VASHION Group Ltd.

金洋環球集團有限公司

# ANNUAL REPORT 2015

VASHION GROUP LTD.

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VASHION GROUP LTD.

# CONTENTS

CHAIRMAN'S STATEMENT **03**
FINANCIAL HIGHLIGHTS **07**
DIRECTORS' PROFILE **09**
MANAGEMENT PROFILE **11**
CORPORATE INFORMATION **12**
CORPORATE GOVERNANCE STATEMENT **13**
FINANCIAL STATEMENTS **31**
STATISTICS OF SHAREHOLDINGS **92**
NOTICE OF ANNUAL GENERAL MEETING **94**
PROXY FORM

This Annual Report has been prepared by the Company and its contents have been reviewed by the Company's sponsor ("Sponsor"), Asian Corporate Advisors Pte. Ltd., for compliance with the relevant rules of the Singapore Exchange Securities Trading Limited ("Exchange"). The Company's Sponsor has not independently verified the contents of this Annual Report including the correctness of any of the figures used, statements or opinions made.

This Annual Report has not been examined or approved by the Exchange and the Exchange assumes no responsibility for the contents of this Annual Report, including the correctness of any of the statements or opinions made or reports contained in this Annual Report .

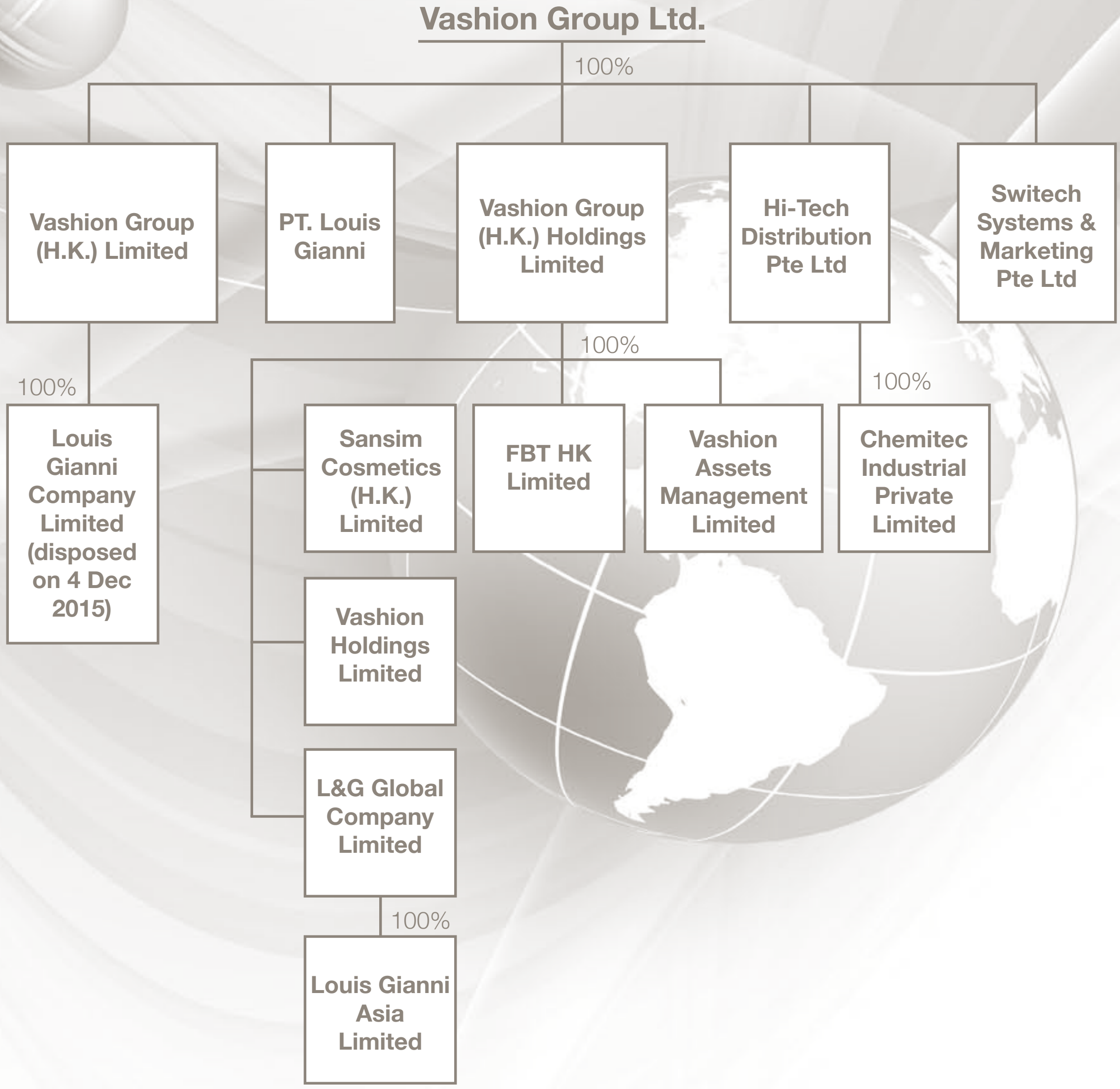
The contact person for the Sponsor is Ms Foo Quee Yin.
Telephone number: 6221 0271

# CORPORATE PROFILE

Vashion Group Ltd and its subsidiaries ("the Group"), has its core business focusing on distribution of equipment and consumable materials for the electronics industry and switchgear design & assembly services in Singapore.

The Group has engaged in other non-core business, such as venturing into business activities in relation to the provision of pre-listing consultancy services in Hong Kong and trading in fabrics and apparel related materials.

## GROUP STRUCTURE



# CHAIRMAN'S STATEMENT

## DEAR SHAREHOLDERS,

On behalf of the board of directors for the Vashion Group Ltd (the "Company") and its subsidiaries collectively, (the "Group"), it is my pleasure to present to you the Annual Report for financial year ended 31 December 2015 ("FY2015").

FY2015 was an eventful year for Vashion. We continued our journey when our shares resumed trading on the Catalist Board of the Singapore Exchange Securities Trading Limited ("SGX-ST") on 24 November 2015. FY2015 was another challenging year for the Group due to the continued economic slowdown in Hong Kong SAR and the apparels industry remain competitive. As a result, the Group has completed restructuring and streamlining exercise to focus on certain ongoing core operations in Singapore. We managed to improve the internal control of the Group and reconstituted the Board via appointment of new directors to the Company. As such, I am extremely excited to announce that we have now moved forward with renewed vigour and hopes for a brighter future.

## BUSINESS OPERATIONS AND FINANCIAL RESULTS REVIEW

The Group's revenue decreased by S$1.8 million or 33.65% from S$5.2 million in FY2014 to S$3.5 million in FY2015. The decrease was mainly due to no revenue recognised in relation to retail business and wholesale business of garments which contributed revenues of S$0.6 million and S$0.7 million respectively in FY2014. In addition, no revenue recognised from sales under Vashion Group (H.K.) Limited for the trading of apparel materials in the Hong Kong SAR which contributed S$0.4 million in FY2014.

Despite the Group did not record any further revenue from its retail business since completing the disposal of Louis Gianni Company Limited ("LGC") on 4 December 2015. The Group actually recorded revenue from the distribution segment around S$3.1 million and S$357,000 from switchgear design and assembly segment.

The gross profit margin of the Group decreased from 27.91% in FY2014 to 17.28% in FY2015 mainly due to written off of consultancy project as well as for FY2014, there was higher margin generated for garment product. The gross profit of the Group drop from S$1.5 million in FY2014 to S$0.6 million in

# CHAIRMAN'S STATEMENT

FY2015. The gross profit margin for distribution of consumable material increased from 18.34% in FY2014 to 21.66%.

The Group also saw a significant decrease in other operating income from S$4.2 million in FY2014 to S$2.1 million in FY2015 was mainly due to gains from disposal of Shenzhen Louis Gianni Costume Co. Ltd ("SZLG") of approximately S$3.5 million was recognised by the Group in FY2014. The Group's other operating income in FY2015 comprised mainly a gain on disposal of Louis Gianni Company Limited ("LGC") of approximately S$1.13 million, exchange gain of S$0.5 million arose from elimination of intercompany balance, sales of tablets of S$184,000, interest income of S$136,000 from fixed deposit in Indonesia, agency fee income of S$60,000, sub-lease part of Hong Kong office for S$43,000 under others business segment in FY2015 and others.

Following the disposal of SZLG which resulted in lesser commission being paid to shopping centres, lesser promotions cost and decrease in depreciation in apparel business, the Group manage significant decrease in selling and distribution expenses from approximately S$0.6 million in FY2014 to approximately S$0.2 million in FY2015.

Administrative expenses decreased by 34.13% from S$3.5 million in FY2014 to S$2.3 million in FY2015. This crucial reduction was driven by cost control which bought about a decrease of S$0.7 million in legal and professional fee, S$0.4 million in wages and salaries, S$0.08 million in rental expenses, S$0.08 million in printing and S$114,000 in travelling expenses and entertainment expenses.

In contrast to the S$0.7 million in FY2014, the other operating expenses for FY2015 were recorded as S$3.0 million. The significant increase of the operating expenses which included impairment loss of intangible assets of S$1.8 million, S$118,000 impairment for inventory obsolescence in Indonesia for aged stocks, cost of tablet of S$177,000, impairment of other receivables of S$0.7 million as well as trade receivable S$0.2 million. As there is material slowdown in apparels business in PRC, the Company expects these impairments of other receivables of S$0.5 million and trade receivables of S$0.2 million may not be recoverable from Seleni Group Limited.

In terms of finance expenses, the reduction in finance expenses in FY2015 due to no interest expenses incurred after disposal of SZLG as well as repayment of all borrowing in Hong Kong in FY2014. The finance expenses of S$4,000 in FY2015 is mainly incurred from interest expenses on overdraft. During the FY2015, there was no provision for income tax for Singapore and Hong Kong subsidiaries but an adjustment for overprovision of tax of S$5,000 in prior year.

Overall, the turnaround to loss in FY2015 was mainly due to increase in impairment loss of intangible assets, as well as other receivables and trade receivables and decrease in other operating income, as well as no revenue in retailed business and wholesales business in PRC and Hong Kong.

## FINANCIAL POSITION REVIEW

The non-current assets of the Group decrease significantly mainly due to impairment loss of intangible assets of approximately S$1.8 million for the basis that estimated future generated revenue from trademark "Louis Gianni" would be decreased due to the decline in the estimated future value as ascribed by an independent valuer given the increase competition and decline in demand in PRC as well as the non-collectability of the annual franchise fees. The decrease in property, plant, and equipment as a result of depreciation.

The current assets of the Group decreased by approximately S$2.6 million or 27.3% from S$9.3 million as at 31 December 2014 to S$6.7 million as at 31 December 2015. However, this drop in balance was mainly due to decrease in inventories by S$0.5 million as a result of impairment for stock obsolescence in Indonesia for S$118,000 and reclassification of faulty goods under other receivable in Hi-Tech Distribution Pte Ltd.

# CHAIRMAN'S STATEMENT

During the period, there was also a decrease in other receivables from escrow account in Indonesia by S$3.2 million as a result of transfer of fund held by escrow account after opening a bank account in Indonesia. The Group's other receivable remains S$0.7 million as at 31 December 2015 after impairment of remaining purchase consideration in relation to disposal of SZLG and after taking into account the currency translation. Trade receivables decreased to S$1.2 million as compared to S$1.4 million for the same period last year. This was mainly due to due to impairment of the franchise fee income for FY2014.

Due to the transfer of fund from escrow account to fixed deposit account in Indonesia, the Group's fixed deposits rise to S$3.1 million from S$85,000 during the financial year. The cash and bank balance drop to S$1.5 million from S$2.6 million during the financial year. The Group has utilized S$1.38 million from conditional deposit as at 31 December 2015. Please refer to announcement dated 18 January 2016 for details.

Current liabilities which declined by approximately S$1 million were mainly due to several factors. These included the disposal of Louis Gianni Company Limited on 4 December 2015 result from a decrease of income tax payable of approximately S$0.9 million and the repayment of trade payable of S$0.23 million. In contrast to this, the decrease of the Group's non-current liabilities was contributed from the payment of lease obligation.

Due to a decrease in current assets from S$9.3 million to S$6.7 million, as well as a decrease in current liabilities from S$4.9 million to S$3.9 million, the Group suffered a slight loss in working capital of approximately S$1.6 million from S$4.4 million in FY2014 to S$2.8 million in FY2015.

## COMMENTARY ON CASH FLOW

The Group's net cash used for operating activities of approximately S$1.4 million for FY2015 was approximately less to cash used in FY2014 was S$1.7 million. Net cash used in investing activities in FY2015 of S$3.1 million was mainly attributable to fixed deposit in Indonesia. The net cash used for financing activities in FY2015 of S$7,000 was mainly due to repayment of lease obligations. As a result of increase in net cash used in operating and investing activities, the Group's cash and cash equivalent position had decreased approximately by S$4.5 million compared to FY2014.

## CORPORATE DEVELOPMENTS AND BUSINESS OUTLOOK

### Business Development

Throughout FY2015, the Group had not embarked on any new merger or acquisition activities. Instead, continued restructuring efforts are being made to further strengthen and reinforce the operational efficiency across the Group.

As announced on 4 December 2015, the disposal of Louis Gianni Company Limited ("LGC") was completed on 4 December 2015 as a result to focus the Group's resources on its scalable core business, being the distribution of consumable material for electronics industry and switchgear assembly and part of its efforts to rationalize and streamline the Group's corporate structure. LGC was responsible for the wholesales of garment business in Hong Kong and PRC. Going forward, the Group will continue on trading business in garment (retailing and/or wholesaling) in PRC and Hong Kong if opportunity arises in the future. Save for disclosed, there are no other development(s) subsequent to the release of the Company's financial statement for FY2015 which would materially affect the Company's operating and financial performances.

The outlook of the distribution of consumables to electronic manufacturer business segments remain constant and stable in next twelve months based on the feedback from customers and business dealings with the two long term customers. However, the switchgear design and assembly division is facing increased competition that could materially reduce the revenue from this business segment.

# CHAIRMAN'S STATEMENT

We will also explore possible mergers, business acquisitions and joint venture opportunities so as to maintain our competitive advantage against other market players and improve the Group's overall operating results in the foreseeable future.

As announced on 10 February 2016, the Company has completed a placement of 1,200,000,000 new ordinary shares at issue price of S$0.001. For the utilisation of the proceeds from placement, please refer to announcement dated 25 February 2016.

As announced on 23 March 2016, the Company proposed share consolidation of every twenty five (25) existing ordinary shares in the capital of the Company into one (1) consolidated share. The proposed share consolidation is subject to, inter alia, the receipt of the listing and quotation notice from the Singapore Exchange Securities Trading Limited for the dealing in, listing of and quotation for the consolidation shares on the Catalist; and approval from the Shareholders at an extraordinary general meeting to be convened.

## NOTE OF APPRECIATION

In closing, we would like to show my appreciation to Mr Tansri Saridju Benui and Mr Khoo Yick Wai who resigned on 23 November 2015 for their contribution and hard work over the past years. We are also grateful to the fellow directors, working team, sponsor, external auditors, internal auditor for their tireless work and effort to deliver a successful resumption of trading, and now continue to give their best to all stakeholders.

Last but not least, on behalf of Vashion Group Limited, we would like to express my gratitude to all our shareholders for your unwavering support which has contributed greatly to our success so far. Together, let us look forward to continued success for Vashion Group Limited.

**Chan Siew Wei**
Chairman, Lead Independent Director
Vashion Group Ltd.

**Christian Kwok-Leun Yau Heilesen**
Executive Director
Vashion Group Ltd.

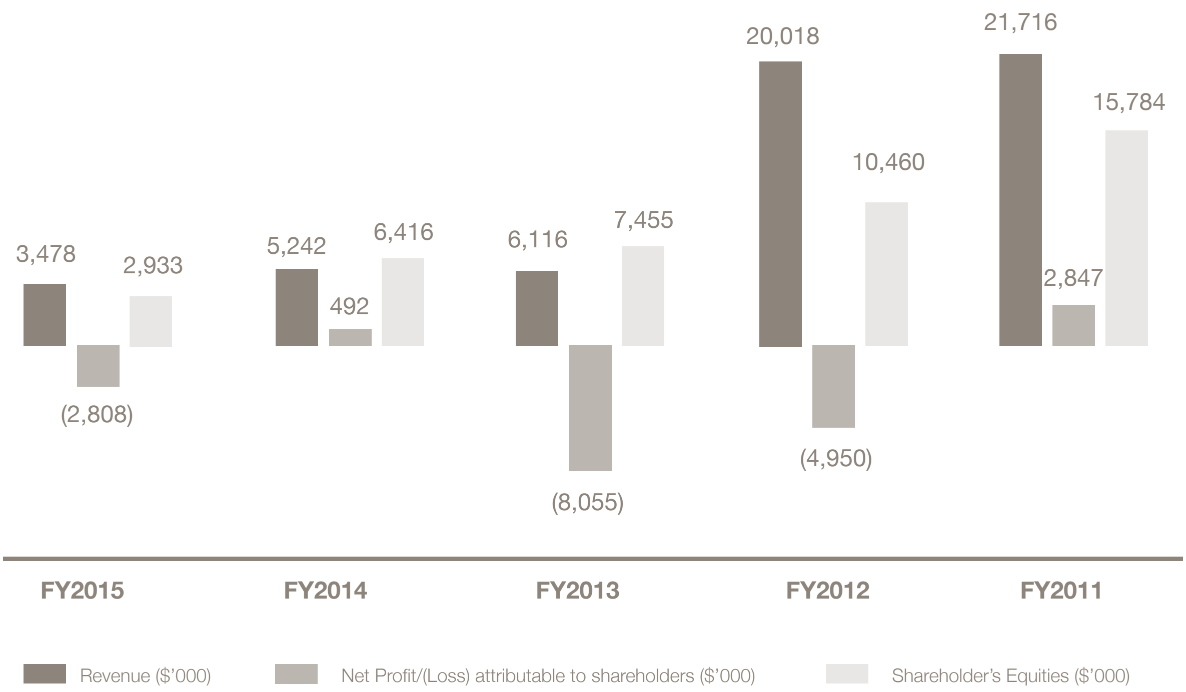
# FIVE-YEAR FINANCIAL HIGHLIGHTS

**Five Year's Performance**

| The Group | FY2011 | FY2012 | FY2013 | FY2014 | FY2015 |
|---|---|---|---|---|---|
| **For the Year** | | | | | |
| Revenue ($'000) | 21,716 | 20,018 | 6,116 | 5,242 | 3,478 |
| Net Profit/(Loss) attributable to shareholders ($'000) | 2,847 | (4,950) | (8,055) | 492 | (2,808) |
| Earning/(loss) Per Shares (cents) | 0.13 | (0.20) | (0.28) | 0.01 | (0.09) |
| **At Year End** | | | | | |
| Shareholder's Equities ($'000) | 15,784 | 10,460 | 7,455 | 6,416 | 2,933 |
| Working Capital ($'000) | 12,447 | 7,522 | 5,083 | 4,399 | 2,745 |
| Cash & Cash Equivalent ($'000) | 2,901 | 609 | 615 | 2,631 | 1,499 |
| Net Assets Per Shares (cents) | 0.64 | 0.42 | 0.25 | 0.21 | 0.10 |
| **Selected Financial Ratios** | | | | | |
| Current Ratio | 2.54 | 1.84 | 1.64 | 1.90 | 1.70 |
| *Gearing Ratio | 0.20 | 0.35 | 0.21 | – | - |

Note: *Interest Bearing Debts/Shareholder's Equities

**Five Year's Performance**



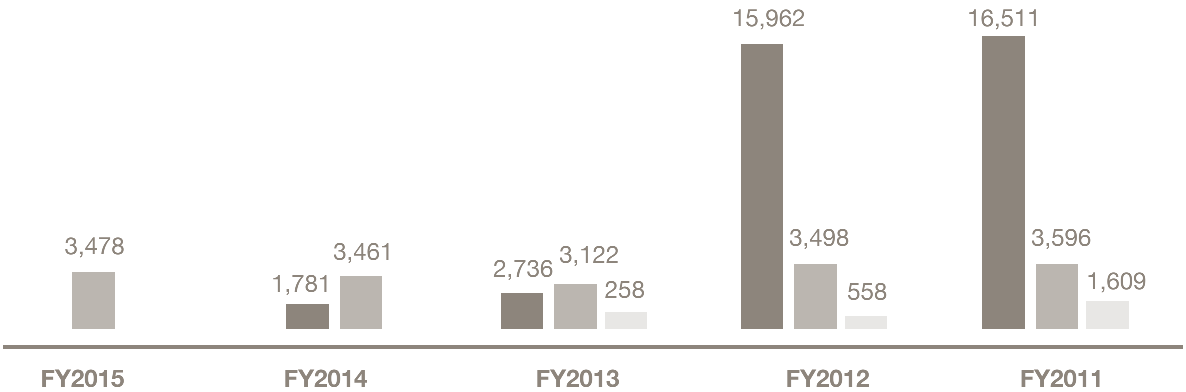
# FIVE-YEAR FINANCIAL HIGHLIGHTS

**Five Year's Performance for Different Business Segments**

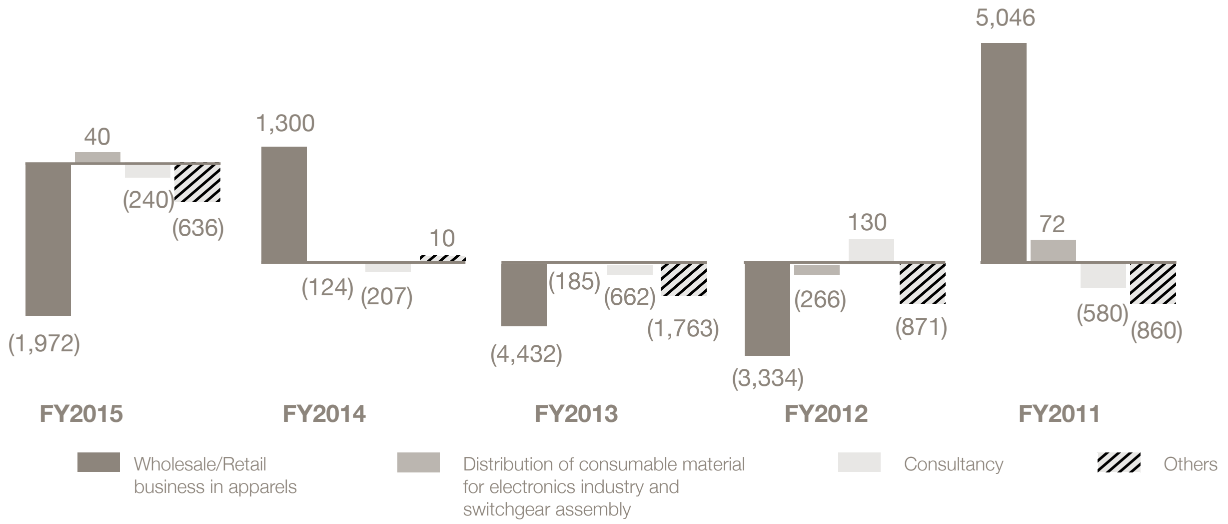
| | FY2011 | FY2012 | FY2013 | FY2014 | FY2015 |
|---|---|---|---|---|---|
| **Revenue for Different Segment of Business ($'000):** | | | | | |
| Wholesale/Retail business in apparels | 16,511 | 15,962 | 2,736 | 1,781 | – |
| Distribution of consumable material for electronics industry and switchgear assembly | 3,596 | 3,498 | 3,122 | 3,461 | 3,478 |
| Consultancy | 1,609 | 558 | 258 | – | – |
| Others | – | – | – | – | – |
| **Profit/(Loss) before Interest and Tax for Different Segment of Business ($'000):** | | | | | |
| Wholesale/Retail business in apparels | 5,046 | (3,334) | (4,432) | 1,300 | (1,972) |
| Distribution of consumable material for electronics industry and switchgear assembly | 72 | (266) | (185) | (124) | 40 |
| Consultancy | (580) | 130 | (662) | (207) | (240) |
| Others | (860) | (871) | (1,763) | 10 | (636) |

**Five Year's Performance for Different Business Segments**

**Revenue for Different Segment of Business ($'000)**




**Profit/(loss) before interest and tax for different Segments of Business ($'000)**



# DIRECTORS' PROFILE

## MR CHAN SIEW WEI
**Independent Non-Executive Chairman**

Mr. Chan Siew Wei, a Chartered Accountant of Singapore and graduated from the National University of Singapore with Bachelor in Accountancy in 1984, was appointed as Independent Director on 8 Oct 2009 and as Lead Independent Director of Vashion Group Ltd. on 3 June 2014. Mr. Chan was redesignated as Chairman of the Board on 23 November 2015. He is the Chairman of Remuneration, Audit, Investment and Nominating Committees of the Group. He is also an independent director of China Mining International Limited, a company listed on Singapore Stock Exchange. Mr. Chan has extensive audit experience. Between 1984 and 1985, he was with Cooper & Lybrand. Since 1985, he joined Chan Hock Send & Co and became an audit partner at Chan Hock Send & Co in 1989 till November 2010. Mr. Chan is the Chairman of INPACT Asia Pacific, an organization for professional accountants in the Asia Pacific region. Mr. Chan is also a director of World Future Foundation, a charity organization registered in Singapore.

## MR TAN CHIN LEE
**Independent Director**

Mr. Tan Chin Lee was appointed as an Independent Director of Vashion Group Ltd on 30 May 2014. Mr. Tan was an Independent Director of Guangzhao Industrial Forest Biotechnology Group a company listed in Singapore Stock Exchange from April 2009 to Feb 2011. Mr. Tan graduated from National Chengchi University of Taiwan in 1984 with Bachelor of Arts majoring in Western Languages and Literature. Mr. Tan has experience of working in the public relations consultancy company and as journalism in various media firms. Through his tenure of engagements with various media firms and consultancies including MediaCorp News, Forbes Zibenjia (資本家), Lianhe Zaobao, Miri Daily News, WeR1 Consultant Pte Ltd and i.MAGE Public Relations Pte. Ltd. he has established a valuable business network and experiences that could contribute to the Group. Currently, he is a self-employed Regional Investor Relations Consultant.

