MERCURIUS CAPITAL INVESTMENT LIMITED

MAXIMISE
VALUABLE GROWTH

ANNUAL REPORT
2014

CONTENTS

CORPORATE **PROFILE**

Listed on the SGX Catalist, Mercurius Capital Investment Limited ("Mercurius" or the "Company" and together with its subsidiaries, the "Group") (formerly known as CCFH Ltd.) is an investment holding company with key interests in the children's fashion, and bedding and bed linen businesses. The children's fashion business, under the original design manufacturing arrangement, manufactures and exports children's wear to regions including its key markets of Europe and United States, as well as emerging markets in Africa, Latin America and Middle East. In respect of the bedding and bed linen business, the Group owned several established brands that cater to different segments of the market of which the "Friven" brand is the most popular label, synonymous with good quality and contemporary designs.

In April 2013, the Company obtained shareholder's approval to diversify into the resources and energy sector, with a view to add a new revenue stream to the Group's business. The Group's business scope was further expanded to include financial investment activities, fund management activities, financial advisory activities, finance and operating leasing activities, and renewal energy activities after obtaining its shareholders' approval in March 2015. The Group continues to build on its existing businesses and strengthen its investment portfolio by exploring potential investment opportunities, so as to maximise returns to all shareholders.

MESSAGE FROM **CHAIRMAN & CEO**

DEAR SHAREHOLDERS

2014 was a year of change for us as we streamlined our business operations and prepared ourselves to reach new frontiers. We are pleased to share that the Group achieved a strong set of financial results for the financial year ended 31 December 2014 (FY2014) driven by higher demand for our Original Design Manufacturing (ODM) business and the recovering global economic conditions. For FY2014, revenue from continuing operations registered a 23.7% year-on-year (yoy) rise to S$45.3 million. Total profit for FY2014, which consisted of both continued and discontinued operations, surged 134.4% to S$3.3 million.

The global economic outlook for 2015 remains positive with overall growth projected to expand yoy to 3.5%. The United States, Euro Area and China, which make up our key areas of operation, are expected to grow 3.6%, 1.2%, and 6.8% respectively in 2015. Despite the optimistic business climate, we remain vigilant of the possible downside risks within our key markets.

TRANSITION TO AN ASSET-LIGHT BUSINESS MODEL

For FY2014, the ODM segment continued to be our mainstay business with a contribution of 85.9% to overall revenue. As the economic conditions in our key markets remain tepid, in particular within the euro region, we expect our ODM business to operate under challenging business environment.

Our bedding and bed linen retail business, on the other hand, registered a decrease in revenue of S$1.3 million to S$0.9 million in FY2014. Due to the challenging conditions that continue to prevail in the bedding and bed linen market, we made the decision to adopt an asset-light strategy that would reduce our exposure to the industry. On 21 August 2014, we entered into a licensing agreement with Casa Grandeur Pte. Ltd. (Casa) which granted them exclusive rights to sell our proprietary bedding and bed linen brands in Singapore and Malaysia. We believe that the licensing agreement is beneficial to us as we continue to derive licensing income and leverage on Casa's expertise within the bedding and bedlinen industry to further develop our proprietary brands.

Our children's fashion retail business has continued to expand significantly, buoyed by strengthening retail activity in China. However, the segment's cash-intensive nature requires substantial investment and working capital to maintain and grow; hence compromising the long-term development of the Group's core businesses, in particular our ODM segment. As a result, on 15 October 2014, we disposed our children's fashion retail business through a sale and purchase agreement with Bloom Sail Limited, Lifa Global Investments Limited and Maoxing Global Holdings Limited. The disposal represents our dedication to pursue the most beneficial business direction through proactive restructuring efforts. In addition, the disposal allows us to realise the value of our children's fashion retail business while using the proceeds to further focus and develop our other core businesses.

EMBARKING ON A NEW BUSINESS DIRECTION WITH DIVERSIFICATION

In our continued search for new business opportunities that will diversify and expand our revenue streams, we are pleased to announce that, on 18 January 2015, we entered into a conditional sales and purchase agreement with Deng Xinhua, Lim Yew Seng and Mercury Capital Asset Management Limited to acquire the entire ordinary shares of Mercury Capital Investment Limited (Mercury). Mercury is engaged in the business of providing (i) creative investment solutions through traditional and alternative equity investment products, (ii) wealth management and investment services, (iii) strategic asset allocation and professional immigration consultation services, and (iv) investment products across various asset classes through multiple distribution channels and partnerships in the People's Republic of China. In relation to the acquisition of Mercury, we obtained shareholders' approval in March 2015 for the diversification of business to include investment activities, fund management activities, advisory activities, leasing and micro-financing activities, and renewal energy activities.

