at a time not earlier than forty-eight (48) hours before the time appointed for the Annual General Meeting and is unable to attend the Annual General Meeting personally and wishes to appoint a proxy/proxies to attend and vote on his behalf, he should complete, sign and deposit the proxy form despatched to Depositors (the “**Depositor Proxy Form**”) in accordance with the instructions printed therein.
4. A Depositor who is not an individual can only be represented at the Annual General Meeting if its nominee(s) is/are appointed as CDP’s proxy/proxies. To appoint its nominee/nominees as proxy/proxies of CDP and to enable its nominee/nominees to attend and vote at the Annual General Meeting, such Depositor should complete, execute and deposit the Depositor Proxy Form in accordance with the instructions therein.
5. A corporation which is a Shareholder may by resolution of its directors or other governing body authorise such person as it thinks fit to act as its corporate representative at the Annual General Meeting.
6. To be valid, the Shareholder Proxy Form or the Depositor Proxy Form, together with the power of attorney or other authority, if any, under which it is signed on behalf of the appointor, or a certified copy of such power or authority, shall be delivered at the Company’s Share Transfer Agent, M&C Services Private Limited, at 112 Robinson Road, #05-01, Singapore 068902 not less than forty-eight (48) hours before the time appointed for holding the Annual General Meeting or at any adjournment thereof. Detailed instructions can be found on the Shareholder Proxy Form and Depositor Proxy Form.
7. The completion and return of a Shareholder Proxy Form by a Shareholder who is not a Depositor, or a Depositor Proxy Form by a Depositor who is an individual, shall not preclude him from attending and voting in person at the Annual General Meeting if he wishes to do so, in place of his proxy/proxies.

Personal Data Privacy

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