## MR CHRISTIAN KWOK-LEUN YAU HEILESEN
**Executive Director**

Christian Kwok-Leun Yau Heilesen was appointed as an executive director of Vashion Group Ltd on 23 November 2015. Mr. Heilesen is an Internet entrepreneur and founded an internet and mobile value added services company in August 2003. He discovered the potential of online business when he was working part-time after school in his hometown, Copenhagen, Denmark. In 1999, Mr. Heilesen started using his own network of high traffic websites to bring traffic to Fortune 500 advertisers through affiliate programs such as Commission Junction and Websponsors. After graduating from college in 2002, Mr. Heilesen decided to leave Copenhagen and to further develop online business opportunities in Hong Kong. Mr. Heilesen has 10 years of experience dealing with corporate finance, investment activities and banking facilities.

## MS ZHOU JIA LIN
**Non-Executive and Non-Independent Director**

Ms. Zhou Jia Lin was appointed Non-Executive and Non-Independent Director of Vashion Group Limited on 26 October 2010. Ms. Zhou has completed a high school education at Shau Tou 12th Secondary School, Hong Kong. She has some 15 years of working experience in the management of investment portfolios. Having worked as a director of Pinnacle Investment Hong Kong from 1998 to 2002 where she first started, she later undertook corporate finance projects and assisting in looking for viable businesses to invest in. Ms. Zhou manages her own investment and overseas financing portfolio. Her many years of involvement in investment businesses brought her to expand and diversify her existing investment portfolio into Vashion Group. In her investment portfolio, she has a wide network with corporate finance professionals, capital advisors and bankers exploring other potential tie-ups, acquisitions, investments and alternative investment opportunities both in China and overseas. Ms. Zhou also a non-executive director of Echo International Holdings Group Ltd., a company listed on the Hong Kong Stock Exchange.

# DIRECTORS' PROFILE

## MR LEUNG KWOK KUEN JACOB
**Non-Executive and Non-Independent Director**

Mr. Leung Kwok Kuen Jacob was appointed Non-Executive and Non-Independent Director of Vashion Group Limited on 23 November 2015. Mr. Leung has completed the five-year secondary education in Hong Kong on 1982 and passed with the Hong Kong Certificate of Education Examination (HKCEE). Mr. Leung is a chairman of Industronics Berhad, listed on main market of the Bursa Malaysia Securities Berhad. Mr. Leung has extensive experience in securities, financial and corporate management. He assisted the incorporation of Eternal Pearl Securities Limited ("Eternal Pearl"), a licensed corporation to conduct type 1 (dealing in securities) and type 2 (dealing in futures contracts) regulated activities under the Securities and Futures Ordinance, Cap. 571 of the Laws of Hong Kong (the "SFO"), in 2003. Mr. Leung has been the Administrative Manager of Eternal Pearl and responsible for the daily operation and overall strategic development of Eternal Pearl since the incorporation. In addition, he has been a Non-Executive Director of Echo International Holdings Group Limited (listed company in the Growth Enterprise Market of the Stock Exchange of Hong Kong) since September 2015.

# MANAGEMENT PROFILE

## MR CHAN KA KI
**Chief Financial Officer, Vashion Group Ltd, Singapore**

Mr. Chan Ka Ki was appointed as the Chief Financial Officer of Vashion Group Ltd on 7 April 2014. He is responsible for the full spectrum of the financial and accounting functions of the Group. Mr. Chan has 13 years of financial management and reporting experience in Hong Kong and Malaysia. He was an Independent Director of a company listed in Malaysia. He graduated from Monash University, Australia with a Bachelor in Accounting and is a member of both Certified Practising Accountants (Australia) and Hong Kong Institute of Certified Public Accountants.

## MR CHOO TIAN WANG
**Sales and Operations Manager, Hi-Tech Distribution Pte Ltd**

Mr. Choo Tian Wang was appointed General Manager of Hi-Tech Distribution Pte Ltd and Chemitec Industrial Pte Ltd effectively in 2014. He has more than 20 years' experience holding positions in sales and management in the electronic material business. Mr Choo graduated from the Singapore Polytechnic with a Diploma In Chemical Process Technology (Polymer) and he also holds a Diploma in Sales & Marketing from the Marketing Institute of Singapore.

## MR YONG KUEN SHOO
**General Manager, Switech Systems and Marketing Pte Ltd**

Mr. Yong Kuen Shoo was appointed as General Manager of Switech Systems and Marketing Pte Ltd on 1 August 1994. His primary responsibility covers the purchasing, sales and marketing and administrative functions and tasks for this division. He was the product manager in Esco M&E Industries (S) Pte Ltd prior to joining the company. He graduated from the Chartered Institute of Marketing (UK) with a Diploma in Marketing. He holds both an Industrial Technician Certificate from the Singapore Technological Institute and a Full Technological Certificate in Electrical Engineering from City & Guilds (London). Mr Yong has approximately some 30 years of experience in this electrical industry, many of which were accumulated from the planning, execution and completion of many local and overseas projects.

## MR YAP SOO KIAT
**Operations Manager, Switech Systems and Marketing Pte Ltd**

Mr. Yap Soo Kiat was appointed as Operations Manager of Switech Systems and Marketing Pte Ltd on 1 August 1994. Prior to Switech, Mr Yap was with Esco M&E Industries (S) Pte Ltd. He holds both an Industrial Technician Certificate from the Singapore Technological Institute and a Full Technological Certificate in Electrical Engineering from City & Guilds (London). After the stint as Operations Manager at Esco, he and Collin Yong took the major step to start up Switech System & Marketing Pte Ltd in 1993. Collectively, Mr Yap has more than 30 years relevant experience in the various aspects of switchgear business, including project management, engineering design, production, installation and maintenance.

# CORPORATE INFORMATION

## BOARD OF DIRECTORS

**Chairman, Lead Independent Director**

Mr. Chan Siew Wei

**Executive Director**

Mr. Christian Kwok-Leun Yau Heilesen

**Independent Directors**

Mr. Tan Chin Lee

**Non-Executive Non-Independent Director**

Ms. Zhou Jia Lin

**Non-Executive Non-Independent Director**

Mr. Leung Kwok Kuen Jacob

## COMPANY SECRETARY

Foo Soon Soo

## REGISTERED OFFICE

Harvest @ Woodlands
280 Woodlands Industrial Park E5
#10-50, Singapore 757322
Tel: (65) 62689565
Fax: (65) 62689735
Email : info@vashiongroup.com

## SHARE REGISTRAR

KCK Corpserve Pte Ltd
333, North Bridge Road, #08-00
KH KEA Building
Singapore 188721

## AUDITORS

Moore Stephens LLP
Certified Public Accountants
10 Anson Road
29-15, International Plaza,
Singapore 079903
Partner-in-charge:
Ng Chiou Gee Willy
(Appointed in financial year 2012)

## BANKERS

DBS Bank Ltd
United Overseas Bank Ltd
Overseas Chinese Banking Corporation
RHB Bank Berhad Singapore
Malayan Banking Berhad

# CORPORATE GOVERNANCE REPORT

The Board of Directors (the "**Board**") of Vashion Group Ltd (the "**Company**") is committed to ensuring and maintaining a high standard of corporate governance within the Group. This report describes the corporate governance framework and practices of the Company with specific reference to the principles and guidelines set out in the 2012 Code of Corporate Governance (the "**Code**") and areas of non-compliance have been explained in the report.

## Board Matters

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

**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.**

### Role of Board of Directors

The Board's primary role is to protect and enhance long-term shareholders' value. It provides entrepreneurial leadership, sets the overall strategy for the Group and ensures that the necessary financial and human resources are in place for the Company to meet its objectives. The Board establishes a framework of prudent and effective controls which enables risks to be assessed and managed, including safeguarding of shareholders' interests and the Company's assets, supervises the Management and monitors performance of these goals to enhance shareholders' value. The Board is responsible for the overall corporate governance of the Group at all times as fiduciaries in the interests of the Company.

The responsibilities of the Board include the following:

(a) identify the key stakeholder groups and recognise that their perceptions affect the company's reputation;

(b) set the company's values and standards (including ethical standards), and ensure that obligations to shareholders and other stakeholders are understood and met; and

(c) consider sustainability issues, e.g. environmental and social factors, as part of its strategic formulation.

All directors discharge their duties and responsibilities at all times as fiduciaries in the interest of the Group and exercise due diligence in dealing with the business affairs of the Group and are obliged to act in good faith in the interest of the Group.

### Delegation by the Board

Board Committees, namely the Audit Committee ("**AC**"), Nominating Committee ("**NC**"), Remuneration Committee ("**RC**") and Investment Committee ("**IC**") (hereinafter referred as "**Board Committees**") have been constituted to assist the Board in carrying out and discharging its duties and responsibilities efficiently and effectively. The Board Committees function within clearly defined terms of references and operating procedures which are reviewed on a regular basis. The effectiveness of each Board Committee is also constantly reviewed by the Board.

There was no Investment Committee meeting held during FY2015. The following table discloses the number of Board and other Board Committee meetings held for the financial year 2015 and the attendance of Board members excluding Mr Christian Kwok-Leun Yau Heilesen and Mr Leung Kwok Kuen Jacob who were appointed on 23 November 2015 subsequent to the last Board meeting held during the year.

# CORPORATE GOVERNANCE REPORT

| | Board | Audit Committee | Remuneration Committee | Nominating Committee |
|---|---|---|---|---|
| **No. of Meetings held during financial year ended 31 December 2015** | 3 | 2 | 1 | 1 |

| Name of Directors | Number of Meetings Attended | | | |
|---|---|---|---|---|
| | Board | Audit Committee | Remuneration Committee | Nominating Committee |
| Mr Tansri Saridju Benui (resigned on 23 November 2015) | 3 | 2* | 1* | 1* |
| Mr Khoo Yick Wai (resigned on 23 November 2015) | 2 | 2* | 1* | 1 |
| Mr Tan Chin Lee | 3 | 2 | 1 | 1 |
| Mr Chan Siew Wei | 3 | 2 | 1 | 1 |
| Ms Zhou Jia Lin | 1 | 1 | NA | NA |

*** denotes attendance by Invitation**

While the Board considers Directors' attendance at Board meetings to be important, it should not be the only criterion to measure their contributions. It also takes into account the contributions by Board members in other forms including periodical reviews and provision of guidance and advice on various matters relating to the Group. The minutes of the Board and Committee meetings will be circulated to all directors including those absent from the meeting and the absent director will be given opportunity to contribute their valuable feedback through email or conference call if required. The Board has noted that this arrangement is effective to assist the Board for making decision.

**Reserved matters for Board's approval**

Matters specifically reserved to the Board for its approval are:

- Issuing of shares
- Bank borrowing
- Material acquisitions or disposal of assets
- Approval of half-yearly and year-end results announcement and other public announcements
- Secretarial matters
- Appointments of officers and persons related to CEO and executive director
- Establishment of Board Committees

**Orientation, briefings, updates and trainings for Directors in FY 2015**

The Company has in place an orientation process. A new incoming director is issued a formal letter of appointment setting out his duties and obligations. Incoming directors joining the Board will be briefed by the NC on their directors' duties and obligations and be introduced to the Group's business and governance practices and arrangements, in particular the Company's policies relating to the disclosure of interests in securities, disclosure of conflicts of interest in transactions involving the Company, prohibition on dealings in the Company's securities and restrictions on the disclosure of price-sensitive information. The Company provides training and/or briefing for first-time director in areas such as accounting, legal and industry-specific knowledge as appropriate. The training of directors is arranged and funded by the Company.

The incoming director will meet up with the senior management and the Company Secretary to familiarise himself with their roles, organisation structure and business practices. This will enable him to get acquainted with senior management and the Company Secretary thereby facilitating board interaction and independent access to senior management and the Company Secretary.

# CORPORATE GOVERNANCE REPORT

Mr Christian Kwok-Leun Yau Heilesen and Mr Leung Kwok Kuen Jacob who were newly appointed directors had received their orientation as outlined above.

During the financial year reported on, the Directors had received updates on regulatory changes to the Listing Rules, amendments to the Companies Act and the accounting standards. The Executive Director updates the Board at each Board meeting on business and strategic developments. The management highlights the salient issues as well as the risk management considerations for the entire business of the Group.

**Board Composition**

The Board examines its size to satisfy that it is an appropriate size for effective decision making, taking into account the nature and scope of the Company's operations. The Directors are also from diverse background and areas of expertise, such as accounting, business management and finance and information technology. The Directors bring to the Board their related experience, knowledge and also provide guidance in the various Board Committees, that is, the AC, RC, NC and IC. Key information regarding the Directors is provided on pages 9 and 10 of this annual report.

The Board of Directors currently comprises five directors, two of whom are Independent Directors. The Board members are:

| | |
|---|---|
| Mr Chan Siew Wei | (Non-Executive Chairman and Lead Independent Director) |
| Mr Tan Chin Lee | (Non-Executive and Independent Director) |
| Ms Zhou Jia Lin | (Non-Executive and Non-Independent Director) |
| Mr Christian Kwok-Leun Yau Heilesen | (Executive Director) |
| Mr Leung Kwok Kuen Jacob | (Non-Executive and Non-Independent Director) |

The Board has considered the present Board size and is satisfied that the current size facilitates effective decision making and is appropriate for the nature and scope of the Group's operations.

Non-executive Directors constructively challenge and help develop proposals on strategy, and review the performance of Management in meeting agreed goals and objectives and monitor the reporting of performance.

The Board and the Management engage in open and constructive debate and challenge the Management on its business proposals. A board should also aid in the development of strategic proposals and oversees the effective implementation by Management to achieve set objective.

**Independent Directors**

The Board of Directors has two directors who are independent members. The criteria for independence are determined based on the definition provided in the Code.

The Board considers an Independent Director as one who has no relationship with the Company, its related companies, its 10% shareholders or its officers that could interfere, or be reasonably perceived to interfere, with the exercise of the directors' independent judgement with a view to the best interests of the Company.

The Independent Directors, Mr Chan Siew Wei and Mr Tan Chin Lee have confirmed their independence and they do not have any relationship with the Company, its related corporations, its 10% shareholders or its officers that could interfere, or be reasonably perceived to interfere, with the exercise of their independent judgment. The NC is of the view that Mr Chan Siew Wei and Mr Tan Chin Lee have engaged the Board in constructive discussion, their contributions are relevant and reasoned, and they have exercised independent judgment without dominating the Board discussions. The NC has reviewed and considered them to be independent. While none of the Independent Directors have served on the Board for a period exceeding nine years from the date of their first appointments, nonetheless the NC will review succession plans for directors and will seek to refresh the Board in an orderly manner where it deems appropriate.

# CORPORATE GOVERNANCE REPORT

**Board Processes**

To assist in the execution of its responsibilities, the Board has established an AC, NC, RC and IC. These committees function within clearly defined terms of references and operating procedures, which are reviewed on a regular basis by the Board. The Board also constantly reviews the effectiveness of each committee.

The Board meets as and when necessary to address any specific significant matters that may arise.

The Board considers its Non-Executive Directors to be of sufficient calibre and number and their views to be of sufficient weight that no individual or small group can dominate the Board's decision-making processes.

To facilitate a more effective check on Management, non-executive directors would meet at least once a year without the presence of Management.

**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.**

**Chairman and Chief Executive Officer**

The functions of Chairman and the Executive Directors are assumed by 2 individuals. As the Company has a separate Non-Executive Chairman and a Executive Directors, there is a balance of power and authority, increased accountability and greater capacity of the Board. The roles of Non-Executive Chairman and Executive Director are separate and they are not related. The Non-Executive Chairman, Mr Chan Siew Wei, is primarily responsible for overseeing the overall management and strategic development of the Company.

His responsibilities include:

- leading the Board to ensure its effectiveness on all aspects of its role;
- Chairing meetings on key strategic development and investment plans;
- Ensuring regular meetings (with the assistance of the Company Secretary) to enable the Board to perform its duties responsibly while not interfering with the flow of the Group's operations;
- Preparing meeting agenda (in consultation with the Executive Director and CFO) and set the agenda to ensure that adequate time is available for discussion of all agenda items, particularly strategic issues;
- Promoting a culture of openness and debate at the Board's level;
- Ensuring that the directors receive complete, adequate and timely information;
- Ensuring the Company is in compliance with the Code;
- Reviewing board papers that are presented to the Board;
- Ensuring effective communication with shareholders;
- Encouraging constructive relations within the Board and between the Board and Management;
- Facilitating the effective contribution of non-executive directors in particular; and
- Promoting high standards of corporate governance.

# CORPORATE GOVERNANCE REPORT

In assuming his roles and responsibilities, Mr Chan Siew Wei consults with the Board, AC, NC, RC and IC on major issues and as such, the Board believes that there are adequate safeguards in place against having a concentration of power and authority in a single individual.

Since the former CEO, Mr Khoo Yick Wai resigned on 23 November 2015, the Company had tasked its Executive Director, Mr Christian Kwok-Leun Yau Heilesen to oversee the day-to-day management of the Company and the Group's affairs. He reports to the Board and ensures that policies and strategies adopted by the Board are implemented.

**Board Committees**

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

**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.**

**Nominating Committee**

The NC comprises the following members: -

| | |
|---|---|
| Mr Chan Siew Wei | (Chairman and Lead Independent Director) |
| Mr Tan Chin Lee | (Member and Independent Director) |
| Mr Leung Kwok Kuen Jacob | (Member and Non-Executive Non-Independent Director) |

The primary function of the NC is to determine the criteria for identifying candidates and to review nominations for the appointment of Directors to the Board, to decide how the Board's performance may be evaluated and to propose objective performance criteria for the Board's approval. Led by the Lead Independent Director, the independent directors meet periodically without the presence of other directors. Its duties and functions are outlined as follows: -

a. to make recommendations to the Board on all board appointments and re-nominations having regard to the director's contribution and performance (eg. attendance, preparedness, participation, candour and any other salient factors);

b. to ensure that all Directors submit themselves for re-nomination and re-election at regular intervals and at least once in every three years;

c. to determine annually whether a Director is independent, in accordance with the independence guidelines contained in the Code;

d. to decide whether a Director is able to carry and has adequately carried out his duties as a Director of the Company, in particular, where the Director concerned has multiple board representations;

e. to decide how the Board's performance may be evaluated and to propose objective performance criteria;

f. to review the Board's succession plans for directors, particularly, the Chairman of the Board and the CEO/ Executive Director; and

g. to review training and professional development programs for the Board.

The NC has conducted an annual review of the independence of the Independent Directors, using the criteria of independence in the Code, and has ascertained that they are independent.

Each year, the Directors are to complete evaluation forms to assess the overall effectiveness of the Board and the Board Committees, as well as conduct a self-assessment. The results of the evaluation exercise were considered by the NC, which then made recommendations to the Board, aimed at assisting the Board to discharge its duties more effectively.

# CORPORATE GOVERNANCE REPORT

In assessing the Board's effectiveness, the NC considers a number of factors, including the discharge of the Board's functions, access to information, Directors' participation at board meetings and communication and guidance given by the Board to top management.

In evaluating the Board's performance, the NC implements an assessment process that requires each Director to submit an assessment form of the performance of the Board as a whole during the financial year under review. This assessment process takes into account, inter alia, performance indicators such as the Board composition, maintenance of independence, Board information, Board process, Board accountability, communication with Management and standard of conduct. The results of the assessment exercise were reviewed by the NC and the NC also considered the contribution by each director towards the achievement of the Board for each of the performance indicator.

The contribution of each individual Director to the effectiveness of the Board and Board Committees, where the individual director sits on Board Committee(s) is assessed individually and reviewed by the NC Chairman. The assessment criteria include, inter alia, commitment of time, knowledge and abilities, teamwork, overall effectiveness. The NC's evaluation is shared with the Board and the Chairman would act on the results of the performance evaluation, and in consultation with the NC, propose, where appropriate, new members to be appointed to the Board or seek the resignation of directors.

The NC has reviewed the overall performance of the Board and Board Committees in terms of each role and responsibilities and the conduct of individual Directors' performance individually and contribution to the Board and Board Committees as the case may be for FY 2015 and is of the view that the performance of the Board as a whole, the Board Committees and each individual Director, has been satisfactory. Although some of the Board members have multiple board representations, the NC is satisfied that sufficient time and attention has been given to the Group by these Directors.

## SELECTION, APPOINTMENT AND RE-APPOINTMENT OF DIRECTORS

The Company has in place the policy and procedures for the appointment of new directors, including the search and nomination process. The search for a suitable candidate could be drawn from contacts and the network of existing Directors. The NC can approach relevant institutions such as the Singapore Institute of Directors, professional organisations or business federations to source for a suitable candidate.

The NC will deliberate and propose the background, skills, qualification and experience of the candidate it deems appropriate. The factors taken into consideration by the NC could include, among other things, whether the new director can add to or complement the mix of skills and qualifications in the existing Board, relevance of his experience and contributions to the business of the Company and the depth and breadth he could bring to Board discussions.

New directors will be appointed by way of a Board resolution, after the NC makes the necessary recommendation to the Board. New directors joining the Board would receive a formal appointment letter setting out their duties and obligations, be briefed by the NC on their directors' duties and obligations and introduced to the Group's business and governance practice and, particularly, the Company's policies relating to the disclosure of interests in securities, disclosure of conflicts of interest in transactions involving the Group, prohibitions on dealings in the Company's securities and restrictions on the disclosure of price-sensitive information.

Under the Constitution of the Company, all directors appointed by the Board will be required to retire and be eligible for re-election at the next annual general meeting ("AGM"). Accordingly, Mr Christian Kwok-Leun Yau Heilesen and Mr Leung Kwok Kuen Jacob will retire at the forthcoming AGM and have consented to stand for re-election.

The Constitution of the Company requires one-third of the Board to retire from office at each annual general meeting. Accordingly, the Directors will submit themselves for re-nomination and re-election at regular intervals of at least once every three years.

The NC has recommended to the Board, the re-election of Mr Tan Chin Lee and who will retire by rotation at the forthcoming Annual General Meeting ("AGM").

# CORPORATE GOVERNANCE REPORT

In making recommendation for the purpose of re-nomination of these Directors, the NC has taken into consideration these Directors' contribution and performance. The Board has accepted the NC's recommendation.

Particulars of Directors pursuant to the Code: -

| Directors | Position held on the Board | Date of first appointment to the Board | Date of last re-election as director | Directorships in other listed companies | Directorships held over the preceding 3 years in other listed companies | Principal commitments |
|---|---|---|---|---|---|---|
| Chan Siew Wei | Non-Executive Chairman/ Lead Independent Director | 8 October 2009 | 29 April 2015 | China Mining International Limited | Nil | Nil |
| Tan Chin Lee | Non-Executive/ Independent Director | 30 May 2014 | – | Nil | Nil | Nil |
| Zhou Jia Lin | Non-Executive/ Non-Independent Director | 26 October 2010 | 27 June 2014 | Echo International Holdings Group Limited | Nil | Nil |
| Christian Kwok-Leun Yau Heilesen | Executive Director | 23 November 2015 | – | Nil | 1) GPRO Technologies Berhad<br>2) Industronics Berhad | Nil |
| Leung Kwok Kuen Jacob | Non-Executive Non-Independent Director | 23 November 2015 | – | 1) Echo International Holdings Group Limited<br>2) Industronics Berhad | Nil | Nil |
| Tansri Saridju Benui # | Executive/ Non-Independent Chairman | 21 May 2010 | 29 April 2015 | Nil | Nil | Nil |
| Khoo Yick Wai# | Executive/ Non-Independent Director | 3 August 2006 | 27 June 2014 | Nil | Nil | Nil |

# resigned on 23 November 2015

### MULTIPLE BOARD REPRESENTATIONS

The NC had considered and the Board had concurred that it would not be appropriate to set a limit on the number of directorships that a Director may hold because directors have different capabilities, and the nature of the organisations in which they hold appointments and the kind of committees on which they serve are of different complexities. It is for each Director to personally determine the demands of his or her competing directorships and obligations and assess the number of directorships they could hold and serve effectively. A safeguard is the annual review by the NC of each Director's time commitment and performance and assessment whether each Director has discharged his duties adequately.

# CORPORATE GOVERNANCE REPORT

**Principle 6: In order to fulfill their responsibilities, director 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.**
**Access to Information**

The Board has separate and independent access to senior management and the Company Secretary at all times. Management deals with requests for information from the Board promptly. The Board is informed of all material events and transactions as and when they occur.

Information provided included board papers and related materials, background or explanatory information relating to matters to be brought before the Board, and copies of disclosure documents, budgets, forecasts and quarterly internal financial statements and as and when requested by directors. In respect of budgets, any material variance between the projections and actual results are disclosed and explained by the CFO where appropriate.

The Company Secretary assists the Board to ensure that board procedures are followed and that the Company complies with all rules and regulations that are applicable to the Company.

Each Director has the right to seek independent legal and other professional advice, at the Company's expense, concerning any aspect of the Group's operations or undertakings in order to fulfill their duties and responsibilities as directors.

Directors should have separate and independent access to the company secretary. The role of the company secretary is to ensure that board procedures are followed and that applicable rules and regulations are complied with. Under the direction of the Chairman, the company secretary's responsibilities include ensuring good information flows within the Board and its board committees and, advising the Board on all corporate governance matters. The company secretary or her representative attends all board meetings.

The appointment of the company secretary is a matter for the Board as a whole and the resignation of the company secretary is for noting by the Board.