Apart from the fund management and advisory segments that serve as Mercury's mainstay businesses, niche industries that present untapped growth potential are also identified for investment purposes. Renewable energy is one of these sectors supported by the growing global population, industrialisation and urbanisation, which serve as catalysts to drive demand within the industry. Encouraged by the positive sector outlook, Mercury has invested in the building, owning and operation of a solar power plant in Montebello Residences in the Caribbean region for a 20 year term. This project is currently at its feasibility study stage but we are confident about its potential going forward.

Following shareholders' approval, we have also changed our name to Mercurius Capital Investment Limited (Mercurius), which better reflects the nature of our new business in investment, fund management, advisory, leasing and micro-financing and renewable energy.

We are also fortunate to welcome Deng Xinhua and Lim Yew Seng as Executive Directors to the Board. Both Xinhua and Yew Seng bring to the table decades of experience in the fields of fund management and investments. Under their dedicated leadership, we are confident of elevating the transformed company to greater heights.

IN APPRECIATION

We are confident that Mercury's expertise in investment, fund management and advisory work as well as its foray into the renewable energy market will generate long term growth for the Company and our shareholders.

On behalf of the Board of Directors and management team, we would like to take the opportunity to thank our business partners, customers, and shareholders, for their unwavering trust and support for the Group.

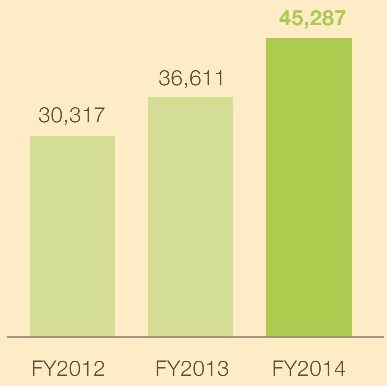
We are excited to usher this new era of growth for CCFH. Taking pride in being a dynamic company, we remain dedicated in our search to unlock value potential and look forward to your continued support.

Mr Chang Wei Lu
Chairman

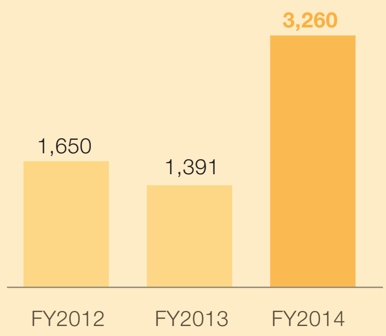
Mr Xu Rongsen
Chief Executive Officer

FINANCIAL **HIGHLIGHTS**

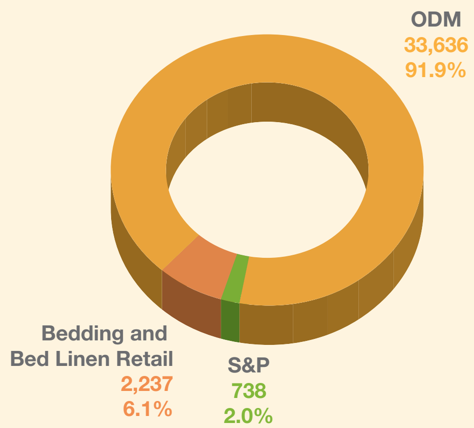
REVENUE (S$'000) (RE-PRESENTED)



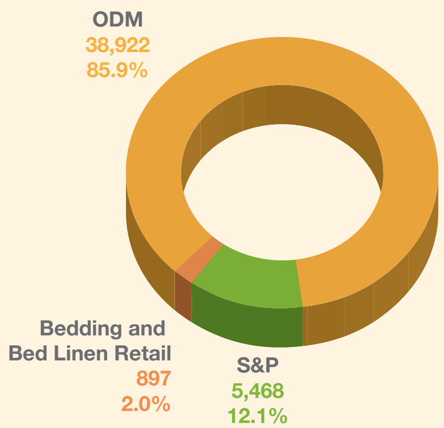
NET PROFIT FOR THE FINANCIAL YEAR (S$'000)



REVENUE BY SEGMENT (S$'000) FY2013



REVENUE BY SEGMENT (S$'000) FY2014



Sourcing and Procurement ("S&P")

Original Design Manufacturing ("ODM")

Bedding and Bed Linen Retail

FINANCIAL **REVIEW**

REVENUE

The Group's revenue for the financial year ended 31 December 2014 ("FY2014") increased by S$8.7 million to S$45.3 million from S$36.6 million for the financial year ended 31 December 2013 ("FY2013"). This was primarily due to an increase in revenue from the Original Design Manufacturing ("ODM") business by S$5.3 million and higher revenue contribution of S$4.7 million from the sourcing and procurement business mainly for the trading of fabrics and adult clothes.