**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.**

**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.**

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

**Remuneration Committee**

The RC comprises three directors, the majority of whom are non-executive and independent.

| | |
|---|---|
| Mr Chan Siew Wei | (Chairman and Lead Independent Director) |
| Mr Tan Chin Lee | (Member and Independent Director) |
| Ms Zhou Jia Lin | (Member, Non-Independent and Non-Executive Director) |

RC will have access to expert advice in the field of executive compensation outside the Company when required. For FY2015, the Company has not engaged any remuneration consultant.

# CORPORATE GOVERNANCE REPORT

The RC's role is to review and approve recommendations on remuneration policies and packages for key executives. The review will cover all aspects of remuneration including but not limited to directors' fees, salaries, allowances, bonus, options and benefits in kind. The RC's recommendations are made in consultation with the Chairman of the Board and submitted for endorsement by the entire Board.

The payment of fee to Directors is subject to approval at the annual general meeting of the Company. No Director is involved in deciding his own remuneration.

The RC reviews the company's obligations arising in the event of termination of the executive directors' and key management personnel's contracts of service, to ensure that such contracts of service contain fair and reasonable termination clauses which are not overly generous. The RC aims to be fair and avoid rewarding poor performance.

Remuneration of senior management staff will be reviewed by the Company of the executive directors' and key management personnel's contracts of service, to ensure that such contracts are to the extent contribution of the staff towards the financial health and business needs of the Company.

The annual reviews of the compensation are carried out by the RC to ensure that the remuneration of the Executive Directors and key management personnel commensurate with their responsibility and performance and that of the Company, giving due regard to the financial and business needs of the Group.

In addition, in discharging its functions, the RC may obtain independent external professional advice as it deems necessary and the cost of which will be borne by the Company.

Each member of the RC shall abstain from voting on any resolutions in respect of his or her own remuneration package. Long-term incentive schemes are generally encouraged for executive directors and key management personnel. The RC may review whether executive directors and key management personnel should be eligible for benefits under long-term incentive schemes. The costs and benefits of long-term incentive schemes should be carefully evaluated. In normal circumstances, offers of shares or grants of options or other forms of deferred remuneration should vest over a period of time. The use of vesting schedules, whereby only a portion of the benefits can be exercised each year, is also strongly encouraged. Executive directors and key management personnel should be encouraged to hold their shares beyond the vesting period, subject to the need to finance any cost of acquiring the shares and associated tax liability. Currently, the Company has no share-based compensation scheme or any long-term scheme involving the offer of shares or options in place.

The Board concurred with the RC that the proposed directors' fees for the year ended 31 December 2015 is appropriate and that the independent directors receive directors' fee in accordance with their level of contributions, taking into account factors such as effort and time spent for serving on the Board and Board Committees, as well as the responsibilities and obligations of the directors. The Company recognizes the need to pay competitive fees to attract, motivate and retain directors without being excessive to the extent that their independence might be compromised.

The Company does not have any share-based compensation schemes or any long-term scheme involving the offer of shares in place to encourage independent directors to hold shares in the Company. However, the RC may consider implementing the schemes that encourage non-executive directors to hold shares in the company so as to better align the interests of such non-executive directors.

Companies are encouraged to consider the use of 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. However, having reviewed and considered there is no variable incentive components of the Executive Directors and the key management personnel, the RC is of the view that there is no requirement to institute contractual provisions to allow the Company to reclaim incentive components of their remuneration paid in prior years in exceptional circumstances of misstatement of financial results, or of misconduct resulting in financial loss.

In setting remuneration packages, the company will take into consideration of pay and employment conditions within the industry and in comparable companies.

# CORPORATE GOVERNANCE REPORT

**Remuneration Matters**

The Board has recommended a fixed fee for non-executive directors, taking into account the effort, time spent and responsibilities of each non-executive director. The fee of non-executive directors will be subjected to shareholders' approval at the Annual General Meeting.

The remuneration of executive director and key management personnel comprises a basic salary and a variable annual bonus based on the performance of the Group and their individual performance.

A breakdown showing the level and mix of each Director's and key executives remuneration paid and payable for Financial Year 2015 is as follows:

| Name of Director | Salary (S$) | Bonus (S$) | Other Benefits (S$) | Directors' Fee (S$) | Total (S$) |
|---|---|---|---|---|---|
| Mr Tansri Saridju Benui (resigned on 23 November 2015) | 71,500 | – | 9,224 | – | 80,724 |
| Mr Khoo Yick Wai (resigned on 23 November 2015) | 129,267 | – | 6,382 | – | 135,648 |
| Mr Chan Siew Wei | – | – | – | 73,700 | 73,700 |
| Mr Tan Chin Lee | – | – | – | 30,000 | 30,000 |
| Ms Zhou Jia Lin | – | – | – | 69,669 | 69,669 |
| Mr Christian Kwok-Leun Yau Heilesen (appointed on 23 November 2015) | – | – | – | – | – |
| Leung Kwok Kuen Jacob (appointed on 23 November 2015) | – | – | – | – | – |
| **Name of Top 5 Executives** | **Salary %** | **Bonus %** | **Other Benefits %** | **Total %** | **Total Remuneration in Compensation Bands of $250,000** |
| Mr Chan Ka Ki, Chief Financial Officer | 100 | – | – | 100 | <$250,000 |
| Mr Choo Tian Wang, General Manager | 100 | – | – | 100 | <$250,000 |
| Mr Yong Kuen Shoo, General Manager | 100 | – | – | 100 | <$250,000 |
| Mr Yap Soo Kiat, General Manager | 100 | – | – | 100 | <$250,000 |

The Company has four key management executives for FY2015. In aggregate, the total remuneration paid to them in financial year ended 31 December 2015 was S$335,407.

The Board, after weighing the advantages and disadvantages of such disclosure, is of the view that full disclosure of the actual remuneration of each key management executive pursuant to Rule 1204(12) of the Catalist Rules and Guideline 9.2 of the Code would not be in the interests of the Company as such information is confidential and sensitive in nature, and can be exploited by competitors.

**Immediate Family Member of Directors or the CEO**

There were no employees during the financial period from 1 January 2015 to 31 December 2015 who were immediate family members of a Director whose remuneration exceeded S$50,000.

In setting the remuneration packages of the Executive Directors and officers, the Company takes into account of the contribution of the Executive Directors and officers to the Group and that is aligned with long term interest and risk policies of the Group.

# CORPORATE GOVERNANCE REPORT

**Share Incentive Scheme**

The Company does not currently have any share option or other share incentive schemes for its employees. On 1 January 2013, it was estimated that a total of 330,518,260 performance bonus shares would be issued as new ordinary shares of the Company pursuant to the service agreement with former executive directors of a subsidiary (the "Executives").

On 21 October 2013, the Group entered into a settlement agreement ("Settlement Agreement") with the Executives whereby it was agreed that an aggregate 280,768,000 new ordinary shares of the Company shall be issued to the Executives in equal proportion at a consideration of S$0.01 each by 30 October 2014 (the "Revised Performance Bonus Shares") as performance bonuses. The issuance of the Revised Performance Bonus Shares was approved by shareholders of the Company at an Extraordinary General Meeting ("EGM") held on 28 January 2014.

On 31 October 2014, the Company and the Executives entered into a supplemental agreement to the Settlement Agreement ("Supplemental Agreement") to extend the date for the issue of the 280,768,000 Revised Performance Bonus shares to the Executives to 31 December 2014. The rationale for the entry of the Supplemental Agreement and the proposed delay in the issue of the new shares is that the trading in the shares of the Company is currently suspended and the Company intends to issue the new shares to the Executives upon the resumption of trading of the shares.

On 31 December 2014, the Company and the Executives entered into 2$^{nd}$ supplemental agreement to extend the date for the issuing of performance bonus shares to 31 March 2015.

On 31 March 2015, the Company and the Executives entered into 3$^{rd}$ supplemental agreement to extend the date for the issuing of performance bonus shares to 30 June 2015.

On 30 June 2015, the Company and the Executives entered into a 4$^{th}$ Supplemental Agreement with Mr Ng and Mr Fu to extent the settlement date to 30 September 2015.

On 30 September 2015, the Company and the Executives entered into a 5$^{th}$ Supplemental Agreement with Mr Ng and Mr Fu to extent the settlement date to 31 December 2015.

On 31 December 2015, the Company and the Executives entered into a 6$^{th}$ Supplemental Agreement with Mr Ng and Mr Fu to extent the settlement date to 31 March 2016.

The Company, Mr Ng Wai Hung ("Mr Ng") and Mr Fu Ngai Man, Raymond ("Mr Fu") had on 31 March 2016 entered into a 7th supplemental agreement to the Settlement Agreement extending the date to issue such New Shares to Mr Ng and Mr Fu to 30 June 2016.

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

The Board is accountable to the shareholders and is mindful of its obligations to ensure compliance with the statutory requirements and Section B: Rules of Catalist of the Listing Manual of the Singapore Exchange Securities Trading Limited ("Catalist Rules"). The Directors have each signed the respective undertaking in the form set out in Appendix 7H of the Catalist Rules to undertake to use their best endeavours to comply with the Catalist Rules and to procure that the Company shall so comply. The Directors have also procured a similar undertaking by the Chief Financial Officer and the Finance Manager in their capacity as Executive Officers.

Price sensitive information will be publicly released either before the Company meets with any group of investors or analysts or simultaneously with such meetings. Financial results and annual reports will be announced or issued within legally prescribed periods. The Board also undertakes such effort in respect of other price sensitive public reports and reports to regulators, where required.

Management provides all members of the Board with management accounts which presents a balanced and understandable assessment of the Group's performance, position and prospects on quarterly basis. Board deems quarterly reporting is sufficient given the current business operations of the Company. As and when circumstances arise, the Board can request management to provide the management accounts of the Group on monthly basis.

# CORPORATE GOVERNANCE REPORT

The Board takes adequate steps to ensure compliance with legislative and regulatory requirements by briefings received from external service providers, namely, the external auditors on the changes of the accounting standards in Singapore and the company secretary on changes to the listing requirements and amendments of the Companies Act, where applicable.

**Principle 11: The Board is responsible for the governance of risk. The Board should ensure that Management maintains a sound system of risk management and internal controls to safeguard the shareholders' interest 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.**

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

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

**Risk Management**

The Board determined the Company's levels of risk tolerance and risk policies, and oversee Management in the design, implementation and monitoring of the risk management and internal control systems.

The AC oversees the Group's risk management process, through reviewing the adequacy and effectiveness of the risk management policy, practices and strategies. It also has oversight of key risk exposures and will in turn report to the Board of Directors on all risk matters. As the oversight of risk vests with the AC, the Board does not see the need to form a separate risk management committee comprising AC members.

The Group and the Company do not hold or issue derivative financial instruments for trading purposes or hedge against fluctuation in interest rates and foreign exchange rates. The steps taken by the Group to manage its exposure to financial risk are set out in the Financial Report on pages 83 to 91 of the Notes to the Financial Statements.

Annually, the Board reviews the adequacy and effectiveness of the Company's risk management and internal control systems, including financial, operational, compliance and information technology controls. These reviews are carried out internally or with the assistance of internal auditors appointed during the financial year just ended.

The previous CEO, Mr Koo Yick Wai resigned on 23 November 2015. For the financial year ended 31 December 2015, the Board has received assurance from the Executive Director and the Chief Financial Officer that the financial records have been properly maintained and the financial statements give a true and fair view of the Group's operations and finances, and regarding the effectiveness of the Company's risk management and internal controls system.

Going forward the Group would implement a stringent cost and cash flow management and all expenses would be approved by the top management and monthly cash flow forecast for next twelve months would be circulated to the Board for monitoring and necessary actions.

**Internal Audit and Internal Controls**

The Group has outsourced its internal audit function to JF Virtus Pte Ltd ("**JF Virtus**"). The Board and AC approve the hiring, removal, evaluation and compensation of the internal auditors.

The IA plan their audit schedules in consultation with, but independent of, the management. The IA plan is submitted to the AC for approval prior to implementation. The AC reviews the activities of the IA, and meets with the internal auditor to approve their plans and to review their report for the prior reporting period.

The IA will report their audit findings and recommendations directly to the AC. The IA has unfettered access to all the Group's documents, records, properties and personnel, including access to the AC.

# CORPORATE GOVERNANCE REPORT

The Board is of the opinion that the key financial, operational, compliance and information technology risks of the Group have been reduced materially after the completion of the disposal of Shenzhen Louis Gianni Costume Co. Ltd., the revised system of internal controls recommended by JF Virtus have adequately addressed the key financial, operational, compliance and information technology risks of the Group.

Based on the Group existing management controls in place, the internal control policies and procedures established and maintained by the Group, as well as the reviews performed by the external and internal auditors, the Board, with the concurrence of the AC, is of the view that the internal control systems of the Group, addressing the financial, operational and compliance, information technology risks and risk management system are adequate as at 31 December 2015.

The Board, having considered and assessed the suitability, adequacy of resources and experience of JF Virtus, is satisfied that the appointment of JF Virtus would assist and not compromise the standard and effectiveness of the internal audit of the Company.

The Board is of the view that the IA function being conducted by JF Virtus is staffed with persons with relevant qualifications and experience. IA has carried out its function according to the standards set by nationally or internationally recognized professional included the Standard for the Professional Practice of Internal Auditing set by the Institute of Internal Auditors.

**Audit Committee (AC)**

The AC comprises three directors, the majority of whom are non-executive and independent. The members of the AC are:

| | |
|---|---|
| Mr Chan Siew Wei | (Chairman and Lead Independent Director) |
| Mr Tan Chin Lee | (Member and Independent Director) |
| Ms Zhou Jia Lin | (Member, Non-Independent and Non-Executive Director) |

The Chairman of the AC is Mr Chan Siew Wei, a Chartered Accountant of Singapore. Mr Tan Chin Lee has established business network and experience. Ms Zhou Jia Lin has 15 years of management and investment experience. The Board is of the view that the members of the AC are appropriately qualified, having accounting or related financial and management expertise or experience as the Board interprets such qualification, to discharge their responsibilities.

The role and functions of the AC are specified in the Companies Act, Cap 50 and is guided by the AC's Terms of Reference adopted by the Board, which are as follows:-

a. review annually with the external auditors the scope, audit plan, their evaluation of the system of internal accounting controls, their audit report, the independence and objectivity, their management letter and the management's response;

b. review and report to the Board at least annually on the adequacy and effectiveness of the Group's internal controls and internal audit function, including financial, operational, compliance and information technology controls;

c. review the interim and annual financial statements, announcements and balance sheets and income statements before submission to the Board for its approval, focusing in particular, on changes in accounting policies and practices, major risk areas, significant adjustments resulting from the audit, compliance with Financial Reporting Standards as well as compliance with any stock exchange and statutory regulatory requirements;

d. ensure co-ordination between the external auditors and the management, review the assistance given by management to the auditors and discuss problems and concerns, if any, arising from the interim and final audits, and any matters which the auditors may wish to discuss (in the absence of management where necessary);

e. review and discuss with the external auditors any suspected fraud or irregularity, or suspected infringement of any relevant laws, rules or regulations, which has or is likely to have a material impact on the Group's operating results or financial position, and the management's response;

# CORPORATE GOVERNANCE REPORT

f. consider the appointment or re-appointment of the external auditors, the audit fee, and matters relating to the resignation or dismissal of the auditors;

g. the AC shall meet with the external auditors and internal auditor without the presence of the Company's management at least once a year;

h. Review transactions falling within the scope of the Audit Committee Charter in respect of Interested Person Transactions and the Rules of Catalist;

i. undertake such other reviews and projects as may be requested by the Board and report to the Board its findings from time to time on matters arising and requiring the attention of the AC; and

j. generally undertake such other functions and duties as may be required under the Audit Committee Charter, by statute or the Rules of Catalist, and by such amendments made thereto from time to time.

The AC has explicit authority to investigate any matter within its terms of reference, full access to and co-operation by Management and full discretion to invite any director or executive officer to attend its meetings, and reasonable resources to enable it to discharge its functions properly. The Board is satisfied that the members of the AC have recent and relevant accounting or related financial management expertise or experience to discharge the AC's functions. The AC is kept abreast by the Management and the external auditors of changes to accounting standards, Listing Rules of the SGX-ST and other regulations which could have an impact on the Group's business and financial statements.

The Company confirms that it has complied with Catalist Rules 712 and 715. The Company engaged Moore Stephens LLP, registered with the Accounting and Corporate Regulatory Authority, as the external auditors of the Company and all of its Singapore subsidiaries. The Company also engaged Lau & Au Yeung C.P.A. Limited, registered with the Hong Kong Institute of Certified Public Accountants, as the external auditors of all Hong Kong subsidiaries. The Board and the Audit Committee are satisfied that the appointment of different auditors for its Hong Kong subsidiaries would not compromise the standard and effectiveness of the audit of the Group, and accordingly, Rule 716 of the Catalist Rules has been complied with.

The audit fees to external auditors in 2015 were S$106,500 and there is no non-audit service rendered by external auditor.

The AC has recommended to the Board of Directors that the external auditors, Moore Stephens LLP be nominated for re-appointment as auditors at the forthcoming AGM of the Company.

The Company has in place a whistle-blowing framework where staff of the Company can access the AC Chairman to raise concerns about improprieties.

Employees are free to bring complaints in confidence to the attention of their supervisors. The recipient of such complaints shall forward them promptly to the AC Chairman. The Group will treat all information received confidentially and protect the identity and the interest of all whistleblowers. Following investigation and evaluation of a complaint, the AC Chairman shall report to the AC on recommended disciplinary or remedial action, if any. The action determined by the AC to be appropriated shall then be brought to the Board or to appropriate members of senior management for authorization and implementation respectively. An employee can access the AC Chairman directly to raise concern if he feels that it could not be effectively addressed at managerial level.

The policy is communicated to all employees as part of the Group's efforts to promote awareness of fraud control.

**Investment Committee (IC)**

The IC was formed on 17 October 2013, as announced on 23 November 2015 which comprises the following members: -

| | |
|---|---|
| Mr Chan Siew Wei | (Chairman and Lead Independent Director) |
| Mr Tan Chin Lee | (Member and Independent Director) |
| Ms Zhou Jia Lin | (Members and Non-Executive and Non-Independent Director) |
| Mr Christian Kwok-Leun Yau Heilesen | (Member and Executive Director) (appointed on 23 November 2015) |
| Mr Leung Kwok Kuen Jacob | (Members and Non-Executive and Non-Independent Director) (appointed on 23 November 2015) |

# CORPORATE GOVERNANCE REPORT

The principal objectives of IC are, among others:

Fund raising:

- To determine the Group's cash flow and funding needs and work with the finance department to ensure that those needs can be met by cash flows derived from operations and/or fund raising activities.

- To formulate fund raising proposals for the consideration of the Board.

- To lead and supervise fund raising actions approved by the Board, including appointment and instructing of professionals, liaising with regulatory authorities, and ensuring that fund raising actions achieve the objectives and within budgetary limits set out by the Board.

Investments:

- To determine the Group's risk tolerance and investment time horizon in consultation with the Board.

- To formulate and from time to time review the investment objectives, policies and guidelines and investment risk management.

- To evaluate, review and concur with all major investment projects including restructuring or disposals or sale of the Group's key assets.

- To review the annual investments proposal of the Group.

- To evaluate any significant capital commitment and divestment by the Group.

- To evaluate the professional evaluation system set up by the Group, including three major components: effectiveness of the evaluating organization and professionals, completeness of the evaluation procedures and the appropriateness of the evaluation standard.

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

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

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

The Company's corporate governance culture and awareness promotes fair and equitable treatment of all shareholders. All shareholders enjoy specific rights under the Singapore's Companies Act, Chapter 50, and Articles of Association of the Company. All shareholders are treated fairly and equitably.

The Company respects the equal information rights of all shareholders and is committed to the practice of air, transparent and timely disclosure.

Shareholders are given the opportunity to participate effectively and vote at general meetings of the Company, where relevant rules and procedures governing the meetings are clearly communicated. The Company does not provide for absentia voting methods such as by mail, email, or fax due to concerns as to the integrity of such information and authentication of the identity of shareholders voting by such means.

# CORPORATE GOVERNANCE REPORT

The Board is mindful of its obligations to provide timely and full disclosure of material information to shareholders of the Company and conduct its investor relations on the following principles:

a. annual reports issued to all shareholders;

b. half and full-year results announcements on the SGXNET;

c. other announcements and any matters it deem pertinent which would likely to have a material effect on the price or value of the Company's shares on the SGXNET; and

d. operate an open policy with regard to investor/email enquiries.

The Company does not practice selective disclosure. Results and annual reports are announced or issued within the mandatory period. All shareholders of our Company received the annual report and notice of the Annual General Meeting.

The Company does not have any investor relations policy at present. However, the Company will consider appointing professional investor relations officer to manage the function should the need arises.

The Company does not have a policy on payment of dividends. The Company did not declare dividend for the financial year ended 31 December 2015 due to the losses incurred during the financial year.

At the general meetings of the Company, shareholders are given the opportunity to air their views and ask Directors questions regarding the Group. Shareholders are encouraged to attend the general meetings to ensure a high level of accountability and to stay informed of the Group's strategies and goals. The general meetings are the principal forum for dialogue with shareholders.

The Company's Constitution allows a member (other than a relevant intermediary as defined in section 181 of the Companies Act) to appoint one or two proxies to attend and vote at its general meetings. The Companies Act allows relevant intermediaries which include CPF agent banks nominees to appoint multiple proxies, and empower CPF investors to attend and vote at general meetings of the Company as their CPF agent banks' proxies.

The Directors, including chairpersons of each of the Board Committees are present at the general meetings to answer questions from the shareholders. The external auditor is also present to assist the Directors in addressing any relevant queries by shareholders.

The Company ensures that there are separate resolutions at general meetings on each distinct issue. Each item of special business included in the notice of meetings will be accompanied by the relevant explanatory notes. This is to enable the shareholders to understand the nature and effect of the proposed resolutions. The Company will put all resolutions to vote by poll at the forthcoming annual general meeting compliance with the Catalist Rules.

The Company would prepare minutes of general meetings that include substantial and relevant comments or queries from shareholders relating to the agenda of the meeting, and responses from the Board and Management, and to make these minutes available to shareholders upon their request.

**Material Contracts**

Except as disclosed in the accompanying financial statements, there were no material contracts entered into by the Company or any of its subsidiaries involving the interest of the Chairman and Executive Director, any other Director, or controlling shareholder, either still subsisting at the end of FY 2015 or if not then subsisting, entered into since the end of the previous financial year.

# CORPORATE GOVERNANCE REPORT

**Interested Person Transactions**

The Company has an internal policy in respect of any transactions with interested person and has in place a process to review and approve any interested person transaction.

During the financial year ended 31 December 2015, there were no interested person transactions entered into by the Group exceeding the S$100,000 threshold.

**Non-Audit Fees**

The external audit fees for financial year ended 31 December 2015 payable by the Group to the Company's external auditors are S$106,500. There were no non-audit fees rendered by the external auditors to the Company and the Group for the financial year ended 31 December 2015. There were no audit or non-audit fees paid to previous external auditors during the financial year.

**Non-Sponsor Fees**

There was no non-sponsor fee to Asian Corporate Advisors Pte. Ltd., being the Sponsor, during the financial year ended 31 December 2015.

**Securities Transactions**

In line with Rule 1204(19) of the Rules of Catalist on Dealing in Securities, the Company has adopted its own compliance code to provide guidance to its officers with regards to dealing by the Company and its officer in its securities. The Company and its officers (1) should not deal in shares of the Company on short-term considerations or if they are in possession of unpublished material price-sensitive information; and (2) they are required to report on their dealings in shares of the Company. The Company and its officer are also reminded of the prohibition in dealing in shares of the Company one month before the announcement of the Company's half year and full year financial statements.

**Update on the utilisation of the proceeds from disposal**

Pursuant to the sale and purchase agreement as announced, Vashion Group Ltd.'s wholly owned subsidiary, Vashion Group (H.K.) Limited, has entered into a share sale and purchase agreement dated 31 October 2013, as supplemented by a supplementary agreements dated 30 December 2013, 2 April 2014, 30 April 2014 and 31 July 2015, with Seleni Group Limited ("Purchaser"), in relation to the Disposal of Shenzhen Louis Gianni Costume Co. Ltd. ("LGSZ"). The completion of the Proposed Disposal has taken placed on 23 May 2014. As stated in the Earlier Announcement, pursuant to the 4th supplemental agreement, the Final Tranche Payment of S$500,000 shall be payable in 5 equal installment of S$100,000. The first payment shall commence in December 2015 and the last payment in April 2016.

The Board wishes to announce that the Company has not received the 1st, 2nd and 3rd installments of a total S$300,000 from the Purchaser as at the date of this announcement. The Board is in doubt of the collectability of the Final Tranche after further delay of settlement from the Purchaser and the Board is currently assessing the Company's options in relation with the settlement issue and will make the necessary announcements and keep shareholders informed of any developments.

The Company has impaired the full amount of the Final Tranche in FY2015 amounting to S$485,000 (after taking into account currency translation) as announced on 29 February 2016, as such there will be no further material impact arising from the non-collectability of the Final Tranche on the Group's financial performance and position for FY2016. Please refer to result announcement of FY2015 announced on 29 February 2016.

# CORPORATE GOVERNANCE REPORT

**Utilisation of the Proceeds for the Conditional Deposit**

On 10 July 2014, the Board announced that the Company has entered into a Conditional Deposit Agreement dated 9 July 2014 with Industronics Berhad (the "**Investor**"). Under the terms of the Conditional Deposit Agreement, the Investor agreed to deposit a sum of S$2,500,000 or equivalent (the "**Deposit**") with the Company or a subsidiary in the Group (the "**Deposit**"). In consideration of the foregoing, the Company has agreed to enter into a placement agreement ("**Placement Agreement**") with the Investor to issue to the Investor such number of ordinary shares in the Company ("**Placement Shares**"), at such price and on such terms as shall be agreed and documented in the Placement Agreement, subject to the aggregate subscription amount in the Placement Agreement not being less than the Deposit ("**Proposed Placement**").

As announced on 18 January 2016, the Company has utilised the conditional deposit as follows:

| | Amount utilised (S$) | Percentage utilised (%) |
|---|---|---|
| Working capital | | |
| - Professional fees (including, *inter alia,* external audit fees, internal audit fees, sponsorship fees (2013-2015), printing fees, fees for legal advisor, fees for Company Secretary) | 976,000 | 39.04% |
| - Listing fees to SGX-ST | 62,000 | 2.48% |
| - Operating expenses (including, inter alia, rental, staff salaries and others) | 505,000 | 20.20% |
| TOTAL | 1,543,000 | 61.72% |

There is no further utilisation from 18 January to the date of this Annual Report.

The use of proceeds is in accordance with the intended use as stated in the announcement dated 10 July 2014.

As announced on 5 February 2016 and 25 February 2016, the Company had made partial repayment of S$1,466,812 to Investor, Industronics Berhad.

**Utilisation of the Proceeds for the Placement**

Pursuant to the placement agreement as announced on 15 December 2015, 25 January 2016, 29 January 2016 and 10 February 2016, The Group had completed the placement on 10 February 2016.

As at the date of this Annual Report, the Company has utilised the proceeds as follows:

| | Amount utilised (S$) | Percentage utilised (%) |
|---|---|---|
| Working capital | | |
| - Supplementing operating cash and working capital requirements | 200,000 | 18.18% |
| - Partial refund of the Conditional Deposit | 762,812 | 69.35% |
| TOTAL | 962,812 | 87.53% |
| Balance of proceeds after utilisation | 137,188 | 12.47% |

The use of proceeds as stated above is in accordance with the intended use as stated in the announcements dated 15 December 2015 and 25 January 2016.

# DIRECTORS' STATEMENT

31 December 2015

The directors of the Company present their statement to the members together with the audited consolidated financial statements of Vashion Group Ltd. (the "Company") and its subsidiaries (collectively the "Group") for the financial year ended 31 December 2015 and the audited statement of financial position of the Company as at 31 December 2015.

In the opinion of the Directors:

(a) the consolidated financial statements of the Group and the statement of financial position of the Company are drawn up so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2015 and the financial performance, changes in equity and cash flows of the Group for the year ended on that date; and

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

## 1 Directors

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

| | |
|---|---|
| Zhou Jia Lin | *(Non-executive Director and Non-independent Director)* |
| Chan Siew Wei | *(Chairman and Lead Independent Director)* |
| Tan Chin Lee | *(Independent Director)* |
| Christian Kwok-Leun Yau Heilesen | *(Executive Director) (Appointed on 23 November 2015)* |
| Leung Kwok Kuen Jacob | *(Non-executive and Non-independent Director)*<br>*(Appointed on 23 November 2015)* |

## 2 Arrangements to Enable Directors to Acquire Shares or Debentures

Neither at the end of nor at any time during the financial year was the Company a party to any arrangement whose object was to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

## 3 Directors' Interests in Shares or Debentures

The directors of the Company holding office at the end of the financial year had no interests in the shares or debentures of the Company and its related corporations as recorded in the register of directors' shareholdings kept by the Company under Section 164 of the Singapore Companies Act, Chapter 50, except as follows:

| Name of director and company in which interests are held | Shareholdings registered in name of director | | Shareholdings in which director is deemed to have an interest | |
|---|---|---|---|---|
| | As at 1.1.15 | As at 31.12.15 | As at 1.1.15 | As at 31.12.15 |
| **Company:** | | | | |
| Vashion Group Ltd. | Ordinary shares | | | |
| Zhou Jia Lin | – | – | 151,900,000 | 151,900,000 |
| Christian Kwok-Leun Yau Heilesen | – | – | – | 355,000,000 |

There was no change in the above mentioned directors' interests in the shares or debentures of the Company and its related corporations as at 31 December 2015 and 21 January 2016.

Zhou Jia Lin has disposed her shares in Lissington Ltd. and with effect from 30 March 2016, she has ceased to be deemed interested in the shares of Vashion Group Ltd.

# DIRECTORS' STATEMENT

31 December 2015

## 4 Share Options

Performance Bonus Shares

On 26 October 2010, the Group's wholly owned subsidiary, Vashion Assets Management Limited ("VAM"), had entered into a service agreement with two of its executive directors (the "Executives") to grant them performance bonuses in the form of new ordinary shares of the Company in lieu of cash payment (the "Performance Bonus Shares").

The performance bonuses shall be awarded only and solely in the event and occurrence of VAM (a) achieving the audited net profit after interest and tax ("NPAIT") of HK$4 million for the 12 months ended 31 March 2011 (the "Relevant Period") and (b) its outstanding trade receivables balances not exceeding 10% of its revenue. The service agreement setting out the terms of the Performance Bonus Shares was approved by a resolution of the Board of Directors of the Company on 27 January 2011.

As at 31 December 2011, the audit of the financial statements of VAM for the Relevant Period for the purpose of determining the audited NPAIT had not been completed. Consequently, a share-based payment expense amounting to S$1,652,591 was recognised in the financial year ended 31 December 2011 based on the unaudited management accounts of VAM for the Relevant Period on the assumption that the two conditions would be met. This represented management's best estimate of the number of Performance Bonus Shares expected to vest, i.e. 330,518,260 ordinary shares measured at a fair value of S$0.005 each. The fair value was determined by reference to the published market price of the Company's shares at grant date and did not incorporate any expected dividend. The granting of 330,518,260 Performance Bonus Shares was approved by a resolution of the Board of Directors of the Company on 22 February 2012.

On 5 June 2012, the unaudited management accounts of VAM for the Relevant Period was completed and it was noted that the unaudited net profit after interest and tax was below HK$4 million.

However, based on the available audited financial statements of VAM for the twelve months ended 31 December 2011, VAM had achieved an audited net profit after interest and tax of approximately HK$5,280,000, and the Collection Target was met, the Board of Directors of the Company had decided, notwithstanding the Profit Target was not met, to issue a total of 280,768,000 new ordinary shares of the Company to the Executives as Performance Bonus Shares. This was calculated based on the actual unaudited profit after interest and tax of HK$3,582,600 for the Relevant Period as compared with the Profit Target and represented a total fair value of S$1,403,840 measured using the fair value of S$0.005 each. The resulting difference of 49,750,260 Performance Bonus Shares and its equivalent value of approximately S$249,000, was accordingly, been adjusted as at 31 December 2012.

| Grant date | End of vesting period | Balance as at 1.1.2015 | Total cancelled/ lapsed | Balance as at 31.12.2015 | Market value at grant date |
|---|---|---|---|---|---|
| 27 January 2011 | 31 March 2011 | 280,768,000 | – | 280,768,000 | S$0.005 |

On 21 October 2013, VAM entered into a settlement agreement ("Settlement Agreement") with the Executives whereby it was agreed that an aggregate 280,768,000 new ordinary shares of the Company shall be issued to the Executives in equal proportion at a consideration of S$0.01 each by 30 October 2014 (the "Revised Performance Bonus Shares") as performance bonuses. The issuance of the Revised Performance Bonus Shares was approved by the shareholders of the Company at an Extraordinary General Meeting held on 28 January 2014.

Subsequently, VAM entered into several supplemental agreements ("Supplemental Agreements") to extend the issuance of the Revised Performance Bonus Shares. The issuance of the Revised Performance Bonus Shares is now extended to 30 June 2016.

# DIRECTORS' STATEMENT

31 December 2015

4 **Share Options** (cont'd)

Performance Bonus Shares (cont'd)

As at the date of this report, the Revised Performance Bonus Shares have not been issued by the Company. If the issuance of the Revised Performance Bonus Shares is not fulfilled on or before 30 June 2016, the Supplemental Agreements shall terminate and none of the parties shall have any further claim against the other party.

Except as disclosed above,

- there were no share options granted by the Company or its subsidiaries during the financial year;
- there were no shares issued by virtue of the exercise of options to take up unissued shares of the Company or its subsidiaries during the financial year; and
- there were no unissued shares of the Company or its subsidiaries under option at the end of the financial year.

5 **Audit Committee**

The members of the Audit Committee ("AC") at the date of this report are as follows:

Chan Siew Wei (Chairman – Reconstituted on 23 November 2015)
Zhou Jia Lin
Tan Chin Lee

The AC has performed its functions in accordance with Section 201B (5) of the Singapore Companies Act, Chapter 50, the Catalist Rules of the Listing Manual of the Singapore Exchange Securities Trading Limited ("SGX-ST") and the Code of Corporate Governance.

In performing those functions, the AC has reviewed the following:

- the scope and the results of internal audit procedures with the internal auditors;
- the audit plan of the Company's independent auditors and any recommendations on internal accounting controls arising from the statutory audit;
- the assistance given by the Company's management to the independent auditors;
- the periodic results announcements prior to their submission to the Board of Directors for approval;
- the statement of financial position of the Company and the consolidated financial statements of the Group for the financial year ended 31 December 2015 prior to their submission to the Board of Directors, as well as the independent auditors' report on the statement of financial position of the Company and the consolidated financial statements of the Group; and
- interested person transactions (as defined in Chapter 9 of the Listing Manual of the SGX-ST).

# DIRECTORS' STATEMENT

31 December 2015

**5 Audit Committee** (cont'd)

The AC has recommended to the Board of Directors the nomination of Moore Stephens LLP for re-appointment as external auditors of the Company at the forthcoming Annual General Meeting of the Company. The AC has conducted an annual review of non-audit services provided by the external auditors to satisfy itself that the nature and extent of such services, if any, will not affect the independence and objectivity of the external auditors before confirming their re-nomination.

Further details regarding the AC are disclosed in the Corporate Governance Statement in the Company's Annual Report.

**6 Independent Auditors**

The auditors, Moore Stephens LLP, Public Accountants and Chartered Accountants, have expressed their willingness to accept re-appointment.

On behalf of the Board of Directors,

CHAN SIEW WEI
Director

CHRISTIAN KWOK-LEUN YAU HEILESEN
Director

7 April 2016

# INDEPENDENT AUDITORS' REPORT

To the members of Vashion Group Ltd.
(Incorporated in Singapore)

**Report on the Financial Statements**

We have audited the accompanying financial statements of Vashion Group Ltd. (the "Company") and its subsidiaries (collectively the "Group"), as set out on pages 37 to 91, which comprise the consolidated statement of financial position of the Group and the statement of financial position of the Company as at 31 December 2015, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group for the year then ended, and a summary of significant accounting policies and other explanatory information.

**Management's Responsibility for the Financial Statements**

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Singapore Companies Act, Chapter 50 (the "Act") and Singapore Financial Reporting Standards, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair financial statements and to maintain accountability of assets.

**Auditors' Responsibility**

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

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

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

**Opinion**

In our opinion, the consolidated financial statements of the Group and the statement of financial position of the Company are properly drawn up in accordance with the provisions of the Act and Singapore Financial Reporting Standards so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2015 and the financial performance, changes in equity and cash flows of the Group for the year ended on that date.

# INDEPENDENT AUDITORS' REPORT

To the members of Vashion Group Ltd.
(Incorporated in Singapore)

**(cont'd)**

**Report on Other Legal and Regulatory Requirements**

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

**Moore Stephens LLP**
Public Accountants and
Chartered Accountants

Singapore
7 April 2016

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the financial year ended 31 December 2015

| | Note | Group 2015 S$ | Group 2014 S$ |
|---|---|---|---|
| Revenue | 4 | **3,478,228** | 5,241,749 |
| Cost of sales | | **(2,876,811)** | (3,778,915) |
| Gross profit | | **601,417** | 1,462,834 |
| Other operating income | 5 | **2,086,214** | 4,236,081 |
| Selling and distribution expenses | | **(233,292)** | (608,809) |
| Administrative expenses | | **(2,276,850)** | (3,457,061) |
| Other operating expenses | 7 | **(2,986,042)** | (654,182) |
| Finance costs | 8 | **(4,240)** | (437,695) |
| **(Loss)/Profit before income tax** | 9 | **(2,812,793)** | 541,168 |
| Income tax | 10 | **5,291** | (49,387) |
| **(Loss)/Profit for the year** | | **(2,807,502)** | 491,781 |
| **Other comprehensive (loss)** | | | |
| *Items that may be reclassified subsequently to profit or loss:* | | | |
| Foreign currency translation (loss) | | **(593,378)** | (248,254) |
| Reclassification adjustment relating to foreign operation disposed | 13 | **(82,770)** | (1,282,601) |
| Other comprehensive (loss), net of tax | | **(676,148)** | (1,530,855) |
| **Total comprehensive (loss) for the year attributable to owners of the Company** | | **(3,483,650)** | (1,039,074) |
| **(Loss)/Earnings per share (S$ cents)** | | | |
| - Basic | 11 | **(0.09)** | 0.01 |
| - Diluted | 11 | **(0.09)** | 0.01 |

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

# STATEMENTS OF FINANCIAL POSITION

As at 31 December 2015

| | Note | Group 2015 S$ | Group 2014 S$ | Company 2015 S$ | Company 2014 S$ |
|---|---|---|---|---|---|
| **ASSETS** | | | | | |
| **Non-Current Assets** | | | | | |
| Plant and equipment | 12 | **73,731** | 159,553 | **15,430** | 24,116 |
| Investments in subsidiaries | 13 | **–** | – | **3,128,657** | 3,128,657 |
| Membership rights | 14 | **23,900** | 23,900 | **–** | – |
| Trademark | 15 | **90,230** | 1,840,771 | **–** | – |
| | | **187,861** | 2,024,224 | **3,144,087** | 3,152,773 |
| **Current Assets** | | | | | |
| Inventories | 16 | **180,221** | 676,808 | **–** | – |
| Trade receivables | 17 | **1,198,077** | 1,439,736 | **–** | – |
| Other receivables, deposits and prepayments | 18 | **719,621** | 4,430,651 | **16,049** | 8,635 |
| Due from subsidiaries | 19 | **–** | – | **294,281** | 329,615 |
| Loans to subsidiaries | 20 | **–** | – | **–** | 2,250,000 |
| Fixed deposits | 21 | **3,095,534** | 85,232 | **–** | – |
| Cash and bank balances | 21 | **1,498,655** | 2,631,183 | **11,074** | 589 |
| | | **6,692,108** | 9,263,610 | **321,404** | 2,588,839 |
| **Total Assets** | | **6,879,969** | 11,287,834 | **3,465,491** | 5,741,612 |
| **EQUITY AND LIABILITIES** | | | | | |
| **Equity attributable to owners of the Company** | | | | | |
| Share capital | 22 | **28,120,322** | 28,120,322 | **28,120,322** | 28,120,322 |
| Performance bonus share reserve | 24 | **1,403,840** | 1,403,840 | **1,403,840** | 1,403,840 |
| Translation reserve | 25 | **(2,285,133)** | (1,608,985) | **–** | – |
| Accumulated losses | | **(24,306,525)** | (21,499,023) | **(30,101,243)** | (28,598,812) |
| **Total Equity** | | **2,932,504** | 6,416,154 | **(577,081)** | 925,350 |
| **Non-Current Liabilities** | | | | | |
| Lease obligations | 26 | **–** | 6,832 | **–** | – |
| **Current Liabilities** | | | | | |
| Trade payables | 27 | **229,582** | 679,655 | **–** | – |
| Other payables and accruals | 28 | **3,651,541** | 3,249,642 | **3,452,971** | 3,093,735 |
| Due to subsidiaries | 19 | **–** | – | **589,601** | 1,722,527 |
| Lease obligations | 26 | **6,832** | 7,259 | **–** | – |
| Income tax payable | | **59,510** | 928,292 | **–** | – |
| | | **3,947,465** | 4,864,848 | **4,042,572** | 4,816,262 |
| **Total Liabilities** | | **3,947,465** | 4,871,680 | **4,042,572** | 4,816,262 |
| **Total Equity And Liabilities** | | **6,879,969** | 11,287,834 | **3,465,491** | 5,741,612 |

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the financial year ended 31 December 2015

| | | Attributable to owners of the Company | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Note | Share capital S$ | Statutory reserve fund S$ | Performance bonus share reserve S$ | Translation reserve S$ | Accumulated losses S$ | Subtotal S$ | Reserve attributable to disposal group classified as held for sale S$ | Total equity S$ |
| **Group** | | | | | | | | | |
| Balance as at 1.1.2015 | | 28,120,322 | – | 1,403,840 | (1,608,985) | (21,499,023) | 6,416,154 | – | 6,416,154 |
| Profit for the year | | – | – | – | – | (2,807,502) | (2,807,502) | – | (2,807,502) |
| Other comprehensive (loss), net of tax | | | | | | | | | |
| Foreign currency translation (loss) | | – | – | – | (676,148) | – | (676,148) | – | (676,148) |
| Total comprehensive (loss) for the year | | – | – | – | (676,148) | (2,807,502) | (3,483,650) | – | (3,483,650) |
| Balance as at 31.12.2015 | | 28,120,322 | – | 1,403,840 | (2,285,133) | (24,306,525) | 2,932,504 | – | 2,932,504 |
| Balance as at 1.1.2014 | | 28,120,322 | 442,146 | 1,403,840 | (1,393,604) | (22,432,950) | 6,139,754 | 1,315,474 | 7,455,228 |
| Profit for the year | | – | – | – | – | 491,781 | 491,781 | – | 491,781 |
| Other comprehensive (loss), net of tax | | | | | | | | | |
| Foreign currency translation (loss) | | – | – | – | (215,381) | – | (215,381) | (32,873) | (248,254) |
| Reclassification adjustment relating to foreign operation disposed | 13 | – | – | – | – | – | – | (1,282,601) | (1,282,601) |
| Total comprehensive income/(loss) for the year | | – | – | – | (215,381) | 491,781 | 276,400 | (1,315,474) | (1,039,074) |
| Reserve transferred on disposal of subsidiary | 25 | – | (442,146) | – | – | 442,146 | – | – | – |
| Balance as at 31.12.2014 | | 28,120,322 | – | 1,403,840 | (1,608,985) | (21,499,023) | 6,416,154 | – | 6,416,154 |

# CONSOLIDATED STATEMENT OF CASH FLOWS

For the financial year ended 31 December 2015

| | Note | Group 2015 S$ | Group 2014 S$ |
|---|---|---|---|
| **Cash Flows from Operating Activities** | | | |
| (Loss)/Profit before income tax | | **(2,812,793)** | 541,168 |
| Adjustments for: | | | |
| Depreciation of plant and equipment | | **80,697** | 82,147 |
| Loss on disposal of plant and equipment | | **2,390** | – |
| Write-back of other payables | | **–** | (44,622) |
| Impairment of trademark | | **1,828,568** | 382,852 |
| Write-back of inventories | | **(1,674)** | (55,464) |
| Inventories written-off | | **117,586** | – |
| Work-in-progress written-off | | **174,085** | – |
| Reversal of allowance for impairment of other receivables | | **–** | (391,863) |
| Allowance for impairment of | | | |
| - trade receivables | | **201,061** | 660 |
| - other receivables | | **659,161** | – |
| Unrealised exchange gain | | **(674,340)** | (505,282) |
| Gain on disposal of subsidiary | | **(1,129,365)** | (3,493,497) |
| Interest expense | | **4,240** | 437,695 |
| Interest income | | **(135,548)** | (680) |
| Operating cash flow before working capital changes | | **(1,685,932)** | (3,046,886) |
| Changes in working capital: | | | |
| Inventories | | **377,020** | 202,701 |
| Trade and other receivables | | **(138,863)** | 687,415 |
| Trade and other payables | | **25,362** | 503,911 |
| **Cash used in operating activities** | | **(1,422,413)** | (1,652,859) |
| Interest paid | | **(4,240)** | (64,140) |
| Income tax refund | | **33,217** | – |
| **Net cash used in operating activities** | | **(1,393,436)** | (1,716,999) |
| | | | |
| **Cash Flows from Investing Activities** | | | |
| Purchase of plant and equipment | | **–** | (23,743) |
| Net cash (outflow)/inflow on disposal of subsidiary | 13 | **(11,272)** | 973,332 |
| Withdrawal from Escrow Agent | 18 | **–** | 2,765,300 |
| Decrease of pledged fixed deposits | 21 | **20,000** | 747,808 |
| Fixed deposits maturing after 3 months | 21 | **(3,090,534)** | – |
| Interest received | | **1,170** | 680 |
| **Net cash (used in)/generated from investing activities** | | **(3,080,636)** | 4,463,377 |

# CONSOLIDATED STATEMENT OF CASH FLOWS

For the financial year ended 31 December 2015

**(cont'd)**

| | Note | Group 2015 S$ | Group 2014 S$ |
|---|---|---|---|
| **Cash Flows from Financing Activities** | | | |
| Conditional deposit from Investor | 28 | – | 2,500,000 |
| Repayment of borrowings | | – | (1,574,641) |
| Repayment of lease obligations | | **(7,259)** | (7,003) |
| **Net cash (used in)/generated from financing activities** | | **(7,259)** | 918,356 |
| | | | |
| **Net (decrease)/increase in cash and cash equivalents** | | **(4,481,331)** | 3,664,734 |
| **Cash and cash equivalents at the beginning of the year** | | **5,954,373** | 2,120,391 |
| Effect of changes in foreign exchange rates on cash and cash equivalents | | **25,613** | 169,248 |
| **Cash and cash equivalents at the end of the year** | 21 | **1,498,655** | 5,954,373 |

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

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

## 1 General

Vashion Group Ltd. (the "Company") is a public limited company incorporated and domiciled in Singapore and is listed on the Catalist of the Singapore Exchange Securities Trading Limited ("SGX-ST"). The address of the Company's registered office is Harvest @ Woodlands 280 Woodlands Industrial Park E5 #10-50, Singapore 757322.

The principal activities of the Company are those of provision of management and accounting services to its subsidiaries and including that of investment holding. The principal activities of the subsidiaries are disclosed in Note 13.

The financial statements for the financial year ended 31 December 2015 were authorised for issue in accordance with a resolution of the directors on the date of the Directors' Statement.

## 2 Significant Accounting Policies

(a) Basis of Preparation

The consolidated financial statements of the Group and the statement of financial position of the Company have been prepared in accordance with the provisions of the Singapore Companies Act, Chapter 50 and Singapore Financial Reporting Standards ("FRS"). These financial statements have been prepared under the historical cost convention, except as disclosed in the accounting policies below.

<u>Adoption of New/Revised FRS which are effective</u>

The accounting policies adopted are consistent with those of the previous financial year except that, for the financial year ended 31 December 2015, the Group has adopted the following revised FRS standards which are effective for annual financial periods beginning on or after 1 January 2015. The adoption of these amended FRS did not result in substantial changes to the accounting policies of the Group and the Company and had no material effect on the amounts reported for the current or prior financial years, except as discussed below:

Amendment to FRS 103 — *Business Combinations (Accounting for contingent consideration in a business combination)*

The amendments clarify that contingent consideration in a business combination that is not classified as equity should be measured at fair value through profit and loss at each reporting date, regardless of whether the contingent consideration is within the scope of FRS 39. Changes in fair value, other than measurement period adjustments, are recognised in profit or loss. Consequential amendments were made to FRS 37 and FRS 39. The adoption of the standard did not have any impact on the financial performance or the financial position of the Group.

Improvements to FRS 108 — *Operating Segments*

The amendment requires an entity to disclose the judgment made by management in applying the aggregation criteria to operating segments and clarifies that an entity shall only provide reconciliations of the total of the reportable segments' assets to the entity's assets if the segment assets are reported regularly.

As this is a disclosure standard, it has no impact on the financial performance or financial position of the Group.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

2 **Significant Accounting Policies** (cont'd)

(a) Basis of Preparation (cont'd)

Adoption of New/Revised FRS which are effective (cont'd)

Improvements to FRS 24 *Related Party Disclosures*

This amendment clarifies that an entity providing key management personnel services to the reporting entity or to the parent of the reporting entity is a related party of the reporting entity. In addition, an entity that uses a management entity is required to disclose the expense incurred for management services. The adoption of the standard did not have any impact on the financial position or financial performance of the Group.

Amendment to FRS 113 *Fair Value Measurement*

The amendment clarifies that the portfolio exception for measuring the fair value of a group of financial assets and financial liabilities on a net basis includes all contracts that are within the scope of, and accounted for in accordance with FRS 39. These contracts need not meet the definitions of financial assets or financial liabilities in FRS 32. The adoption of the standard did not have any impact on the financial performance or the financial positions of the Group.

New/Revised FRS which are issued but not yet effective

At the date of these financial statements, the following new/revised FRS that are relevant to the Group were issued but not yet effective:

| **Description** | | **Effective for annual periods beginning on or after** |
|---|---|---|
| Amendments to FRS 1 | *Disclosure Initiative* | 1 January 2016 |
| Amendments to FRS 27 | *Equity Method in Separate Financial Statements* | 1 January 2016 |
| FRS 110, 112 and 28 | *Investment Entities: Applying the Consolidation Exception* | 1 January 2016 |
| Amendments to FRS 7 | *Statement of Cash Flows* | 1 January 2017 |
| Amendments to FRS 12 | *Income Taxes - Recognition of Deferred Tax Assets for Unrealised losses* | 1 January 2017 |
| FRS 109 | *Financial Instruments* | 1 January 2018 |
| FRS 115 | *Revenue from Contracts with Customers* | 1 January 2018 |

Except for the standards described below, management anticipates that the adoption of the other new/revised FRS above in future periods will have no material impact on the Group's financial statements in the period of initial application.

Amendments to FRS 1 *Disclosure Initiative*

These amendments to FRS 1 are designed to further encourage companies to apply professional judgment in determining what information to disclose in their financial statements.

As this is a disclosure standard, it will not have any impact on the financial performance or financial position of the Group when implemented.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

2 **Significant Accounting Policies** (cont'd)

(a) Basis of Preparation (cont'd)

New/Revised FRS which are issued but not yet effective (cont'd)

Amendments to FRS 27 *Equity Method in Separate Financial Statements*

The amendment will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in the entities' separate financial statements. This is in addition to the accounting policy choice to account for such investments at cost less impairment, or fair value (in accordance with FRS 39), which currently exists and will continue to be available.