The increase was partly offset by a decrease in revenue of S$1.3 million from the bedding and bed linen retail business as a result of lower sales volume and the winding down of operations in Singapore and Malaysia after the Company had entered into a licensing agreement with Casa Grandeur Pte. Ltd. for the sale of bedding and bed linen products under the Group's proprietary brands, including without limitation, the Friven brand.

GROSS PROFIT

Gross profit decreased by S$1.3 million to S$8.1 million in FY2014 from S$9.4 million in FY2013. Gross profit margin decreased from 25.6% in FY2013 to 18.0% in FY2014, mainly due to lower profit margin from sourcing and procurement business and the bedding and bed linen retail business. The lower gross profit margin was also due to higher net write-down of inventories obsolescence amounting to S$2.2 million and included in cost of sales.

OTHER INCOME

Other income increased by S$0.2 million to S$0.7 million in FY2014 from S$0.5 million in FY2013. This was primarily due to licensing fee received from Casa Grandeur Pte. Ltd. and government subsidies received for holding trade promotion fairs in China.

EXPENSES

Selling and distribution expenses increased by S$0.1 million to S$1.7 million in FY2014 from S$1.6 million in FY2013. This was primarily due to expenses incurred in participating and organising various trade fairs and exhibitions in China and an increase in expenses incurred in China in line with the increase in turnover. The increase was partly offset by a decrease in expenses incurred for Singapore and Malaysia operations following the winding down of bedding and bed linen retail business.

Administrative expenses decreased by S$0.3 million to S$4.9 million in FY2014 from S$5.2 million in FY2013. This was primarily due to decrease in staff costs as a result of winding down of bedding and bed linen retail business in Singapore and Malaysia.

The Group reported other losses of S$24,000 for FY2014 as compared to S$723,000 for FY2013, mainly due to impairment of trade and other receivables, partly offset by exchange gain on translation of USD denominated trade receivables.

Finance costs increased by S$44,000 to S$723,000 in FY2014 as compared to S$679,000 in FY2013, mainly due to the higher bank borrowings drawdown by the Group during the financial year.

Income tax expenses increased by S$0.3 million mainly due to provision of income tax payable. The increase in income tax expense is in line with the higher chargeable income reported by the Group.

Overall, the Group reported total profit of S$3.3 million for FY2014 as compared to S$1.4 million for FY2013.

FINANCIAL POSITION

The Group's trade and other receivables increased by S$23.3 million to S$51.9 million as at 31 December 2014 as compared to S$28.6 million as at 31 December 2013, mainly due to higher trade volume and credit sales resulting in an increase in trade receivables by S$17.3 million, an increase in advances to suppliers for the purchase of goods of S$4.7 million and deferred considerations receivable from the sale of children fashion retail business of S$3.3 million.

Inventories increased by S$2.1 million to S$23.2 million as at 31 December 2014 from S$21.1 million as at 31 December 2013, mainly due to higher amount of raw materials purchased in anticipation of higher level of production in the following months subsequent to 31 December 2014.

Non-current assets decreased by S$3.3 million to S$2.3 million as at 31 December 2014 as compared to S$5.6 million as at 31 December 2013. This was mainly due to the disposal of a subsidiary with S$3.0 million of

FINANCIAL **REVIEW**

non-current assets, depreciation of property, plant and equipment and amortisation of intangible assets of S$1.8 million, partly offset by capital expenditure of S$1.4 million during the financial year.

Trade and other payables increased by S$9.8 million to S$25.1 million as at 31 December 2014 compared to S$15.3 million as at 31 December 2013. This was mainly due to an increase in advances received from ODM customers.

Total borrowings decreased by S$8.7 million to S$13.4 million as at 31 December 2014 compared to S$22.1 million as at 31 December 2013, mainly due to repayment of bank borrowings due and the disposal of a subsidiary with a substantial amount of bank borrowings, which are partly offset by higher drawdown of bank borrowings.

Current income tax liabilities increased by S$0.2 million to S$0.4 million as at 31 December 2014 compared to S$0.2 million as at 31 December 2013 mainly due to higher provision for current income tax expense as a result of higher chargeable income for the financial year.

There are no outstanding deferred income tax liabilities as at 31 December 2014 as compared to S$341,000 as at 31 December 2013 mainly due to recognition of deductible temporary differences arising from full amortisation of intangible assets.

On the whole, the Group had a positive working capital of S$39.7 million as at 31 December 2014 as compared to S$24.8 million as at 31 December 2013.