The Group has assessed the impact of the amendments to FRS 27 and expects no changes.

Amendments to FRS 110, 112 and 28 *Investment Entities: Applying the Consolidation Exception*

There is an inconsistency between the current requirements in FRS 110 and those in FRS 28, in dealing with the sale or contribution of assets between an investor and its associate or joint venture.

The amendment clarifies that when a parent loses control over a subsidiary in a transaction with an associate or joint venture, full gain is recognized when the asset transferred is a business under FRS 103 *Business Combinations*.

The Group is currently evaluating the impact of the changes and assessing whether the adoption of FRS 110, 112 and 28 will have an impact on the Group.

Amendments to FRS 7 *Statement of Cash Flows*

The amendments require new disclosure about changes in liabilities arising from financing activities in respect of:

*(i)* changes from financing cash flows;

*(ii)* changes arising from obtaining or losing control of subsidiaries or other businesses;

*(iii)* the effect of changes in foreign exchange rates;

*(iv)* changes in fair values; and

*(v)* other changes.

The above disclosure also applies to changes in financial assets if cash flows from those financial assets are in cash flows from financing activities.

The Group is currently evaluating the impact of the changes and assessing whether the adoption of FRS 7 will have an impact on the Group.

2 **Significant Accounting Policies** (cont'd)

(a) Basis of Preparation (cont'd)

New/Revised FRS which are issued but not yet effective (cont'd)

Amendments to FRS 12 *Income taxes – Recognition of deferred tax assets for unrealised losses*

The amendments clarify the application of FRS 12 to unrealised losses on debt investments, and the assessment of future taxable profits against which deferred tax assets can be recognised. Specifically:

(i) Deductible temporary differences will result from unrealised losses on debt investments measured at fair value in financial statements, but measured at cost for tax purposes. This is regardless of how the entity intends to realise the investment.

(ii) Estimates of future taxable profits used to assess recoverability of deferred tax assets resulting from deductible temporary differences:

(a) Includes profits on the recovery of assets for more than their carrying amount if such recovery is probable;
(b) Includes only income types against which those temporary differences qualify to be deducted under tax legislation; and
(c) Excludes tax deductions resulting from the reversal of those temporary differences.

The Group is currently evaluating the impact of the changes and assessing whether the adoption of FRS 12 will have an impact on the Group.

FRS 109 *Financial Instruments*

FRS 109 prescribes the accounting requirements for financial instruments and replaces the existing guidance in FRS 39 *Financial Instruments: Recognition and Measurement*. FRS 109 prescribes a new classification and measurement framework for financial instruments, requires financial assets to be impaired based on a new expected credit loss model, changes the hedge accounting requirements, and carries forward the recognition and de-recognition requirements for financial instruments from FRS 39.

The Group is currently evaluating the impact of the changes and assessing whether the adoption of FRS 109 will have an impact on the Group.

FRS 115 *Revenue from Contracts with Customers*

FRS 115 establishes a revised framework for revenue recognition based on the following five-step approach:

- Identification of the contracts
- Identification of the performance obligations in the contract
- Determination of the transaction price
- Allocation of the transaction price to the performance obligations
- Recognition of revenue when (or as) an entity satisfies a performance obligation

FRS 115 will replace the existing revenue recognition guidance including FRS 18 *Revenue*, FRS 11 *Construction Contracts* and INT FRS 113 *Customer Loyalty Programs*.

The Group is currently evaluating the impact of the changes and assessing whether the adoption of FRS 115 will have an impact on the Group.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

2 **Significant Accounting Policies** (cont'd)

(b) Going Concern Assumption

For the financial year ended 31 December 2015, the Group generated a total comprehensive loss of S$3,483,650 (2014: S$1,039,074), and a net cash outflow from operating activities of S$1,393,436 (2014: S$1,716,999). These factors are indications that may cast doubt on the ability of the Group to continue as a going concern and to realise its assets and discharge its liabilities in the ordinary course of business.

Notwithstanding the above, the Board of Directors of the Company believe that the use of the going concern assumption in the preparation and presentation of the financial statements for the financial year ended 31 December 2015 is appropriate after taking into consideration the following factors:

(i) Management will continue to monitor the costs of the Group closely and seek to improve the operating performance and cash flow of the Group. Management has also prepared a cash flow projection that shows that the Group will have sufficient cash resources to satisfy its working capital requirements for the next twelve months from the date of these financial statements and to meet its obligations as and when they fall due.

(ii) Management is presently evaluating various strategies to obtain alternative sources of finance and diversification of the Group's business activities so as to provide new sources of revenue and to generate positive cash flows for the Group.

(c) Consolidation

Subsidiaries

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 that control ceases.

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

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

– the size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;

– potential voting rights held by the Company, other vote holders or other parties;

– rights arising from other contractual agreements; and

– any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

2 **Significant Accounting Policies** (cont'd)

(c) Consolidation (cont'd)

Subsidiaries (cont'd)

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets.

Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognised in profit or loss. Any contingent consideration to be transferred by the group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with FRS 39 either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not re-measured, and its subsequent settlement is accounted for within equity.

The excess of 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 fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in profit or loss.

Inter-company transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated. When necessary, amounts reported by subsidiaries have been adjusted to conform with the Group's accounting policies.

Change in ownership interests in subsidiaries without change of control

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions – that is, as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

Disposal of subsidiaries

When the Group ceases to have control any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

**2 Significant Accounting Policies** (cont'd)

(d) Foreign Currencies

Functional and presentation currency

The individual financial statements of each Group entity are presented in the currency of the primary economic environment in which the entity operates (its functional currency).

For the purpose of the consolidated financial statements, the results and financial position of each Group entity are expressed in Singapore Dollar ("S$"), which is the functional currency of the Company and the presentation currency for the consolidated financial statements.

Transactions and balances

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency (foreign currencies) are recognised at the rates of exchange prevailing at the dates of the transactions.

At the statement of financial position date, monetary items denominated in foreign currencies are retranslated at the exchange rates prevailing at that date.

Currency translation differences resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at the closing exchange rates at the statement of financial position date are recognised in profit or loss, unless they arise from borrowings in foreign currencies and other currency instruments designated and qualifying as net investment hedges and net investment in foreign operations.

Those currency translation differences are recognised in other comprehensive income and accumulated in the translation reserve in the consolidated financial statements and transferred to profit or loss as part of the gain or loss on disposal of the foreign operation.

Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the exchange rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Translation of Group entities' financial statements

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

– Assets and liabilities are translated at the closing exchange rates at the statement of financial position date;

– Income and expenses for each statements presenting profit and loss and other comprehensive income (i.e. including comparatives) shall be translated at exchange rates at the dates of the transactions; and

– All resulting exchange differences are recognised in other comprehensive income and accumulated in the translation reserve.

2 **Significant Accounting Policies** (cont'd)

(d) Foreign Currencies (cont'd)

Translation of Group entities' financial statements (cont'd)

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation or a disposal involving loss of control over a subsidiary that includes a foreign operation), all of the accumulated exchange differences in respect of that foreign operation attributable to the Group are reclassified to profit or loss. Any exchange differences that have previously been attributed to non-controlling interests are derecognised, but they are not reclassified to profit or loss.

In the case of a partial disposal (i.e. no loss of control) of a subsidiary that includes a foreign operation, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (i.e. of associates or jointly controlled entities not involving a loss of influence on joint control), the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

(e) Plant and Equipment

Measurement

Plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

Depreciation

Depreciation is recognised so as to write off the cost of assets less their residual values (if any) over their estimated useful lives, using the straight-line method as follows:

| | | |
|---|---|---|
| Renovations | – | 5 years |
| Computer and office equipment | – | 3 to 5 years |
| Plant and machinery | – | 5 years |
| Motor vehicles | – | 5 to 10 years |
| Furniture and fittings | – | 3 to 5 years |

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, the term of the relevant lease.

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

The estimated useful lives, residual values and depreciation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis.

Subsequent expenditure

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

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

2 **Significant Accounting Policies** (cont'd)

(e) Plant and Equipment (cont'd)

<u>Disposal</u>

An item of plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal.

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

(f) Intangible Assets

<u>Membership rights</u>

Acquired club membership is shown at historical cost. The club membership is assessed as having indefinite useful lives as the contracts are open ended and there is no foreseeable limit to the period over which the memberships are expected to generate cash to the Group. The club membership is tested for impairment annually and carried at cost less impairment losses. Gains or losses on disposal of a club membership are taken to profit or loss.

<u>Trademark</u>

The trademark was acquired in a business combination is initially recognised at fair value (which is regarded as its cost) at the acquisition date. Following initial recognition, the trademark is measured at cost less impairment losses. The trademark is assessed as having an indefinite useful life as there is no foreseeable limit to the period over which the trading name is expected to generate economic benefits to the Group, including market presence and trading contacts. The indefinite useful life is reviewed annually to ensure the useful life assessment continues to be supportable.

The trademark is reviewed for impairment annually or more frequently if the events or changes in circumstances indicate that the carrying value may be impaired. Impairment is determined by assessing the recoverable amount of the cash-generating unit to which the trading name relates. Where the recoverable amount of the cash-generating unit is less than the carrying amount of the trademark, an impairment loss is recognised in profit or loss.

(g) Impairment of Non-financial Assets

Non-financial assets are tested for impairment whenever there is any objective evidence or indication that these assets have been impaired.

At the statement of financial position date, the Group reviews the carrying amounts of its non-financial assets to determine whether there is any indication that these assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated to determine the amount of impairment loss (if any), on an individual asset.

Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

2 **Significant Accounting Policies** (cont'd)

(g) Impairment of Non-financial Assets (cont'd)

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount.

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

An assessment is made at each statement of financial position date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

(h) Investments in Subsidiaries

Investments in subsidiaries are carried at cost less accumulated impairment losses in the statement of financial position of the Company.

On disposal of investments in subsidiaries, the difference between the net disposal proceeds and the carrying amount of the investments are recognised in profit or loss.

(i) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on a weighted average basis.

The cost of finished goods and work-in-progress includes all costs in bringing the inventories to their present location and condition. In the case of manufactured products, cost includes all direct expenditure and production overheads based on the normal operating capacity.

Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale. Allowance for stock obsolescence is made for obsolete or slow moving inventories.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

2 **Significant Accounting Policies** (cont'd)

(j) Financial Assets

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

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are presented as current assets, except for those expected to be realised later than twelve months after the statement of financial position date which are presented as non-current assets. Loans and receivables are presented as "trade receivables", "other receivables and deposits", "due from/loans to subsidiaries", "fixed deposits" and "cash and bank balances" on the statement of financial position.

Recognition and derecognition

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

The Group derecognises a financial asset only when the contractual rights to the cash flows from the financial asset has expired, or has been transferred and transferred substantially all the risks and rewards of ownership of the financial asset to another entity.

If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay.

If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of consideration received and any cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss. Any amount previously recognised in other comprehensive income relating to that asset is transferred to profit or loss.

Initial measurement

Financial assets are initially recognised at fair value plus transaction costs.

Subsequent measurement

Loans and receivables are subsequently carried at amortised cost using the effective interest method.

Impairment

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

2 **Significant Accounting Policies** (cont'd)

(j) Financial Assets (cont'd)

Impairment (cont'd)

*Loans and receivables*

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

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

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

(k) Contract Work-in-progress

Contract work-in-progress is stated at cost, which comprise direct project costs, plus attributable profits less anticipated losses and progress billings. Allowance, where necessary, is made for losses expected to arise on completion of the contract entered into. Contract work-in-progress is classified as a liability when progress billings exceed the contract work-in-progress. Percentage of completion is based on project milestones as indicated in the contract.

(l) Cash and Cash Equivalents

For the purpose of presentation in the consolidated statement of cash flows, cash and cash equivalents include cash on hand, deposits with financial institutions which are subject to an insignificant risk of change in value, less fixed deposits that are pledged to secure banking facilities and bank overdrafts which form an integral part of the Group's cash management.

(m) Financial Liabilities

The Group shall recognise a financial liability on its statement of financial position when, and only when, the Group becomes a party to the contractual provisions of the instrument.

Trade and other payables

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

Interest-bearing loans and borrowings

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

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

2 **Significant Accounting Policies** (cont'd)

(n) 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.

(o) Revenue Recognition

Revenue for the Group comprises the fair value of the consideration received or receivable for the sale of goods in the ordinary course of business, net of goods and services/value-added tax, rebates and discounts and after eliminating sales within the Group.

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

Sale of goods

Revenue on the sale of goods is recognised when the significant risks and rewards of ownership of the goods have been transferred to the customer. Revenue is not recognised to the extent there are significant uncertainties regarding recovery of the consideration due, associated costs or the possible return of goods.

Revenue from installation contracts

Revenue from installation contracts is recognised using the percentage-of-completion method. The percentage of completion for a given project is determined based on the milestones defined in the contract entered into.

Consultancy income

When the outcome of a consultancy contract can be estimated reliably, contract revenue and costs are recognised by reference to the stage of completion of the contract activity at the statement of financial position date, as measured by the milestones defined in the contract entered into. When the outcome of a consultancy contract cannot be estimated reliably, contract revenue is recognised to the extent of contract costs incurred that it is probable will be recoverable.

Franchise fee income

Franchise fee income from the trademark is recognised on a straight-line basis over the term as set out in specific agreement.

Management fee income

Management fee income is recognised in the period in which the services are rendered.

Agency fee income

Agency fee income is recognised when the underlying transaction is contracted and is presented as net of goods.

Interest income

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

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

2 **Significant Accounting Policies** (cont'd)

(p) Employee Benefits

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

Defined contribution plans

Defined contribution plans (including state-managed retirement benefit schemes) are post-employment benefit plans under which the Group pays fixed contributions into separate entities on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid.

Employee leave entitlement

Employee entitlements to annual leave are recognised when they accrue to employees. A provision for the estimated liability for annual leave is recognised for services rendered by employees up to the statement of financial position date.

Performance bonus shares

The Group grants performance bonus shares which is settled by granting ordinary shares of the Company to award directors/employees. The fair value of the director/employee services received in exchange for the grant of the performance bonus shares is recognised as an expense with a corresponding increase in the performance bonus share reserve when the vesting condition is achieved. The total amount to be recognised when the vesting condition is achieved is determined by reference to the fair value of the performance bonus shares granted on the date of grant. At each statement of financial position date, the Group revises its estimates of the number of performance bonus shares that are expected to be issued. It recognises the impact of the revision of the original estimates, if any, in profit or loss, and a corresponding adjustment to the performance bonus share reserve. No expense is recognised for performance bonus shares that do not ultimately vest.

When the Company settles the performance bonus shares for the services received by its subsidiaries, there is no re-charge by the Company to the subsidiaries. The amount is recognised as an increase in the Company's investments in subsidiaries as it represented capital contribution to the subsidiaries.

When the performance bonus shares are issued, the related balance previously recognised in the performance bonus share reserve is credited to the share capital account when new ordinary shares of the Company are issued.

(q) Leases

Lessee - finance leases

Leases where the Group assumes substantially all risks and rewards incidental to ownership of the leased assets are classified as finance leases.

The leased assets and the corresponding lease liabilities (net of finance charges) under finance leases are recognised on the statement of financial position as plant and equipment and borrowings respectively, at the inception of the leases based on the lower of the fair value of the leased assets and the present value of the minimum lease payments.

Each lease payment is apportioned between the finance expense and the reduction of the outstanding lease liability. The finance expense is recognised in profit or loss on a basis that reflects a constant periodic rate of interest on the finance lease liability.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

2 **Significant Accounting Policies** (cont'd)

(q) Leases (cont'd)

Lessee - operating leases

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

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

(r) Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in profit or loss in the period using the effective interest method in which they are incurred.

(s) Government Grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with all the conditions attaching to them and that the grants will be received.

The benefit of a government loan at a below-market rate of interest is treated as a government grant, measured as the difference between proceeds received and the fair value of the loan based on prevailing market interest rates.

Government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognised as deferred revenue in the consolidated statements of financial position and transferred to profit and loss on a systematic and rational basis over the useful lives of the related assets.

Other government grants are recognised as revenue over the periods necessary to match them with the costs for which they are intended to compensate, on a systematic basis. Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

(t) Income Tax

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

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the profit or loss because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the statement of financial position date.

2 **Significant Accounting Policies** (cont'd)

(t) Income Tax (cont'd)

Deferred tax

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit.

Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised.

Such deferred tax assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

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

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the statement of financial position date.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the statement of financial position date, to recover or settle the carrying amount of its tax assets and liabilities.

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

The Group recognises a previously unrecognised deferred tax asset to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Tax benefits acquired as part of a business combination, but not satisfying the criteria for separate recognition at the date, would be recognised subsequently if new information about facts and circumstances changed. The adjustment would either be treated as a reduction to goodwill (as long as it does not exceed goodwill) if it is incurred during the measurement period or in profit or loss.

Current and deferred tax for the year

Current and deferred tax are recognised as an expense or income in profit or loss, except when they relate to items that are recognised outside profit or loss (whether in other comprehensive income or directly in equity), in which case the tax is also recognised outside profit or loss, or where they arise from the initial accounting for a business combination. In the case of a business combination, the tax effect is taken into account in the accounting for the business combination.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

2 **Significant Accounting Policies** (cont'd)

(u) Segment Reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the executive personnel who are responsible for allocating resources and assessing performance of the operating segments.

3 **Critical Accounting Judgements and Key Sources of Estimation Uncertainty**

In the application of the Group's accounting policies, which are described in Note 2 above, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgments in applying accounting policies

In addition to the going concern assumption disclosed in Note 2(b), the following are the critical judgements that the management has made in the process of applying the Group's accounting policies during the financial year that have the most significant effect on the amounts recognised in the consolidated financial statements:

(a) Inventory Obsolescence

Management periodically reviews its inventories for excess inventory, obsolescence and decline in net realisable value below cost and an allowance is recorded against the inventory balance for any such declines. These reviews require management to estimate future demand for the inventories. Possible changes in these estimates could result in revisions to the valuation of inventories.

During the current financial year, the Group wrote back inventories of S$1,674 (2014: S$55,464). The carrying amount of the Group's inventories as at the statement of financial position date is disclosed in Note 16.

(b) Impairment of Trade and Other Receivables

Management reviews its trade and other receivables for objective evidence of impairment at least quarterly. Significant financial difficulties of the debtor, the probability that the debtor will enter bankruptcy, and default or significant delay in payments are considered objective evidence that a receivable is impaired. In determining this, management makes judgement as to whether there is observable data indicating that there has been a significant change in the payment ability of the debtor, or whether there have been significant changes with adverse effect in the technological, market, economic or legal environment in which the debtor operates in.

Where there is objective evidence of impairment, management makes judgement as to whether an impairment loss should be recorded as an expense. In determining this, management uses estimates based on historical loss experience for assets with similar credit risk characteristics. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between the estimated loss and actual loss experience.

The carrying amounts of the Group's trade and other receivables as at the statement of financial position date and the movements in allowance for impairment loss are disclosed in Notes 17 and 18.

3 **Critical Accounting Judgements and Key Sources of Estimation Uncertainty** (cont'd)

Critical judgments in applying accounting policies (cont'd)

(c) Income Taxes

The Group has exposure to income taxes in Singapore, the People's Republic of China ("PRC"), Hong Kong and Indonesia. Significant judgment is involved in determining the 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 recorded, such differences will impact the income tax and deferred income tax provisions in the period in which such determination is made.

The carrying amount of the Group's income tax payable as at the statement of financial position date is S$59,510 (2014: S$928,292). For the financial year ended 31 December 2015, the Group has recognised income tax benefit of S$5,291 (2014: income tax expense S$49,387) (Note 10).

(d) Impairment of Investments in Subsidiaries, Receivables from Subsidiaries and Loans to Subsidiaries

The Company assesses at each statement of financial position date whether there is any objective evidence that the investments in subsidiaries, receivables from subsidiaries and loans to subsidiaries are impaired. To determine whether there is objective evidence of impairment, the Company considers factors such as the subsidiaries' financial performance and financial position, changes in customer demand, consumer tastes and trends, and the overall economic environment.

The carrying amounts of the Company's investments in subsidiaries, receivables from subsidiaries and loans to subsidiaries as at the statement of financial position date and the movements in the respective allowances for impairment losses are disclosed in Notes 13, 19 and 20.

Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the statement of financial position date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year:

(a) Impairment of Non-financial Assets

An impairment exists when the carrying amount of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. The fair value less costs to sell calculation is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing the asset. The value in use calculation is based on a discounted cash flow model. The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the asset's performance of the cash generating unit being tested. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash inflows and the growth rate used for extrapolation purposes.

For the current financial year, an impairment loss of S$1,828,568 (2014: S$382,852) was recognised to write down the Group's trademark to its recoverable amount as at the statement of financial position date. Details of the key assumptions applied in the impairment assessment of the Group's trademark are set out in Note 15.

If management's estimated pre-tax discount rate and growth rate applied to the discounted cash flow is increased/decreased by 1% and Nil (2014: 1% and 5%), respectively, it would result in a variance of approximately S$1,000 (2014: S$119,000) in the impairment loss recognised for the year.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

## 4 Revenue

| | Group | |
|---|---|---|
| | **2015** | 2014 |
| | **S$** | S$ |
| Sales of goods | **3,121,504** | 4,924,857 |
| Revenue from installation contracts | **356,724** | 316,892 |
| | **3,478,228** | 5,241,749 |

## 5 Other Operating Income

| | Group | |
|---|---|---|
| | **2015** | 2014 |
| | **S$** | S$ |
| Gain on disposal of subsidiary (Note 13) | **1,129,365** | 3,493,497 |
| Management fee income | **42,546** | 29,406 |
| Franchise fee income | **–** | 185,286 |
| Agency fee income | **60,324** | – |
| Reversal of allowance for impairment of other receivables (Note18) | **–** | 391,863 |
| Write-back of inventories (Note 16) | **1,674** | 55,464 |
| Write-back of other payables | **–** | 44,622 |
| Foreign exchange gain, net | **504,757** | – |
| Fixed deposits interest income | **135,548** | 680 |
| Sale of tablets | **184,367** | – |
| Others | **27,633** | 35,263 |
| | **2,086,214** | 4,236,081 |

## 6 Employee Benefits

| | Group | |
|---|---|---|
| | **2015** | 2014 |
| | **S$** | S$ |
| Wages, salaries and bonuses | **1,081,833** | 1,534,602 |
| Defined contribution plans | **80,544** | 104,270 |
| Other social expenses | **–** | 3,779 |
| | **1,162,377** | 1,642,651 |
| Employee benefits recognised in: | | |
| - selling and distribution expenses | **184,932** | 279,091 |
| - administrative expenses | **977,445** | 1,363,560 |
| | **1,162,377** | 1,642,651 |

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

## 7 Other Operating Expenses

| | Group | |
|---|---|---|
| | **2015** | 2014 |
| | **S$** | S$ |
| Foreign exchange loss, net | **–** | 270,670 |
| Purchase of tablets | **177,276** | – |
| Allowance for impairment of trade receivables (Note 17) | **201,061** | 660 |
| Allowance for impairment of other receivables (Note 18) | **659,161** | – |
| Written off of inventories | **117,586** | – |
| Loss on disposal of plant and equipment | **2,390** | – |
| Impairment of trademark (Note 15) | **1,828,568** | 382,852 |
| | **2,986,042** | 654,182 |

## 8 Finance Costs

| | Group | |
|---|---|---|
| | **2015** | 2014 |
| | **S$** | S$ |
| Interest expense: | | |
| - finance leases | **373** | 629 |
| - bank loans | **3,867** | 63,511 |
| - other loans | **–** | 373,555 |
| | **4,240** | 437,695 |

## 9 (Loss)/Profit Before Income Tax

| | Group | |
|---|---|---|
| | **2015** | 2014 |
| | **S$** | S$ |
| This is arrived at after charging: | | |
| Audit fees | | |
| - auditors of the Company | **106,500** | 209,560 |
| - other auditors | **49,072** | 29,406 |
| Depreciation of plant and equipment (included in administrative expenses) | **80,697** | 82,147 |
| Inventories recognised as an expense in cost of sales | **2,827,280** | 3,721,069 |
| Legal and professional fees | **440,522** | 1,054,181 |
| Operating lease expenses (included in administrative expenses) | **286,266** | 511,974 |

There were no non-audit fees paid/payable to the Company's auditors during the financial year ended 31 December 2015 (2014: Nil).

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

## 10 Income Tax

| | Group | |
|---|---|---|
| | **2015** | 2014 |
| | **S$** | S$ |
| Current income tax | | |
| - current year | – | 49,387 |
| - over provision in prior years | (5,291) | – |
| | (5,291) | 49,387 |

The reconciliation of the income tax expense and the product of accounting (loss)/profit multiplied by the Singapore statutory tax rate is as follows:

| | Group | |
|---|---|---|
| | **2015** | 2014 |
| | **S$** | S$ |
| (Loss)/Profit before tax | (2,812,793) | 541,168 |
| Tax at the statutory tax rate of 17% (2014: 17%) | (478,175) | 91,999 |
| Tax effect of non-deductible expenses* | 423,974 | 338,297 |
| Tax effect of non-taxable income** | (306,630) | (636,661) |
| Over provision of current income tax in respect of prior years | (5,291) | – |
| Deferred tax assets not recognised | 222,561 | 409,994 |
| Effect of different tax rates of foreign subsidiaries | 138,270 | (154,242) |
| | (5,291) | 49,387 |

* Mainly relates to impairment on intangible asset and non-trade receivable (2014: impairment and unrealised foreign exchange loss) which are non-deductible for income tax purposes

** Mainly relates to gains on disposal of subsidiary and unrealised foreign exchange gain (2014: gain on disposal of subsidiary) which is non-taxable for income tax purposes

Singapore tax law

The corporate income tax applicable to the Company and other Singapore companies of the Group is 17% (2014: 17%).

Hong Kong tax law

The corporate income tax applicable to Hong Kong companies of the Group is 16.5% (2014: 16.5%).

Indonesia tax law

The Indonesia subsidiary of the Group is subject to corporate income tax rate of 25% (2014: 25%) for the current financial year.

10 **Income Tax** (cont'd)

Unrecognised tax losses

As at the statement of financial position date, the Group has unutilised tax losses of approximately S$8,110,000 (2014: S$6,489,000) that are available for offset against future taxable profits of those companies of the Group in which these tax losses arose, for which no deferred tax asset are recognised due to uncertainty of their recoverability. The unutilised tax losses have no expiry dates. The use of these unutilised tax losses is subject to the agreement of the tax authorities and compliance with certain provisions of the tax legislation of the respective countries in which the companies of the Group operate.

The deferred tax assets arising from these unutilised tax losses of approximately S$1,388,000 (2014: S$1,165,000) have not been recognised in accordance with the Group's accounting policy stated in Note 2(u).

11 **(Loss)/Earnings Per Share**

| | Group | |
|---|---|---|
| | **2015** | 2014 |
| | **S$** | S$ |
| (Loss)/Profit attributable to owners of the Company | **(2,807,502)** | 491,781 |
| | **Number of ordinary shares** | |
| | **2015** | 2014 |
| Weighted average number of ordinary shares for basic (loss)/earnings per share | **3,031,268,241** | 3,031,268,241 |
| Basic (loss)/earnings per share (S$ cents) | **(0.09)** | 0.01 |
| Diluted (loss)/earnings per share (S$ cents) | **(0.09)** | 0.01 |

Basic (loss)/earnings per share is calculated by dividing (loss)/profit for the year attributable to the owners of the Company by the weighted average number of ordinary shares of the Company outstanding during the financial year.

Diluted (loss)/earnings per share is calculated by dividing the (loss)/profit for the year attributable to the owners of the Company by the weighted average of ordinary shares during the year plus the weighted average number of ordinary shares that would be in issue on the conversion of all the dilutive potential ordinary shares.

As at 31 December 2015, the diluted loss per share is the same as the basic loss per share as it does not include the effect of 280,768,000 unissued ordinary shares granted under the service agreement with two of the executive directors (Note 24) and the 1,365,000,000 shares pursuant to the placement agreement (Note 33). The effect of inclusion is anti-dilutive.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

## 12 Plant and Equipment

| | Renovation S$ | Computer and office equipment S$ | Plant and machinery S$ | Motor vehicles S$ | Furniture and fittings S$ | Total S$ |
|---|---|---|---|---|---|---|
| **Group** | | | | | | |
| 2015 | | | | | | |
| Cost | | | | | | |
| Balance as at 1.1.2015 | **129,870** | **128,572** | **23,599** | **130,506** | **82,497** | **495,044** |
| Disposal | **–** | **(14,799)** | **(8,500)** | **–** | **–** | **(23,299)** |
| Derecognised on disposal of a subsidiary | **–** | **(1,567)** | **–** | **–** | **(32,262)** | **(33,829)** |
| Currency realignment | **6,218** | **4,058** | **–** | **–** | **3,585** | **13,861** |
| Balance as at 31.12.2015 | **136,088** | **116,264** | **15,099** | **130,506** | **53,820** | **451,777** |
| Accumulated depreciation | | | | | | |
| Balance as at 1.1.2015 | **74,718** | **83,518** | **23,542** | **91,471** | **62,242** | **335,491** |
| Charge for the year | **26,680** | **19,694** | **57** | **20,184** | **14,082** | **80,697** |
| Disposal | **–** | **(12,409)** | **(8,500)** | **–** | **–** | **(20,909)** |
| Derecognised on disposal of a subsidiary | **–** | **(1,147)** | **–** | **–** | **(26,879)** | **(28,026)** |
| Currency realignment | **5,086** | **2,965** | **–** | **–** | **2,742** | **10,793** |
| Balance as at 31.12.2015 | **106,484** | **92,621** | **15,099** | **111,655** | **52,187** | **378,046** |
| Net book value | | | | | | |
| Balance as at 31.12.2015 | **29,604** | **23,643** | **–** | **18,851** | **1,633** | **73,731** |
| 2014 | | | | | | |
| Cost | | | | | | |
| Balance as at 1.1.2014 | 126,274 | 127,572 | 23,599 | 110,123 | 75,719 | 463,287 |
| Additions | – | 3,360 | – | 20,383 | – | 23,743 |
| Reclassification | – | (4,706) | – | – | 4,706 | – |
| Currency realignment | 3,596 | 2,346 | – | – | 2,072 | 8,014 |
| Balance as at 31.12.2014 | 129,870 | 128,572 | 23,599 | 130,506 | 82,497 | 495,044 |
| Accumulated depreciation | | | | | | |
| Balance as at 1.1.2014 | 46,833 | 59,581 | 23,402 | 70,654 | 47,364 | 247,834 |
| Charge for the year | 25,272 | 23,595 | 140 | 21,780 | 11,360 | 82,147 |
| Reclassification | – | (1,159) | – | (963) | 2,122 | – |
| Currency realignment | 2,613 | 1,501 | – | – | 1,396 | 5,510 |
| Balance as at 31.12.2014 | 74,718 | 83,518 | 23,542 | 91,471 | 62,242 | 335,491 |
| Net book value | | | | | | |
| Balance as at 31.12.2014 | 55,152 | 45,054 | 57 | 39,035 | 20,255 | 159,553 |

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

## 12 Plant and Equipment (cont'd)

| | Renovation S$ | Computer and office equipment S$ | Furniture and fittings S$ | Total S$ |
|---|---|---|---|---|
| **Company** | | | | |
| 2015 | | | | |
| Cost | | | | |
| Balance as at 1.1.2015 | **22,953** | **20,704** | **28,495** | **72,152** |
| Additions | **–** | **–** | **–** | **–** |
| Disposals | **–** | **(6,666)** | **–** | **(6,666)** |
| Balance as at 31.12.2015 | **22,953** | **14,038** | **28,495** | **65,486** |
| Accumulated depreciation | | | | |
| Balance as at 1.1.2015 | **6,121** | **17,025** | **24,890** | **48,036** |
| Charge for the year | **4,591** | **2,449** | **1,646** | **8,686** |
| Disposals | **–** | **(6,666)** | **–** | **(6,666)** |
| Balance as at 31.12.2015 | **10,712** | **12,808** | **26,536** | **50,056** |
| Net book value | | | | |
| Balance as at 31.12.2015 | **12,241** | **1,230** | **1,959** | **15,430** |
| 2014 | | | | |
| Cost | | | | |
| Balance as at 1.1.2014 | 22,953 | 20,083 | 28,495 | 71,531 |
| Additions | – | 621 | – | 621 |
| Balance as at 31.12.2014 | 22,953 | 20,704 | 28,495 | 72,152 |
| Accumulated depreciation | | | | |
| Balance as at 1.1.2014 | 1,530 | 12,848 | 23,245 | 37,623 |
| Charge for the year | 4,591 | 4,177 | 1,645 | 10,413 |
| Balance as at 31.12.2014 | 6,121 | 17,025 | 24,890 | 48,036 |
| Net book value | | | | |
| Balance as at 31.12.2014 | 16,832 | 3,679 | 3,605 | 24,116 |

The carrying amount of motor vehicles held under finance leases (Note 26) as at the statement of financial position date is S$4,583 (2014: S$15,583). These motor vehicles are registered in the name of employees who are holding the motor vehicles in trust for the Group.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

## 13 Investments in Subsidiaries

| | Company | |
|---|---|---|
| | **2015** | 2014 |
| | **S$** | S$ |
| Unquoted equity shares, at cost | **14,567,817** | 14,567,817 |
| Less: Allowance for impairment loss | **(11,439,160)** | (11,439,160) |
| | **3,128,657** | 3,128,657 |

Movements in investments in subsidiaries during the financial year are as follows:

| | Company | |
|---|---|---|
| | **2015** | 2014 |
| | **S$** | S$ |
| Balance at the beginning of the year | **14,567,817** | 11,337,819 |
| Acquisition of a subsidiary from other subsidiary during the year | **–** | 3,230,000 |
| Deregistered during the year | **–** | (2) |
| Balance at the end of the year | **14,567,817** | 14,567,817 |

Allowance for impairment loss

Movements in allowance for impairment loss in investments in subsidiaries during the financial year are as follows:

| | Company | |
|---|---|---|
| | **2015** | 2014 |
| | **S$** | S$ |
| Balance at the beginning of the year | **(11,439,160)** | (10,034,805) |
| Allowance for the year | **–** | (1,404,357) |
| Deregistered during the year | **–** | 2 |
| Balance at the end of the year | **(11,439,160)** | (11,439,160) |

For the financial years ended 31 December 2015 and 2014, certain subsidiaries continued to incur operating losses and/or were in net liabilities positions. The impairment loss of S$1,404,357 was recognised by the Company in the previous financial year to write down the carrying amount of investments in these subsidiaries to the net realisable value of the subsidiaries' major assets based on management's judgement or to Nil.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

## 13 Investments in Subsidiaries (cont'd)

Details of the subsidiaries of the Company are as follows:

| Name of subsidiaries and country of incorporation | Principal activities | Effective equity held by the Company | | Cost of investment | |
|---|---|---|---|---|---|
| | | **2015** | 2014 | **2015** | 2014 |
| | | **%** | % | **S$** | S$ |
| *Held by the Company* | | | | | |
| Hi-Tech Distribution Pte Ltd [a] Singapore | Distributor of equipment and consumable materials for the electronic industry | **100** | 100 | **1,301,400** | 1,301,400 |
| Switech Systems & Marketing Pte Ltd [a] Singapore | Designer, assembler, supplier and installer of electrical switch boxes | **100** | 100 | **1,016,619** | 1,016,619 |
| Vashion Group (H.K.) Limited [b] Hong Kong | Investment holding company | **100** | 100 | **7,614,344** | 7,614,344 |
| Vashion Group (H.K.) Holdings Ltd [b] Hong Kong | Trading of garments and cosmetics products | **100** | 100 | **1,405,454** | 1,405,454 |
| PT. Louis Gianni [1][2][d] Indonesia | Wholesale and retail of garments | **100** | 100 | **3,230,000** | 3,230,000 |
| | | | | **14,567,817** | 14,567,817 |

[1] The investment in PT. Louis Gianni was wholly transferred from Louis Gianni Company Ltd to the Company at cost during the previous financial year

[2] Mr Tansri Saridju Benui @ Chen Bing Wen, the former Executive Chairman of the Company, holds 2% of the equity interest in PTLG on behalf of the Company

[3] The subsidiary was disposed of during the year

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

13 **Investments in Subsidiaries** (cont'd)

| Name of subsidiaries and country of incorporation | Principal activities | Effective equity held by the Company 2015 % | Effective equity held by the Company 2014 % |
|---|---|---|---|
| *Held by Hi-Tech Distribution Pte Ltd* | | | |
| Chemitec Industrial Private Limited [a] Singapore | Distributor of specialty chemical products and consumable materials for the electronic industry | **100** | 100 |
| *Held by Vashion Group (H.K.) Holdings Ltd* | | | |
| Sansim Cosmetics (H.K.) Ltd [b] Hong Kong | Trading of cosmetics products | **100** | 100 |
| FBT HK Limited [b] Hong Kong | Trading of body slimming products | **100** | 100 |
| Vashion Assets Management Limited [b] Hong Kong | Provision of consultancy service and investment holding | **100** | 100 |
| L&G Global Company Ltd [c] Cayman Islands | Dormant | **100** | 100 |
| Vashion Holdings Limited [c] British Virgin Islands | Dormant | **100** | 100 |
| *Held by L&G Global Company Ltd* | | | |
| Louis Gianni Asia Limited [c] British Virgin Islands | Dormant | **100** | 100 |
| *Held by Vashion Group (H.K.) Limited* | | | |
| Louis Gianni Company Ltd [3][b] Hong Kong | Trading of garments and cosmetics products | **–** | 100 |

[a] Audited by Moore Stephens LLP, Singapore

[b] Audited by Lau & Au Yeung C.P.A. Limited, Hong Kong

[c] Not required to be audited under the laws of country of incorporation

[d] Reviewed by Moore Stephens LLP, Singapore

Acquisition of a subsidiary

During the financial year ended 31 December 2014, the investment in PTLG was transferred from HKLGC to the Company at cost amounting to US$2,500,000 (equivalent to S$3,230,000).

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

13 **Investments in Subsidiaries** (cont'd)

Disposal of a subsidiary

During the financial year ended 31 December 2015 and 31 December 2014, the Group completed the disposal of its 100% interest in Louis Gianni Company Ltd and Shenzhen Louis Gianni Costume Co., Ltd, respectively.

*Analysis of identifiable assets and liabilities of subsidiaries disposed*

| | Group | |
|---|---|---|
| | **2015** | 2014 |
| | **S$** | S$ |
| Assets | | |
| Plant and equipment | **5,803** | 36,335 |
| Inventories | – | 1,627,657 |
| Trade receivables - net (Note 17) | – | 139,701 |
| Other receivables, deposits and prepayments | – | 2,161,172 |
| Cash and bank balances | **11,272** | 26,668 |
| | **17,075** | 3,991,533 |
| Liabilities | | |
| Trade payables | **88,097** | 748,584 |
| Other payables and accruals | **10,506** | 968,932 |
| Borrowings | – | 2,484,913 |
| Income tax payable | **965,067** | – |
| | **1,063,670** | 4,202,429 |
| Net identifiable liabilities disposed of | **1,046,595** | 210,896 |

*Gain on disposal of subsidiary*

| | Group | |
|---|---|---|
| | **2015** | 2014 |
| | **S$** | S$ |
| Consideration for the disposal | – | 2,000,000 |
| Net identifiable liabilities disposed of (as above) | **1,046,595** | 210,896 |
| Cumulative exchange differences in respect of the subsidiary disposed of reclassified from translation reserve | **82,770** | 1,282,601 |
| Gain on disposal of subsidiary (Note 5) | **1,129,365** | 3,493,497 |

*Net cash inflow on disposal of subsidiary*

| | Group | |
|---|---|---|
| | **2015** | 2014 |
| | **S$** | S$ |
| Consideration for the disposal | – | 2,000,000 |
| Less: | | |
| Cash and balances of subsidiary disposed of | **(11,272)** | (26,668) |
| Consideration Disposal deposit received | – | (500,000) |
| Consideration Disposal receivable (Note 18(a)) | – | (500,000) |
| Net cash (outflow)/inflow on disposal of subsidiary | **(11,272)** | 973,332 |

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

## 14 Membership Rights

| | Group | |
|---|---|---|
| | **2015** | 2014 |
| | **S$** | S$ |
| Transferable club membership rights, at cost | **73,300** | 73,300 |
| Less: Allowance for impairment loss | **(49,400)** | (49,400) |
| | **23,900** | 23,900 |

Membership rights were registered and held in trust by key management personnel of a subsidiary of the Group.

## 15 Trademark

| | Group | |
|---|---|---|
| | **2015** | 2014 |
| | **S$** | S$ |
| **Cost** | | |
| Balance at the beginning of the year | 2,624,093 | 2,514,608 |
| Currency realignment | 189,247 | 109,485 |
| Balance at the end of the year | 2,813,340 | 2,624,093 |
| **Accumulated impairment loss** | | |
| Balance at the beginning of the year | (783,322) | (368,196) |
| Impairment losses recognised during the year | (1,828,568) | (382,852) |
| Currency realignment | (111,220) | (32,274) |
| Balance at the end of the year | (2,723,110) | (783,322) |
| **Net book value** | 90,230 | 1,840,771 |

The Group's trademark pertain to the "Louis Gianni" and the useful life of the trademark is estimated to be indefinite as it is expected to contribute net cash inflows to the Group indefinitely.

Impairment test for trademark

Trademark is allocated to the Group's cash-generating units (CGUs) identified as the Wholesale/Retail business segment generated by the trademark undertaken by Vashion Group (H.K.) Limited.

The recoverable amount of the trademark is determined based on the fair value of the trademark as at 31 December 2015 valued by an independent firm of valuers in their report dated 9 March 2016. For the purpose of the valuation, the valuers have adopted the value in use as the recoverable amount of the trademark derived from the cash flows expected to be generated by the trademark. Cash flow projection used in the value in use calculation were based on a five-year period. Cash flows beyond the five-year period were extrapolated using the terminal value as stated below.

For the current financial year, an impairment loss of S$1,828,568 (2014: S$382,852) was recognised to write down the Group's trademark to its recoverable amount as at the statement of financial position date.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

## 15 Trademark (cont'd)

Impairment test for trademark (cont'd)

*Key assumptions used in the value in use calculation*

| | Wholesale/Retail business | |
|---|---|---|
| | **2015** | 2014 |
| | **%** | % |
| Revenue Growth rate [(1)] | **–** | 10 |
| Terminal value [(2)] | **–** | 3 |
| Discount rate [(3)] | **55** | 31 |

(1) Growth rate used to project cash flows over the five-year period.

(2) Terminal value growth rate applied to extrapolate cash flows beyond the five-year period for 31 December 2014.

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

The above key assumptions were used for the cash flow projections of the trademark within the Wholesale/Retail business segment. Management determined estimated revenue growth rate based on past performance and their expectation of the market development. Terminal value applied to extrapolate cash flows beyond the five-year period approximates the estimated inflation rate. The discount rate used is pre-tax and reflected specific current risks relating to the CGUs' Wholesale/Retail business segment.

## 16 Inventories

| | Group | |
|---|---|---|
| | **2015** | 2014 |
| | **S$** | S$ |
| *At cost:* | | |
| Consumables and parts | **68,590** | 71,730 |
| Trading inventories | **111,631** | 605,078 |
| | **180,221** | 676,808 |

During the current financial year, certain inventories that were written off in previous financial year amounted to S$1,674 (2014: S$55,464) were written back as they were sold during the current financial year. While inventories written off during the year amounted to S$117,586 (2014: Nil).

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

## 17 Trade Receivables

| | Group | |
|---|---|---|
| | **2015** | 2014 |
| | **S$** | S$ |
| Trade receivables | **1,405,157** | 3,726,513 |
| Less: Allowance for impairment loss | **(207,080)** | (2,286,777) |
| | **1,198,077** | 1,439,736 |

Trade receivables are non-interest bearing and are generally settled within 30 to 270 days. Other credit terms are assessed and approved on a case-by-case basis.

Allowance for impairment loss

Movements in allowance for impairment loss of trade receivables during the financial year are as follows:

| | Group | |
|---|---|---|
| | **2015** | 2014 |
| | **S$** | S$ |
| Balance at the beginning of the year | **(2,286,777)** | (2,191,424) |
| Allowance for the year | **(201,061)** | – |
| Disposed of during the year (Note 13) | **2,286,777** | – |
| Currency realignment | **(6,019)** | (95,353) |
| Balance at the end of the year | **(207,080)** | (2,286,777) |

The Group recognises allowance for impairment loss for all trade receivables that are over 1 year because historical experience is such that trade receivables that are past due beyond 1 year are generally not recoverable.

## 18 Other Receivables, Deposits and Prepayments

| | Group | | Company | |
|---|---|---|---|---|
| | **2015** | 2014 | **2015** | 2014 |
| | **S$** | S$ | **S$** | S$ |
| Other receivables (a) | **1,132,793** | 3,986,928 | **–** | 1,321 |
| Excess of work-in-progress over progress billings (b) | **–** | 257,454 | **–** | – |
| Deposits | **63,727** | 27,937 | **12,258** | 3,640 |
| Fixed deposits interest (Note 21) | **134,252** | – | **–** | – |
| Advances paid to suppliers | **–** | 31,336 | **–** | – |
| Prepayments | **67,737** | 126,996 | **3,791** | 3,674 |
| | **1,395,509** | 4,430,651 | **16,049** | 8,635 |
| Less: Allowance for impairment loss on other receivables | **(678,888)** | – | **–** | – |
| | **719,621** | 4,430,651 | **16,049** | 8,635 |

**18 Other Receivables, Deposits and Prepayments** (cont'd)

(a) Other Receivables

| | Group | | Company | |
|---|---|---|---|---|
| | **2015** | 2014 | **2015** | 2014 |
| | **S$** | S$ | **S$** | S$ |
| Consideration Disposal receivable | **500,000** | 500,000 | **–** | – |
| Monies held in an escrow account (i) | **41,231** | 3,262,958 | **–** | – |
| Others | **591,562** | 223,970 | **–** | 1,321 |
| | **1,132,793** | 3,986,928 | **–** | 1,321 |

(i) The monies held in an escrow account relates to cash balances of the Group's wholly owned subsidiary, PTLG, in Indonesia. During the previous financial year, the cash balances, which are to be utilised for PTLG's operating expenses, are held in an escrow account as PTLG has not yet opened a bank account. During the current financial year, PTLG has opened its bank account and approximately S$3.22 million of the amount have been transferred from the escrow account to PTLG's bank account and/or placed on PTLG's time deposits with the bank (Note 21).

(b) Contract Work-In-Progress

| | Group | |
|---|---|---|
| | **2015** | 2014 |
| | **S$** | S$ |
| Contract costs incurred | **620,409** | 620,409 |
| Add: Attributable profits | **133,174** | 133,174 |
| | **753,583** | 753,583 |
| Less: Progress billings | **(496,129)** | (496,129) |
| Work-in-progress written-off | | |
| - Included in cost of sales | **(174,085)** | – |
| Reclassification to other receivables | **(93,915)** | – |
| Currency realignment | **10,546** | – |
| | **–** | 257,454 |
| *Presented as:* | | |
| Current Assets | | |
| Excess of work-in-progress over progress billings | **–** | 257,454 |

The contract work-in-progress of S$93,915 was reclassified to other receivables as the cost incurred for the project has been terminated and subsequently impaired during the current financial year.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

**18 Other Receivables, Deposits and Prepayments** (cont'd)

(b) Contract Work-In-Progress (cont'd)

Allowance for impairment loss

Movements in the aggregate allowances for impairment loss of other receivables and advances paid to suppliers during the financial year are as follows:

| | Group | | Company | |
|---|---|---|---|---|
| | **2015** | 2014 | **2015** | 2014 |
| | **S$** | S$ | **S$** | S$ |
| Balance at the beginning of the year | **–** | (1,449,918) | **–** | – |
| Allowance for the year | **(659,161)** | – | **–** | – |
| Reversal of allowance for impairment loss | **–** | 391,863 | **–** | – |
| Allowance written off during the year | **–** | 1,059,532 | **–** | – |
| Currency realignment | **(19,727)** | (1,477) | **–** | – |
| Balance at the end of the year | **(678,888)** | – | **–** | – |

During the previous financial year, the Group reversed an allowance for impairment loss amounting to S$391,863 due to the utilisation of certain of the advance payments paid to suppliers for purchases made, that were impaired in the previous financial year, and the remaining allowance for impairment relating to the advances paid to suppliers was written off. During the year, allowance for doubtful debts is provided which arose from long outstanding amounts which remained unpaid at the statement of financial position date and accordingly there are significant uncertainties over the recovery of these amounts.

**19 Due from/(to) Subsidiaries**

| | Company | |
|---|---|---|
| | **2015** | 2014 |
| | **S$** | S$ |
| Due from subsidiaries (non-trade) | **1,312,320** | 1,305,186 |
| Less: Allowance for impairment loss | **(1,018,039)** | (975,571) |
| | **294,281** | 329,615 |
| Due to subsidiaries (non-trade) | **(589,601)** | (1,722,527) |

The amounts due from/(to) subsidiaries are unsecured, interest-free and repayable on demand.

19 **Due from/(to) Subsidiaries** (cont'd)

Allowance for impairment loss

Movements in allowance for impairment loss of amounts due from subsidiaries during the financial year are as follows:

| | Company | |
|---|---|---|
| | **2015** | 2014 |
| | **S$** | S$ |
| Balance at the beginning of the year | **(975,571)** | (367,406) |
| Allowance for the year | **(130,786)** | (777,309) |
| Allowance written off during the year | **88,318** | 169,144 |
| Balance at the end of the year | **(1,018,039)** | (975,571) |

The allowance for impairment loss of S$130,786 (2014: S$777,309) was recognised by the Company to fully write down the receivables from certain subsidiaries to Nil as these subsidiaries continued to incur operating losses and/or were in net liabilities positions.

The allowance written off amounted to S$169,144, which was recognised in prior financial years, relates to the subsidiary that was deregistered during the previous year. The allowance written off amounted to S$88,318, which was recognised during the year, relates to the waiving of debt to subsidiaries.

20 **Loans to Subsidiaries**

| | Company | |
|---|---|---|
| | **2015** | 2014 |
| | **S$** | S$ |
| Loans to subsidiaries | **12,409,952** | 12,417,664 |
| Less: Allowance for impairment loss | **(12,409,952)** | (10,167,664) |
| | **–** | 2,250,000 |

Loans to subsidiaries are unsecured, repayable within next 12 months and bears interest rates at 3.5% (2014: 3.5%) per annum.