CASH FLOW POSITION

Net cash used in operating activities increased by S$5.7 million to S$10.1 million for FY2014 as compared to S$4.4 million for FY2013. The net cash inflows before working capital changes from operations were S$11.6 million for FY2014. The net cash outflows from changes in working capital were mainly due to increase in trade and other receivables of S$29.6 million due to the increase in advances to suppliers for purchase of goods and higher credit sales transacted during the financial year, an increase in inventories of S$8.5 million in anticipation of higher level of production in the coming months, partly offset by an increase in trade and payables of S$16.8 million as a result of higher credit purchase during the year and increase in advances received from customers.

Net cash used in investing activities of S$2.4 million for FY2014 was mainly due to the net cash decrease from the disposal of subsidiaries of S$2.3 million and purchases of property, plant and equipment of S$1.4 million, partly offset by receipt of proceeds of S$1.3 million from the sale of asset held-for-sale.

Net cash provided by financing activities of S$10.5 million for FY2014 was mainly due to proceeds from the placement of ordinary shares of S$8.1 million and decrease of S$5.8 million in balances pledged with banks, partly offset by higher net repayment of S$2.3 million of bank borrowings by the Group.

The Group had a net cash outflow of S$2.1 million for FY2014 as compared to a net cash inflow of S$2.4 million for FY2013.

As at 31 December 2014, cash and cash equivalents of the Group stood at S$2.6 million (FY2013: S$4.6 million).

OPERATIONS **REVIEW**

ORIGINAL DESIGN MANUFACTURING

The Group's Original Design Manufacturing ("ODM") is located in Shishi City, Fujian Province, China. With its in-house design and production capabilities, the ODM business is known for its capabilities to manufacture high quality children's wear at competitive prices, to customers from China, United States, Euro Area, Africa and Middle East. Despite a challenging business environment, the Group has seen a steady growth in the ODM business over the past few years, with revenue growing 16.6% from FY2013 to FY2014. The ODM business continues to stay engaged to the relevant market developments and focus on delivering quality products to our customers.

RETAIL

Children's Fashion

Marque in-house "JJL Kids" brand
The Group's in-house "JJL Kids" ("JJL") brand, is a popular international brand for children's wear in China. Founded in 1984 as "Jijile", the brand is known for its popular designs and high quality finish, having built a track record and reputation within the industry over the years. In September 2008, the Group conducted a re-branding exercise for Jijile and henceforth started to develop and market its children's and infant's wear for the Chinese market under the new "JJL Kids" brand.

In 2013, the Group's children's wear retail business, helmed by JJL Kids ("JJL"), introduced a new business strategy to uplift the JJL brand. Outlining this growth is an integrated approach culminating from championing the "fast-fashion" concept, delivering a vibrant and modern brand, increasing shoppers' convenience and creating a new shopping experience.

The brand mascot for JJL is Koala Jenny, a Koala with big elephant ears, who is constantly looking out to be a friendly companion with children. Akin to a caring mother, Koala Jenny's warmth and sincerity are the essence of JJL's products' offerings.

Buoyed by the growth of online shopping in China, JJL recognises the appeal of online shopping and is harnessing offline resources to enhance consumers' shopping experience. Consumers can readily access JJL Kids' e-commerce platform, which is available on major e-commerce websites (eg. Taobao, Tmall).

On 15 October 2014, the Group announced that it has entered into a sale and purchase agreement with Bloom Sail Limited, Lifa Global Investments Limited and Maoxing Global Holdings Limited pursuant to which the Group would dispose of the children's fashion retail business. Although the children's fashion retail business has grown significantly, this was not without substantial capital investment, along with a significant amount of working capital being tied up in inventory, and marketing and promotion activities. Due to the cash-intensive nature of the children's fashion retail business, the Group is facing challenges to provide new funds for the maintenance and growth of the business, without compromising the long-term development and growth of the Group's other core businesses, in particular, the ODM business. As such, the Group is of the view that the proposed disposal is beneficial in the long term as it allows the Group to realise the value of the business and use the proceeds for the working capital and focus on its other core businesses. On 23 January 2015, the Group announced the completion of the disposal of the children's fashion retail business.

As at the date of this report the total payment of consideration received for the disposal is US$1.45 million. The remaining balance is expected to be received by 15 April 2015 as per the sale and purchase agreement.