Allowance for impairment loss

Movements in allowance for impairment loss of loans to subsidiaries during the financial year are as follows:

| | Company | |
|---|---|---|
| | **2015** | 2014 |
| | **S$** | S$ |
| Balance at the beginning of the year | **(10,167,664)** | (8,111,673) |
| Allowance for the year | **(2,242,288)** | (2,055,991) |
| Balance at the end of the year | **(12,409,952)** | (10,167,664) |

The allowance for impairment loss of S$2,242,288 (2014: S$2,055,991) was recognised by the Company to fully write down the loans receivable from certain subsidiaries to Nil as these subsidiaries continued to incur operating losses and/or were in net liabilities position.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

## 21 Cash and Bank Balances and Fixed Deposits

| | Group | | Company | |
|---|---|---|---|---|
| | **2015** | 2014 | **2015** | 2014 |
| | **S$** | S$ | **S$** | S$ |
| Cash and bank balances | **1,498,655** | 2,631,183 | **11,074** | 589 |
| Fixed deposits | **3,095,534** | 85,232 | **–** | – |
| | **4,594,189** | 2,716,415 | **11,074** | 589 |
| Add: | | | | |
| Monies held in an escrow account (Note 18) | **–** | 3,262,958 | **–** | – |
| | **4,594,189** | 5,979,373 | **11,074** | 589 |
| Less: | | | | |
| Fixed deposits (more than 3 months) | **(3,090,534)** | – | | |
| Pledged fixed deposits | **(5,000)** | (25,000) | | |
| Cash and cash equivalents per consolidated statement of cash flows | **1,498,655** | 5,954,373 | | |

The Group's fixed deposits of S$5,000 (2014: S$25,000) have been pledged as security for bank guarantees (Note 32(a)) granted to the Group. During the financial year, part of the monies held in an escrow account have been partly transferred to a fixed deposit account. The Group's fixed deposits have maturity periods ranging from 6 month to 8 months (2014: 1 month to 3 months) from the year end. The effective interest rates ranged from 0.63% to 7.25% (2014: 0.19% to 0.63%) per annum.

## 22 Share Capital

| | Group and Company | | | |
|---|---|---|---|---|
| | **2015** | | 2014 | |
| | **No. of ordinary shares** | S$ | No. of ordinary shares | S$ |
| *Issued and paid-up:* | | | | |
| Balance at the beginning and end of the year | **3,031,293,241** | 28,120,322 | 3,031,293,241 | 28,120,322 |

The ordinary shares of the Company have no par value.

The ordinary shares carry one vote per share without restrictions and their holders are entitled to receive dividends when declared by the Company.

## 23 Statutory Reserve Fund

| | Percentage of contribution from profit after tax | Group | |
|---|---|---|---|
| | | **2015** | 2014 |
| | % | **S$** | S$ |
| Statutory reserve fund | 10 | **–** | – |

In accordance with the Foreign Enterprise Law applicable to the Group's subsidiary in the PRC, the subsidiaries are required to make appropriation to a Statutory Reserve Fund (SRF). At least 10% of the statutory after tax profits as determined in accordance with the applicable PRC accounting standards and regulations must be allocated to the SRF until the cumulative total of the SRF reaches 50% of the subsidiary's registered capital. Subject to approval from the relevant PRC authorities, the SRF may be used to offset any accumulated losses or increase the registered capital of the subsidiary. The SRF is not available for dividend distribution to shareholders.

During the previoius financial year, the statutory reserve fund was transferred to the Group's accumulated losses on the disposal of the PRC subsidiary as set out in the consolidated statement of changes in equity.

## 24 Performance Bonus Share Reserve

On 26 October 2010, the Group's wholly owned subsidiary, Vashion Assets Management Limited ("VAM"), had entered into a service agreement with two of its executive directors (the "Executives") to grant them performance bonuses in the form of new ordinary shares of the Company in lieu of cash payment (the "Performance Bonus Shares"). The performance bonuses shall be awarded only and solely in the event and occurrence of VAM (a) achieving the audited net profit after interest and tax ("NPAIT") of HK$ 4 million ("Profit Target") for the 12 months ended 31 March 2011 (the "Relevant Period") and (b) its outstanding trade receivables balances not exceeding 10% of its revenue (the "Collection Target"). The service agreement setting out the terms of the Performance Bonus Share was approved by a resolution of the Board of Directors of the Company on 27 January 2011.

As at 31 December 2011, the audit of the financial statements of VAM for the Relevant Period for the purpose of determining the audited NPAIT had not been completed. Consequently, a share-based payment expense amounting to S$1,652,591 was recognised in the previous financial year ended 31 December 2011 based on the unaudited management accounts of VAM for the Relevant Period on the assumption that the two conditions would be met. This represented management's best estimate of the number of Performance Bonus Shares expected to vest, i.e. 330,518,260 ordinary shares measured at a fair value of S$0.005 each. The fair value was determined by reference to the published market price of the Company's shares at grant date and did not incorporate any expected dividend. The granting of 330,518,260 Performance Bonus Shares was approved by a resolution of the Board of Directors of the Company on 22 February 2012.

On 5 June 2012, the unaudited management accounts of VAM for the Relevant Period was completed and it was noted that the unaudited net profit after interest and tax was below HK$4 million. However, based on the available audited financial statements of VAM for the twelve months ended 31 December 2011, VAM had achieved an audited net profit after interest and tax of approximately HK$5,280,000, and the Collection Target was met, the Board of Directors of the Company had decided, notwithstanding the Profit Target was not met, to issue a total of 280,768,000 new ordinary shares of the Company to the Executives as Performance Bonus Shares. This was calculated based on the actual unaudited profit after interest and tax of HK$3,582,600 for the Relevant Period as compared with the Profit Target and represented a total fair value of S$1,403,840 measured using the fair value of S$0.005 each. The resulting difference of 49,750,260 Performance Bonus Shares and its equivalent value of approximately S$249,000, was accordingly, been adjusted as at 31 December 2012.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

**24 Performance Bonus Share Reserve** (cont'd)

On 21 October 2013, VAM had entered into a settlement agreement ("Settlement Agreement") with the Executives whereby it was agreed that an aggregate 280,768,000 new ordinary shares of the Company shall be issued to the Executives in equal proportion at a consideration of S$0.01 each by 30 October 2014 (the "Revised Performance Bonus Shares") as performance bonuses. The issuance of the Revised Performance Bonus Shares was approved by the shareholders of the Company at an Extraordinary General Meeting held on 28 January 2014.

Subsequently, VAM entered into several supplemental agreements ("Supplemental Agreements") to extend the issuance of the Revised Performance Bonus Shares. The issuance of the Revised Performance Bonus Shares is now extended to 30 June 2016.

As at the date of these financial statements, the Revised Performance Bonus Shares have not been issued by the Company. If the issuance of the Revised Performance Bonus Shares is not fulfilled on or before 30 June 2016, the Supplemental Agreements shall terminate and none of the parties shall have any further claim against the other party.

**25 Translation Reserve**

Exchange differences relating to the translation of the results and the net assets of the Group's foreign operations from their functional currencies to the Group's presentation currency are recognised directly in other comprehensive income and accumulated in the translation reserve.

Movement in the translation reserve for the Group is set out in the consolidated statement of changes in equity.

**26 Lease Obligations**

| | Minimum Lease Payments S$ | Interest S$ | Present value of payments S$ |
|---|---|---|---|
| **Group** | | | |
| 2015 | | | |
| Within one year | **6,949** | **(117)** | **6,832** |
| More than one year but not later than five years | **–** | **–** | **–** |
| | **6,949** | **(117)** | **6,832** |
| 2014 | | | |
| Within one year | 7,632 | (373) | 7,259 |
| More than one year but not later than five years | 6,949 | (117) | 6,832 |
| | 14,581 | (490) | 14,091 |

The leases relate to certain motor vehicles of the Group acquired under finance leases. Lease terms do not contain restrictions concerning dividends, additional debt or further leasing.

Interest is payable at effective interest rate of 3.6% (2014: 3.6%) per annum.

The fair value of the Group's lease obligations approximate the present value of payments as disclosed above.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

## 27 Trade Payables

| | Group | |
|---|---|---|
| | **2015** | 2014 |
| | **S$** | S$ |
| Trade payables | **229,582** | 679,655 |

Trade payables are non-interest bearing and are generally settled within 30 to 90 days.

## 28 Other Payables and Accruals

| | Group | | Company | |
|---|---|---|---|---|
| | **2015** | 2014 | **2015** | 2014 |
| | **S$** | S$ | **S$** | S$ |
| Conditional deposit from Investor (a) | **2,628,499** | 2,500,000 | **2,628,499** | 2,500,000 |
| Other payables | **352,495** | 196,767 | **338,956** | 196,767 |
| Advances from directors of the Company (b) | **–** | 82,959 | **–** | 82,959 |
| Advances from director of subsidiaries (b) | **15,236** | 21,239 | **–** | – |
| Accrued operating expenses | **647,714** | 442,738 | **498,985** | 313,977 |
| GST/VAT payables | **7,597** | 5,939 | **(13,469)** | 32 |
| | **3,651,541** | 3,249,642 | **3,452,971** | 3,093,735 |

(a) On 9 July 2014, the Company entered into a conditional agreement with Industronics Berhad (the "Investor"), a company incorporated in Malaysia, whereby the Company agreed to enter into a placement agreement with the Investor to issue ordinary shares of the Company to the Investor, subject to the aggregate subscription amount in the placement agreement not being less than the deposits amounting to S$2.5 million by 30 September 2014. On 16 July 2014, the Investor paid the deposit amounted to S$2.5 million to the Company, which was received by Vashion Group (H.K.) Holdings Limited on behalf of the Company.

On 30 September 2014, 31 December 2014, 31 March 2015, 30 June 2015, 30 September 2015, 31 December 2015 and 31 March 2016 the Company entered into supplemental agreements to extend the placement agreement to 31 December 2014, 31 March 2015, 30 June 2015, 30 September 2015, 31 December 2015, 31 March 2016 and 30 June 2016, respectively.

Subsequently, on 5 February 2016 and 25 February 2016, the Company has made partial repayment of S$704,000 and S$762,812, respectively to the Investor.

(b) Advances from the directors of the Company and the subsidiaries are unsecured, interest-free and repayable on demand.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

## 29 Related Party Transactions

A related party is defined as follows:

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

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

(ii) Has significant influence over the Company; or

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

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

(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 venture of the same third party.

(iv) One entity is a joint ventures 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).

(viii) The entity or any member of a group of which is a party, provides key management personnel services to the reporting entity or to the parent of the reporting entity.

Key management compensation

| | Group | |
|---|---|---|
| | **2015** | 2014 |
| | **S$** | S$ |
| Remuneration of Directors of the Company | | |
| - Salaries and bonuses | **200,766** | 276,604 |
| - Defined contribution plans | **18,797** | 21,422 |
| | **219,563** | 298,026 |
| Directors' fees | **173,369** | 143,910 |
| Remuneration of Directors of the subsidiaries | | |
| - Salaries and bonuses | **83,550** | 150,150 |
| - Defined contribution plans | **9,510** | 14,083 |
| | **93,060** | 164,233 |
| Other key management personnel | | |
| - Salaries and bonuses | **235,147** | 296,524 |
| - Defined contribution plans | **7,200** | 10,924 |
| | **242,347** | 307,448 |
| | **728,339** | 913,617 |

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

## 30 Commitments

(a) Operating lease commitment

As at the statement of financial position date, the Group leases various stores and offices under non-cancellable operating lease agreements. The leases have varying terms, escalation clauses and renewal rights. Lease terms do not contain restrictions on the Group's activities concerning dividends, additional debt or further leasing. The future minimum lease payable under non-cancellable operating leases contracted for as at the statement of financial position date but not recognised as liabilities in the financial statements are as follows:

| | Group | |
|---|---|---|
| | **2015** | 2014 |
| | **S$** | S$ |
| Within one year | **76,249** | 85,263 |
| More than one year but not later than five years | **30,567** | – |
| | **106,816** | 85,263 |

## 31 Segment Information

The Group has four reportable segments, as described below, which are the Group's strategic business units. The strategic business units offer different products and services, and are managed separately because they require different technology and marketing strategies. For each of the strategic business units, the Group's executive directors (the chief operating decision maker) reviews internal management reports on a regular basis. The following summary describes the operations in each of the Group's reportable segments:

Segment 1: Wholesale/Retail business in garments and cosmetic products ("Wholesale/Retail business")
Segment 2: Distribution of specialty chemical products and consumable material for electronic industry ("Distribution")
Segment 3: Switchgear design and assembly
Segment 4: Consultancy

Distribution, wholesale and retail business have been aggregated into one segment as they has similar long-term average economic margins.

Other operations include investment holding companies. None of these segments meet any of the quantitative thresholds for determining reportable segments in 2015 or 2014.

Information regarding the results of each reportable segment is included below. Performance is measured based on segment profit after income tax, as included in the internal management reports that are reviewed by the Group's executive directors. Segment profit is used to measure performance as management believes that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate within these industries.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

31 **Segment Information** (cont'd)

| | Wholesale/ Retail business S$ | Distribution S$ | Switchgear design and assembly S$ | Consultancy S$ | Others S$ | Group S$ |
|---|---|---|---|---|---|---|
| 2015 | | | | | | |
| Segment revenue | – | 3,121,504 | 356,724 | – | – | 3,478,228 |
| Segment result | (1,972,107) | 181,414 | (141,890) | (240,408) | (635,562) | (2,808,553) |
| Finance costs | | | | | | (4,240) |
| Income tax benefit | | | | | | 5,291 |
| Consolidated loss for the year | | | | | | (2,807,502) |
| Depreciation of property, plant and equipment | (7,140) | (29,689) | (2,311) | (177) | (41,380) | (80,697) |
| Write-back of inventories | – | 1,674 | – | – | – | 1,674 |
| Allowance for impairment loss of trade and other receivables | (860,222) | – | – | – | – | (860,222) |
| Gain on disposal of subsidiary | 1,129,365 | – | – | – | – | 1,129,365 |
| Impairment of trademark | (1,828,568) | – | – | – | – | (1,828,568) |
| Segment assets | 3,645,243 | 1,888,827 | 153,595 | 36,272 | 1,156,032 | 6,879,969 |
| Segment liabilities | 104,921 | 227,661 | 130,916 | 9,785 | 3,474,182 | 3,947,465 |
| 2014 | | | | | | |
| Segment revenue | 1,780,416 | 3,144,441 | 316,892 | – | – | 5,241,749 |
| Segment result | 1,299,589 | 4,593 | (128,481) | (207,013) | 10,175 | 978,863 |
| Finance costs | | | | | | (437,695) |
| Income tax | | | | | | (49,387) |
| Consolidated profit for the year | | | | | | 491,781 |
| Depreciation of property, plant and equipment | (6,580) | (32,176) | (2,685) | (163) | (40,543) | (82,147) |
| Write-back of inventories | 55,464 | – | – | – | – | 55,464 |
| Allowance for impairment loss of trade and other receivables | – | 660 | – | – | – | 660 |
| Reversal of allowance for impairment of other receivables | 391,863 | – | – | – | – | 391,863 |
| Gain on disposal of subsidiary | 3,493,497 | – | – | – | – | 3,493,497 |
| Write-back of other payables | – | – | – | – | 44,622 | 44,622 |
| Impairment of trademark | (382,852) | – | – | – | – | (382,852) |
| Capital expenditure | – | (23,121) | – | – | (622) | (23,743) |
| Segment assets | 7,279,851 | 2,038,707 | 159,815 | 335,992 | 1,473,469 | 11,287,834 |
| Segment liabilities | (1,612,627) | (272,025) | (31,946) | 19,816 | (2,974,898) | (4,871,680) |

**31 Segment Information** (cont'd)

Geographical information

The Group's four business segments operate in two main geographic areas:

- Asia Pacific - The Company is headquartered and has operations in Singapore. The operations in this area include investment holding, provision of administrative and management service, distribution of specialty chemical products and consumable material for the electronic industry and switchgear design and assembly services.

- People's Republic of China ("PRC") - The operations in this area include investment holding in Hong Kong, retail business in garments and cosmetic products and consultancy business.

| | Revenue | | Non-current Assets | |
|---|---|---|---|---|
| | **2015** | 2014 | **2015** | 2014 |
| | **S$** | S$ | **S$** | S$ |
| Asia Pacific | **3,478,228** | 3,469,050 | **81,196** | 124,293 |
| PRC | **–** | 1,772,699 | **106,665** | 1,899,931 |
| | **3,478,228** | 5,241,749 | **187,861** | 2,024,224 |

Included in revenue arising from distribution segments (2014: wholesale business and distribution segments) of S$3,478,228 (2014: S$4,924,857) are revenues of approximately S$2,595,516 (2014: S$2,978,237) which are sales to the Group's 2 (2014: 2) largest customers (of which the largest single customer account for 61% (2014: 43%) of total revenue).

**32 Financial Instruments**

(a) Financial Risk Management Policies and Objectives

The Group's and Company's activities expose it to market risk (including currency risk and interest rate risk), credit risk and liquidity risk. The Group and the Company seeks to minimise the effects of these risks by continually monitoring the financial risk management process to ensure that an appropriate balance between risk and control is achieved. The Board of Directors is responsible for setting the objectives and policies implemented to mitigate the risk exposures. The Group has not used any derivatives or other instruments for hedging purposes. The Group does not hold or issue derivative financial instruments for trading purposes.

The following section provide details regarding the Group's and Company's exposure to the above mentioned financial risks and the objectives, policies and processes for the management of these risks.

Market risk

*Currency risk*

As certain of the Group's transactions are denominated in United States Dollar ("USD") and Pound Sterling ("BPD"), it is subject to foreign exchange risk exposure. As at the statement of financial position date, the Group has receivables, payables, borrowings and lease obligations, fixed deposits and cash and bank balances denominated in Singapore Dollar ("S$"), Renminbi ("RMB"), Hong Kong Dollar ("HKD"), USD, BPD, Indonesia Rupiah ("IDR") and Thai Baht ("THB"). Accordingly, the Group's statement of financial position can be affected by movements in these currency exchange rates.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

**32 Financial Instruments** (cont'd)

(a) Financial Risk Management Objectives and Policies (cont'd)

Market risk (cont'd)

*Currency risk* (cont'd)

| | S$ | USD | HKD | BPD | IDR | THB | Total |
|---|---|---|---|---|---|---|---|
| | S$ | S$ | S$ | S$ | S$ | S$ | S$ |
| **Group** | | | | | | | |
| 2015 | | | | | | | |
| Financial assets | | | | | | | |
| Trade receivables | 179,293 | 823,361 | 195,423 | – | – | – | 1,198,077 |
| Other receivables and deposits | 16,406 | 414,386 | 86,840 | – | 134,252 | – | 651,884 |
| Amount due from subsidiaries | 14,189,374 | – | 5,371,356 | – | – | – | 19,560,730 |
| Fixed deposits | 5,000 | – | – | – | 3,090,534 | – | 3,095,534 |
| Cash and bank balances | 108,273 | 1,175,110 | 66,656 | – | 1,160 | 147,456 | 1,498,655 |
| | 14,498,346 | 2,412,857 | 5,720,275 | – | 3,225,946 | 147,456 | 26,004,880 |
| Financial liabilities | | | | | | | |
| Trade payables | 68,481 | 125,910 | 11,357 | 23,834 | – | – | 229,582 |
| Other payables and accruals | 950,393 | 1,372,582 | 64,136 | – | 917 | 1,255,916 | 3,643,944 |
| Amount due to subsidiaries | 14,189,374 | – | 5,371,356 | – | – | – | 19,560,730 |
| Lease obligations | 6,832 | – | – | – | – | – | 6,832 |
| | 15,215,080 | 1,498,492 | 5,446,849 | 23,834 | 917 | 1,255,916 | 23,441,088 |
| Net financial assets/ (liabilities) | (716,734) | 914,365 | 273,426 | (23,834) | 3,225,029 | (1,108,460) | 2,563,792 |
| Less: | | | | | | | |
| Net financial (assets)/liabilities denominated in the respective entities functional currencies | (11,978,047) | – | (273,426) | – | (3,225,029) | – | (15,476,502) |
| Foreign currency exposure | (12,694,781) | 914,365 | – | (23,834) | – | (1,108,460) | (12,912,710) |

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

32 **Financial Instruments** (cont'd)

(a) Financial Risk Management Objectives and Policies (cont'd)

Market risk (cont'd)

*Currency risk* (cont'd)

| | S$ | USD | RMB | HKD | BPD | IDR | THB | Total |
|---|---|---|---|---|---|---|---|---|
| | S$ | S$ | S$ | S$ | S$ | S$ | S$ | S$ |
| **Group** | | | | | | | | |
| 2014 | | | | | | | | |
| Financial assets | | | | | | | | |
| Trade receivables | 120,100 | 1,121,320 | 193,151 | 5,165 | – | – | – | 1,439,736 |
| Other receivables and deposits | 528,007 | – | – | 254,173 | – | 3,232,685 | – | 4,014,865 |
| Amount due from subsidiaries | 14,943,865 | 660,650 | – | 10,046,799 | – | – | – | 25,651,314 |
| Fixed deposits | 85,232 | – | – | – | – | – | – | 85,232 |
| Cash and bank balances | 57,586 | 1,264,164 | – | 590,795 | – | (946) | 719,584 | 2,631,183 |
| | 15,734,790 | 3,046,134 | 193,151 | 10,896,932 | – | 3,231,739 | 719,584 | 33,822,330 |
| Financial liabilities | | | | | | | | |
| Trade payables | 84,857 | 473,769 | 80,557 | 12,207 | 28,265 | – | – | 679,655 |
| Other payables and accruals | 3,183,212 | – | – | 60,491 | – | – | – | 3,243,703 |
| Amount due to subsidiaries | 14,943,865 | 660,650 | – | 10,046,799 | – | – | – | 25,651,314 |
| Lease obligations | 14,091 | – | – | – | – | – | – | 14,091 |
| | 18,226,025 | 1,134,419 | 80,557 | 10,119,497 | 28,265 | – | – | 29,588,763 |
| Net financial assets/ (liabilities) | (2,491,235) | 1,911,715 | 112,594 | 777,435 | (28,265) | 3,231,739 | 719,584 | 4,233,567 |
| Less: Net financial (assets)/liabilities denominated in the respective entities functional currencies | (8,711,767) | – | – | (1,758,416) | – | (3,231,739) | – | (13,701,922) |
| Foreign currency exposure | (11,203,002) | 1,911,715 | 112,594 | (980,981) | (28,265) | – | 719,584 | (9,468,355) |

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

**32 Financial Instruments** (cont'd)

(a) Financial Risk Management Objectives and Policies (cont'd)

Market risk (cont'd)

*Currency risk* (cont'd)

The following table details the sensitivity to a 10% increase and decrease in the Singapore Dollar against the relevant foreign currencies. 10% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 10% change in foreign currency rates.

If the Singapore Dollar strengthen by 10% against the relevant foreign currencies, with all variables including tax rate being held constant, the Group's profit/(loss) before income tax will increase/(decrease) by:

| | USD<br>S$ | RMB<br>S$ | HKD<br>S$ | BPD<br>S$ | IDR<br>S$ | THB<br>S$ |
|---|---|---|---|---|---|---|
| **Group** | | | | | | |
| 2015 | | | | | | |
| Loss before income tax | (91,437) | – | – | 2,383 | – | 110,846 |
| 2014 | | | | | | |
| Profit before income tax | (191,172) | (11,259) | 98,098 | 2,827 | – | (71,958) |

A 10% weakening of the Singapore Dollar against the above foreign currencies would have had the equal but opposite effect to the amounts shown above on the basis that all other variables including tax remain constant.

The Group is also exposed to currency translation risk arising from its net investments in its foreign operations in the PRC, Hong Kong and Indonesia. The Group's net investments are not hedged as they are considered to be long-term in nature.

*Company*

As the Company's transactions are primarily denominated in Singapore Dollar, it is subject to minimal foreign currency risk exposure. The Company's statement of financial position is denominated in Singapore Dollar and therefore there is no exposure of foreign currency risk.

32 **Financial Instruments** (cont'd)

(a) Financial Risk Management Objectives and Policies (cont'd)

Market risk (cont'd)

*Interest rate risk*

The Group obtains additional financing through borrowings. The Group's policy is to obtain the most favourable interest rates available without increasing its interest rate risk. The Group constantly monitors its interest rate risk and does not utilise forward contracts or other arrangements for trading or speculative purposes. As at the statement of financial position date, there were no such arrangements, interest rate swap contracts or other derivative instruments outstanding.

The following table sets out the carrying amount, by maturity, of the Group's financial instruments that are exposed to interest rate risk as at the statement of financial position date:

| | **Group** | |
|---|---|---|
| | **2015** | 2014 |
| | **S$** | S$ |
| Within one year | | |
| Fixed rates | | |
| Fixed deposits | **3,095,534** | 85,232 |
| Lease obligations | **6,832** | 7,259 |
| More than one year - fixed rates | | |
| Lease obligations | **–** | 6,832 |

Interests on financial instruments at fixed rates are fixed until the maturity of the instruments. The other financial instruments of the Group that are not included in the above table are not subject to interest rate risks. The Group's profit or loss are not affected by changes in interest rates as the interest bearing financial instruments carry interest at fixed rates.

*Company*

The Company's financial instruments have no significant exposure to interest rate risk.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

32 **Financial Instruments** (cont'd)

(a) Financial Risk Management Objectives and Policies (cont'd)

Liquidity risk

The Group and the Company monitor its liquidity risk and maintains a level of cash and bank balances deemed adequate by management to finance the Group's and the Company's operations and to mitigate the effects of fluctuations in cash flows. For the current financial year, the Group has negative cash flows from its operations. Notwithstanding this, management ensure the Group and the Company have sufficient cash resources on demand to meet expected operational expenses including the servicing of financial obligations. Further discussion on the Group's liquidity risk is disclosed in Note 2(b).

The following tables detail the remaining contractual maturity for the Group's and the Company's financial liabilities as at the statement of financial position date. The tables have been drawn up with the undiscounted cash flows of the financial liabilities based on the earliest date on which the Group/Company can be required to pay.

| | | | Cash flows | | |
|---|---|---|---|---|---|
| | **Carrying amount S$** | **Contractual cash flows S$** | **Within 1 year S$** | **Within 2 to 5 years S$** | **After 5 years S$** |
| **Group** | | | | | |
| 2015 | | | | | |
| Trade payables | 229,582 | 229,582 | 229,582 | – | – |
| Other payables and accruals | 3,651,542 | 3,651,542 | 3,651,542 | – | – |
| Lease obligations | 6,832 | 6,832 | 6,832 | – | – |
| | 3,887,956 | 3,887,956 | 3,887,956 | – | – |
| 2014 | | | | | |
| Trade payables | 679,655 | 679,655 | 679,655 | – | – |
| Other payables and accruals | 3,243,703 | 3,243,703 | 3,243,703 | – | – |
| Lease obligations | 14,091 | 14,581 | 7,632 | 6,949 | – |
| | 3,937,449 | 3,937,939 | 3,930,990 | 6,949 | – |
| **Company** | | | | | |
| 2015 | | | | | |
| Other payables and accruals | 3,452,971 | 3,452,971 | 3,452,971 | – | – |
| Due to subsidiaries | 589,601 | 589,601 | 589,601 | – | – |
| | 4,042,572 | 4,042,572 | 4,042,572 | – | – |
| 2014 | | | | | |
| Other payables and accruals | 3,093,703 | 3,093,703 | 3,093,703 | – | – |
| Due to subsidiaries | 1,722,527 | 1,722,527 | 1,722,527 | – | – |
| | 4,816,230 | 4,816,230 | 4,816,230 | – | – |

**32 Financial Instruments** (cont'd)

(a) Financial Risk Management Objectives and Policies (cont'd)

Liquidity risk (cont'd)

As at the statement of financial position date, the banking facility available to the Group is as follows:

| | Group | |
|---|---|---|
| | **2015** | 2014 |
| | **S$** | S$ |
| Secured bank facility for issuance of bank guarantees to third parties | | |
| - amount used | **4,750** | 4,750 |
| - amount unused | **250** | 20,250 |
| | **5,000** | 25,000 |

The bank guarantees issued are secured on the Group's fixed deposits of S$5,000 (2014: S$25,000) (Note 21).

Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. For trade receivables, the Group adopts the policy of dealing only with customers of appropriate credit history, and obtaining sufficient security where appropriate to mitigate credit risk. For other financial assets, the Group and the Company adopts the policy of dealing only with high credit quality counterparties. In addition, receivable balances are monitored on an ongoing basis.

As at the end of the current financial year, 57% (2014: 51%) of the Group's trade receivables comprised 1 customer who is the semiconductor equipment and materials manufactures in Singapore.

*Exposure to credit risk*

As at the statement of financial position date, the Group's maximum exposure to credit risk is represented by the carrying amount of each class of financial assets recognised in the statement of financial position.

As at the statement of financial position date, the geographical credit risk for the Group's trade and other receivables based on the information provided to key management is as follows:

| | Group | |
|---|---|---|
| | **2015** | 2014 |
| | **S$** | S$ |
| By geographical areas | | |
| - Asia Pacific | **1,567,697** | 4,091,993 |
| - PRC | **282,264** | 1,362,609 |
| | **1,849,961** | 5,454,602 |

Cash and bank balances, including fixed deposits, are placed with reputable financial institutions. Therefore, credit risk arises mainly from trade receivables due to the inability of their customers to make payments when due. The trade and other receivables presented in the statement of financial position are net of allowance for impairment loss, estimated by management based on past experiences and the overall economic environment.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

## 32 Financial Instruments (cont'd)

(a) Financial Risk Management Objectives and Policies (cont'd)

Credit risk (cont'd)

*Exposure to credit risk* (cont'd)

As at the statement of financial position date, the detailed age analysis of the Group's trade and other receivables is as follows:

| | Group | |
|---|---|---|
| | **2015** | 2014 |
| | **S$** | S$ |
| Not past due and not impaired | **1,842,368** | 4,392,282 |
| Past due but not impaired | | |
| - Past due 0 to 3 months | **2,055** | 1,044,091 |
| - Past due 3 to 6 months | **–** | – |
| - Past due over 6 months | **5,538** | 18,229 |
| | **1,849,961** | 5,454,602 |

Included in the Group's trade receivables are an aggregate amount of S$7,593 (2014: S$1,062,320) that are past due but not impaired relates to a number of independent customers that have a good track record. Based on past experiences, management believe that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral over these balances.

Movements in allowance for impairment loss of trade and other receivables during the financial year are disclosed in Notes 17 and 18.

Capital risk management

The Group and the Company manages its capital to ensure that entities in the Group and the Company will be able to continue as going concerns while maximising the return to stakeholders through the optimisation of the debt and equity balance. The Group's and the Company's overall strategy remains unchanged from 2014.

The capital structure of the Group/Company consists of net debts (total liabilities excluding income tax payable, less cash and cash equivalents) and equity of the Group/Company (comprising all components of shareholders' equity).

The Group is not subject to any externally imposed capital requirements for the financial years ended 31 December 2015 and 2014.

**32 Financial Instruments** (cont'd)

(a) Financial Risk Management Objectives and Policies (cont'd)

Capital risk management (cont'd)

The Group monitors capital with reference to a net debt-to-equity ratio, which as at the statement of financial position date is as follows:

| | Group | | Company | |
|---|---|---|---|---|
| | **2015** | 2014 | **2015** | 2014 |
| | **S$** | S$ | **S$** | S$ |
| Total debts | **3,887,956** | 3,943,388 | **4,042,572** | 4,816,262 |
| Less: Cash and cash equivalents (Note 21) | **(1,498,655)** | (5,954,373) | **(11,074)** | (589) |
| Net debt/(cash) | **2,389,301** | (2,010,985) | **4,031,498** | 4,815,673 |
| Total equity | **2,932,504** | 6,416,154 | **1,752,707** | 925,350 |
| Net debt-to-equity ratio | **0.81** | N.M. | **2.30** | 5.20 |

N.M. - Not meaningful

(b) Fair Value

The carrying amount of the Group's and Company's financial assets and financial liabilities with a maturity of less than one year, which are primarily trade and other receivables and payables, due from/(to) subsidiaries, loans to subsidiaries, and borrowings is a reasonable approximation of fair value because of their relatively short term period of maturity.

The fair values of financial assets and financial liabilities with a maturity of more than one year are disclosed in the respective notes.

**33 Subsequent Event**

On 15 December 2015, the Company entered into a placement agreement with few (4) individual placees, where the placees have agreed to subscribe for the placement shares equivalent to 1,333,333,332 new shares at an issue price of S$0.0009 for each placement share, on the terms and subject to the conditions set out in the placement agreement. Further, as partial payment on advisory fees on past services rendered to the Company, the Company shall issue 182,313,288 new shares at an issue price of S$0.0009 to its Sponsor ("advisory fees shares").

On 25 January 2016, the Company and each of the placees entered into supplemental agreement to amend the terms at the placement agreement whereby,

(a) The issue price is adjusted from S$0.0009 for each placement share to S$0.001 for each placement share ("revised issue price"); and

(b) The number at placement shares for each placees be revised to 1,200,000,000.

Further, the advisory fees shares shall be reduced to 165,000,000 new shares ("revised advisory fees shares") at the revised issue price.

On 10 February 2016, the 1,200,000,000 placement shares have been issued to the placees. The revised advisory fees shares have also been issued on that date.

# STATISTICS OF SHAREHOLDINGS

As at 15 March 2016

### Share Capital Information

Number of Shares - 4,396,293,241
Class of shares - Ordinary share
Voting rights - One vote per share
Number of treasury shares - Nil

### Distribution of Shareholdings as at 15 March 2016

| Size of Shareholdings | No. of Shareholders | % | No. of Shares | % |
|---|---|---|---|---|
| 1 - 99 | 64 | 2.25 | 1,620 | 0.00 |
| 100 – 1,000 | 98 | 3.45 | 83,106 | 0.00 |
| 1,001 - 10,000 | 403 | 14.20 | 2,533,607 | 0.06 |
| 10,001 - 1,000,000 | 2,088 | 73.55 | 353,314,805 | 8.04 |
| 1,000,001 AND ABOVE | 186 | 6.55 | 4,040,360,103 | 91.90 |
| **Total** | 2,839 | 100.00 | 4,396,293,241 | 100.00 |

### List of 20 Largest Shareholders as at 15 March 2016

| No. | Name | No. of Shares | % |
|---|---|---|---|
| 1 | PHILLIP SECURITIES PTE LTD | 510,089,100 | 11.60% |
| 2 | CHAMPLEY REILL EDWARD | 400,000,000 | 9.10% |
| 3 | ZHOU QILIN | 400,000,000 | 9.10% |
| 4 | TANSRI SARIDJU BENUI @CHEN BING WEN | 360,000,000 | 8.19% |
| 5 | MISSION WELL LIMITED | 355,000,000 | 8.07% |
| 6 | MAYBANK NOMINEES (S) PTE LTD | 292,279,000 | 6.65% |
| 7 | KOH SHI XIANG | 200,000,000 | 4.55% |
| 8 | WONG LAW SEIN @ MAUNG HLA THEIN | 200,000,000 | 4.55% |
| 9 | HERJANTO RUSLI | 181,500,000 | 4.13% |
| 10 | UNITED OVERSEAS BANK NOMINEES | 113,015,000 | 2.57% |
| 11 | MAYBANK KIM ENG SECS PTE LTD | 109,020,000 | 2.48% |
| 12 | NA CHING CHING, LINDA ( LAN QINGQING,LINDA) | 47,810,500 | 1.09% |
| 13 | RAFFLES NOMINEES (PTE) LTD | 33,278,000 | 0.76% |
| 14 | RAVINDRAN GOVINDAN | 32,200,000 | 0.73% |
| 15 | NG SEOW YUEN (HUANG XIAOYAN) | 29,800,000 | 0.68% |
| 16 | DBS NOMINEES PTE LTD | 25,224,000 | 0.57% |
| 17 | KHOO BOO KOK | 22,357,100 | 0.51% |
| 18 | TEO CHIN HUAT | 22,000,000 | 0.50% |
| 19 | NG KIM CHOON | 21,800,000 | 0.50% |
| 20 | LAU HAW PING | 20,300,000 | 0.46% |
| | **TOTAL** | **3,375,672,700** | **76.79%** |

# STATISTICS OF SHAREHOLDINGS

As at 15 March 2016

**Substantial Shareholders as at 15 March 2016**
(As shown in the Register of Substantial Shareholders)

| Name of Shareholders | Direct Interest | % | Deemed Interest | % |
|---|---|---|---|---|
| Mission Well Limited | 355,000,000 | 8.07 | – | – |
| Christian Kwok-Leun Yau* | – | – | 355,000,000 | 8.07 |
| Malayan Banking Berhad | 292,279,000 | 6.65 | – | – |
| AmanahRaya Trustees Berhad** | – | – | 292,279,000 | 6.65 |
| Amanah Raya Berhad*** | – | – | 292,279,000 | 6.65 |
| Rennace Investments Ltd | 292,260,000 | 6.65 | – | – |
| Khoo Yick Wai**** | – | – | 292,260,000 | 6.65 |
| Zhou QiLin | 400,000,000 | 9.10 | – | – |
| Reill Edward Champley | 400,000,000 | 9.10 | – | – |
| Tansri Saridju Benui @ Chen Bing Wen***** | 360,000,000 | 8.19 | – | – |

* Mr. Christian Kwok-Leun Yau is deemed interested in the 500,000,000 shares held by Mission Well Limited as he is the sole shareholder and director of Mission Well Limited.

** AmanahRaya Trustees Berhad ("ARTB") (acting as trustee for Skim Amanah Saham Bumiputera) is a substantial shareholder of Malayan Banking Berhad. As such, ARTB is deemed to have an interest in shares held by Malayan Banking Berhad.

*** Amanah Raya Berhad ("ARB") is the holding company of ARTB. As such, ARB is deemed to have an interest in shares held by Malayan Banking Berhad.

**** Mr. Khoo Yick Wai is the director and sole shareholder of Rennace Investments Ltd. Thus, he is deemed to be interested in the shares held by Rennace Investments Ltd.

***** It does not include 2,450,000 shares held by his spouse as Tansri Saridju Benui is not deemed to have an interest in the shares held by his spouse.

**Percentage of Shareholdings in Public Hands**

Based on information available to the Company as at 15 March 2016 approximately 48.78% of the issued ordinary shares of the Company is held by the public, and therefore, Rule 723 of the Section B: Rules of Catalist of the SGX-ST Listing Manual is complied with.

# NOTICE OF ANNUAL GENERAL MEETING

**NOTICE IS HEREBY GIVEN** that the Annual General Meeting of the Company will be held at Jurong Country Club, Albizia Room 2, Level 2, 9 Science Centre Road, Singapore 609078 on Friday, 29 April 2016 at 3.00 p.m. to transact the following businesses:-

## ORDINARY BUSINESS

1. To receive and adopt the Audited Financial Statements for the financial year ended 31 December 2015 and the Directors' Statement and Auditors' Report thereon. **(Resolution 1)**

2. To approve the Directors' fees of S$173,369 (2014: S$163,001) for the financial year ended 31 December 2015. **(Resolution 2)**

3. To re-elect Mr Tan Chin Lee, a Director who will retire pursuant to Article 103 of the Constitution of the Company: **(Resolution 3)**

   Mr Tan Chin Lee, will upon re-election as Director of the Company, remain as member of the Audit Committee, Nominating Committee, and Remuneration Committee. He will be considered independent for the purposes of Rule 704(7) of Section B: Rules of Catalist of the SGX-ST Listing Manual.

4. To re-elect Mr Christian Kwok-Leun Yau Heilesen, a Director who will retire pursuant to Article 107 of the Constitution of the Company. **(Resolution 4)**

5. To re-elect Mr Leung Kwok Kuen Jacob, a Director who will retire pursuant to Article 107 of the Constitution of the Company. **(Resolution 5)**

   Mr Leung Kwok Kuen Jacob, will upon re-election as Director of the Company, remain as member of the Nominating Committee. He will be considered non-independent for the purposes of Rule 704(7) of Section B: Rules of Catalist of the SGX-ST Listing Manual.

6. To re-appoint Moore Stephens LLP as Auditors of the Company and to authorise the Directors to fix their remuneration. **(Resolution 6)**

## SPECIAL BUSINESS

To consider and if thought fit, pass the following ordinary resolutions, with or without modifications:-

7. Authority to issue shares

   (a) "That pursuant to Section 161 of the Companies Act, and the rules under Section B: Rules of Catalist of the SGX-ST Listing Manual (the "Rules of Catalist"), approval be and is hereby given to the Directors of the Company, to:

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

      (ii) make or grant offers, agreements or options (collectively, "Instruments") that might or would require Shares to be issued including but not limited to the creation and issue of (as well as adjustments to) warrants, debentures or other instruments convertible into Shares, at any time and upon such terms and conditions and for such purposes and to such persons as the Directors in their absolute discretion deem fit;

# NOTICE OF ANNUAL GENERAL MEETING

(b) (notwithstanding the authority conferred by this resolution may have ceased to be in force) issue shares in pursuance of any Instrument made or granted by the Directors while the authority was in force, provided always that

(i) the aggregate number of shares to be issued pursuant to this resolution (including Shares to be issued in pursuance of Instruments made or granted pursuant to this resolution) does not exceed 100% of the total number of issued Shares (excluding treasury shares) of which the aggregate number of Shares and convertible securities to be issued other than on a pro rata basis to existing shareholders of the Company does not exceed 50% of the total number of issued Shares excluding treasury shares, and for the purpose of determining the aggregate number of Shares and Instruments that may be issued under this resolution, the percentage of the total number of issued Shares excluding treasury shares shall be based on the Company's total number of issued Shares excluding treasury shares at the time this resolution is passed, after adjusting for:

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

(b) new Shares arising from exercising share options or vesting of share awards outstanding or subsisting at the time this resolution is passed provided the options or awards were granted in compliance with Part VIII of Chapter 8 of the Rules of Catalist of the SGX-ST; and

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

(ii) in exercising the authority conferred by this resolution, the Company shall comply with the provisions of the Rules of Catalist of the SGX-ST for the time being in force (unless such compliance has been waived by the SGX-ST) and the Constitution for the time being of the Company; and

(iii) such authority shall, unless revoked or varied by the Company at a general meeting, continue in force until the conclusion of the next Annual General Meeting or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is the earlier."
[See Explanatory Note] **(Resolution 7)**

**ANY OTHER BUSINESS**

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

BY ORDER OF THE BOARD

Executive Director
Christian Kwok-Leun Yau Heilesen
14 April 2016

# NOTICE OF ANNUAL GENERAL MEETING

**Explanatory Notes on Special Business:**

The Ordinary Resolution 7 proposed in item 7 above, if passed, will empower Directors of the Company from the date of the above Meeting until the next Annual General Meeting to issue Shares and convertible securities in the Company up to an amount not exceeding in aggregate 100 per cent of the total number of issued Shares excluding treasury shares of the Company, of which the total number of Shares and convertible securities issued other than on a pro rata basis to existing shareholders shall not exceed 50 percent of the total number of issued Shares excluding treasury shares of the Company at the time the resolution is passed, for such purposes as they consider would be in the interests of the Company. Rule 806(2) of the Rules of Catalist currently provides that the total number of issued Shares excluding treasury shares of the Company for this purpose shall be the total number of issued Shares excluding treasury shares at the time this resolution is passed (after adjusting for new Shares arising from the conversion of convertible securities or share options on issue at the time this resolution is passed and any subsequent bonus issue, consolidation or subdivision of the Company's Shares). This authority will, unless revoked or varied at a general meeting, expire at 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.

**Notes:**

1. A member who is not a relevant intermediary is entitled to appoint not more than two proxies to attend, speak and vote at the meeting. Where such member's form of proxy appoints more than one proxy, the proportion of the shareholding concerned to be represented by each proxy shall be specified in the form of proxy.

2. A member who is a relevant intermediary is entitled to appoint more than two proxies to attend, speak and vote at the meeting, but each proxy must be appointed to exercise the rights attached to a different share or shares held by such member. Where such member's form of proxy appoints more than two proxies, the number of shares in relation to which each proxy has been appointed shall be specified in the form of proxy.

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

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

4. The instrument appointing a proxy must be lodged at the registered office of the Company at 280 Woodlands industrial Park E5 #10-50,Harvest @ Woodlands Singapore 757322 at least 48 hours before the time appointed for the Annual General Meeting.

5. The sending of a Proxy Form by a member does not preclude him from attending and voting in person at the Annual General Meeting if he so wishes. Any appointment of a proxy or proxies shall be deemed to be revoked if a member attends the Annual General Meeting in person and, in such event, the Company reserves the right to refuse to admit any person or persons appointed under the Proxy Form to the Annual General Meeting.

6. A Depositor's name must appear on the Depository Register maintained by The Central Depository (Pte) Limited as at 72 hours before the time fixed for holding the Annual General Meeting in order for the Depositor to be entitled to attend and vote at the Annual General Meeting.

7. An investor who buys shares using CPF monies ("CPF Investor") and/or SRS monies ("SRS Investor") (as may be applicable) may attend and cast his/her vote(s) at the Annual General Meeting in person as proxy of his/her CPF and/or SRS Approved Nominee. CPF and SRS Investors who are unable to attend the Annual General Meeting but would like to vote, may inform their CPF and/or SRS Approved Nominees to appoint the Chairman of the Meeting to act as their proxy, in which case, the CPF and SRS Investors shall be precluded from attending the Annual General Meeting.

   This notice has been prepared by the Company and its contents have been reviewed by the Company's sponsor ("Sponsor"), Asian Corporate Advisors Pte. Ltd., for compliance with the relevant rules of the Singapore Exchange Securities Trading Limited ("Exchange"). The Company's Sponsor has not independently verified the contents of this notice including the correctness of any of the figures used, statements or opinions made.

   This notice has not been examined or approved by the Exchange and the Exchange assumes no responsibility for the contents of this notice including the correctness of any of the statements or opinions made or reports contained in this notice.

   The contact person for the Sponsor is Ms Foo Quee Yin.
   Telephone number: 6221 0271

**Personal data privacy:**

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

# PROXY FORM

## VASHION GROUP LTD.

(Incorporated in the Republic of Singapore)
Registration No. 199906220H

IMPORTANT
1. Relevant intermediaries as defined in Section 181 of the Companies Act, Chapter 50 may appoint more than two proxies to attend the Meeting and vote.
2. For investors who have used their CPF monies to buy Vashion Group Ltd's shares, the Annual Report is forwarded to them at the request of their CPF Approved Nominees.
3. This proxy form is not valid for use by CPF investors and shall be ineffective for all intents and purposes if used or purported to be used by them.

I/We, ________________________________________

of ________________________________________

being *a member/members of VASHION GROUP LTD. (the "Company"), hereby appoint

| Name | Address | NRIC/ Passport No. | Proportion of shareholdings (%) |
|---|---|---|---|
| | | | |
| *and/or | | | |
| | | | |

or failing him/her, the Chairman of the Meeting as *my/our *proxy/proxies, to vote for *me/us on *my/our behalf and, if necessary, to demand a poll at the Annual General Meeting of the Company to be held at 9 Science Centre Road, Jurong Country Club, Albizia Room 2, Level 2, Singapore 609078 on Friday, 29 April 2016 at 3.00 p.m. and at any adjournment thereof.

*I/We direct *my/our *proxy/proxies to vote for or against the Ordinary Resolutions to be proposed at the Annual General Meeting as indicated with an "**X**" in the spaces provided hereunder. If no specified directions as to voting are given, the *proxy/proxies will vote or abstain from voting at *his/their discretion.

| No. | Ordinary Resolutions | No. of Votes For** | No. of Votes Against** |
|---|---|---|---|
| 1. | To receive and adopt the Audited Accounts for the financial year ended 31 December 2015 and the Directors' Statement and Auditors' Report thereon. | | |
| 2. | To approve the Directors' fee of S$173,369 for the financial year ended 31 December 2015. | | |
| 3. | To re-elect Mr Tan Chin Lee, a Director of the Company, pursuant to Article 103 of the Constitution. | | |
| 4. | To re-elect Mr, Christian Kwok-Leun Yau Heilesen, a Director of the Company pursuant to Article 107 of the Constitution. | | |
| 5. | To re-elect Mr Leung Kwok Kuen Jacob, a Director of the Company, pursuant to Article 107 of the Constitution. | | |
| 6. | To re-appoint Moore Stephens LLP as Auditors of the Company and to authorise the Directors to fix their remuneration. | | |
| 7. | To authorize Directors to issue shares pursuant to Section 161 of the Companies Act, Chapter 50. | | |

* delete where applicable

** All resolutions would be put to vote by poll in accordance with listing rule of Singapore Exchange Securities Trading Limited.

Please indicate with an "X" the number of votes within the box provided. An indication of "X" would represent you are exercising all your votes "For" or "Against" the relevant resolution.

Dated this ________ day of ________________ 2016.

| Total Number of Shares Held |
|---|
| |

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

**IMPORTANT: PLEASE READ NOTES BEFORE COMPLETING THE PROXY FORM**

**Notes:**

1. A member who is not a relevant intermediary is entitled to appoint not more than two proxies to attend, speak and vote at the Annual General Meeting ("**AGM**"). Where such member's form of proxy appoints more than one proxy, the proportion of the shareholding concerned to be represented by each proxy shall be specified in the form of proxy.

2. A member who is a relevant intermediary is entitled to appoint more than two proxies to attend, speak and vote at the AGM, but each proxy must be appointed to exercise the rights attached to a different share or shares held by such member. Where such member's form of proxy appoints more than two proxies, the number of shares in relation to which each proxy has been appointed shall be specified in the form of proxy.

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

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

5. An investor who buys shares using CPF monies ("CPF Investor") and/or SRS monies ("SRS Investor") (as may be applicable) may attend and cast his/her vote(s) at the AGM in person. CPF and SRS Investors who are unable to attend the AGM but would like to vote, may inform their CPF and/or SRS Approved Nominees to appoint the Chairman of the Meeting to act as their proxy, in which case, the CPF and SRS Investors shall be precluded from attending the AGM.

6. Where a member of the Company appoints more than one proxy in a proxy form, he shall specify the proportion of his shareholding (expressed as a percentage of the whole) to be represented by each such proxy.

7. Completion and return of this instrument appointing a proxy or proxies shall not preclude a member from attending and voting at the meeting. Any appointment of a proxy or proxies shall be deemed to be revoked if a member attends the meeting in person and in such event, the Company reserves the right to refuse to admit any person or persons appointed under the instrument of proxy to the meeting.

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

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

10. The instrument appointing proxy or proxies, together with the power of attorney or other authority (if any) under which it is signed, or a duly certified copy thereof, must be deposited at the office of the Company's registered office or at the office of the Company's Share Registrar, KCK CorpServe Pte Ltd at 333 North Bridge Road #08-00 KH KEA Building Singapore 188721 not later than 48 hours before the time set for the AGM.

11. A member should insert the total number of shares held. If the member has shares entered against his name in the Depository Register (maintained by the Central Depository (pte) Limited), he should insert that number of shares. If the member has shares registered in his name in the Register of Members of the Company, he should insert the number of shares. If the member has shares entered against his name in the Depository Register and shares registered in his name in the Register of Members of the Company, he should insert the aggregate number of shares. If no number of shares is inserted, this form of proxy will be deemed to relate to all the shares held by the member of the Company.

12. The Company shall be entitled to reject the instrument appointing a proxy or proxies if it is incomplete, improperly completed or illegible or where the true intentions of the appointer are not ascertainable from the instructions of the appointer specified in the instrument appointing a proxy or proxies. In addition, in the case of members of the Company whose shares are entered against their names in the Depository Register, the Company may reject any instrument appointing a proxy or proxies lodged if such members are not shown to have shares entered against their names in the Depository Register 72 hours before the time appointed for holding the Annual General Meeting as certified by The Central Depository (Pte) Limited to the Company.

13. A Depositor shall not be regarded as a member of the Company entitled to attend the AGM General Meeting and to speak and vote thereat unless his name appears on the Depository Register 72 hours before the time set for the AGM.

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

**VASHION GROUP LTD.**

(Company Registration Number: 199906220H)
280 Woodlands Industrial Park E5
#10-50 Harvest @ Woodlands
Singapore 757322
Tel: 6268 9565 Fax: 6268 9735
Email: info@vashiongroup.com
www.vashiongroup.com