Bedding and Bed linen

The Group manages a portfolio of bedding and bed linen brands which includes "Friven", "Allegoria", "DS", "Perrin de Rossi" and "relax at home" by distributing and retailing the bedding and bed linen products via department stores in Singapore and Malaysia. In FY 2013, the Group restructured its business model to engage third party contract manufacturers to produce the bedding and bed linen products under the Group's brand with the aim of improving the Company's cash flow. Additionally, a sale and purchase agreement was entered to dispose the Group's factory in Pontian, Johor Malaysia which has been dormant since June 2013 to reduce maintenance costs and generate cash to improve the Group's working capital.

On 21 August 2014, the Group announced that it has entered into a licensing agreement ("Licensing Agreement") with Casa Grandeur Pte. Ltd. ("Casa") in relation to the granting by the Company to Casa for a licence fee the right to sell bedding and bed linen products under its proprietary brands exclusively in Singapore and Malaysia. The Licensing Agreement is in force from 1 September 2014 until 1 October 2019. The Group expects the market conditions for the bedding and bed linen sector to remain challenging and is of

OPERATIONS **REVIEW**

the view that the Licensing Agreement would be beneficial in terms of providing income to the Group and at the same time, leveraging on the expertise of Casa for the continued development of the Group's proprietary brands.

SOURCING AND PROCUREMENT

Building on the recommencement of the Sourcing and Procurement division in late FY2012, the Group saw significant growth in our sourcing and procurement business in FY2014 through the trading of fabrics and adult clothes.

DIVERSIFICATION OF BUSINESS

On 19 January 2015, the Group announced that it has entered into a conditional sale and purchase agreement with Deng Xinhua, Lim Yew Seng and Mercury Capital Asset Management Limited pursuant to the proposed acquisition of Mercury Capital Investment Limited ("Mercury"). Mercury is engaged in the business of (i) providing creative investment solutions through traditional and alternative equity investment products, (ii) wealth management and investment services, (iii) strategic asset allocation and professional immigration consultation services, and (iv) offering investment products across various asset classes through multiple distribution channels and partnerships in the People's Republic of China. The Group is of the view that the proposed acquisition allows the Group to diversify its business for continued growth as the Group has identified the business of corporate finance and financial services, comprising investment business, fund management, wealth advisory, and asset allocation services to be business activities which provide opportunities for the diversification of its revenue streams and growth. The diversification of the business scope of the Group was approved by shareholders in an extraordinary general meeting convened on 27 March 2015.

BOARD OF **DIRECTORS**

MR CHANG WEI LU

Executive Chairman and Executive Director

Dr. Chang is our Executive Chairman and Executive Director and was appointed to the Board on 12 May 2014. He is currently the Executive Chairman of M.W.Group and Managing Director of Golden Intervest Sdn Bhd, the investment group of companies based in Penang, Malaysia. Dr. Chang holds a medical degree from the Taipei Medical University, Taiwan. He is also actively engaged in the associations' community and holds key appointments of the clan associations in Malaysia as the Chairman of Penang Teoh Si Cheng Ho Tong, Deputy Chairman of Penang Chinese Clan Council, Deputy President of The Federation of Zhang Clan Associations Malaysia and Vice President of The World Zhang Clan Association.

MR LIM YEW SENG

Deputy Executive Chairman and Executive Director

Mr Lim is our Deputy Executive Chairman and Executive Director and was appointed to the Board on 26 February 2015. Mr Lim has over 23 years of experience in operational management and venture investment, consisting of over 18 years of experience as a manager of venture capital funds, private equity funds, fund-of-funds and media investments and an entrepreneur. He has operated his business in the People's Republic of China since 2000. Prior to this, he was the General Manager of NSTB Holdings Pte. Ltd., which managed a US$1 billion fund-of-funds for 2 venture capital funds and 3 business angel funds under the Singapore government-initiated technopreneurship investment program. Mr Lim was the first director of the TDF Management group of companies that managed the 2 venture capital funds and was the Founding Managing Partner of Venture TDF (Shanghai), the General Manager for United Overseas Bank (Singapore) UOB Shenzhen Venture Fund, a Founding Partner of Shenzhen Orica Capital Co., Ltd and a Managing Partner of Creat Capital (HK) Limited.

MR XU RONGSEN

Chief Executive Officer and Executive Director

Mr Xu is our Chief Executive Officer and Executive Director since 23 April 2012. Mr Xu is responsible for the overall management of the Group's strategy, business, operation and financial matters. He served as Director General of Lingxiu Substation of Shishi City Local Taxation Bureau, Fujian Province of China from January 2002 to May 2009 and Deputy Director General of Quangang Local Taxation Bureau, Fujian Province of China from May 2009 to January 2012.

BOARD OF **DIRECTORS**

MR DENG XINHUA

Deputy Chief Executive Officer and Executive Director

Mr Deng is our Deputy Chief Executive Officer and Executive Director and was appointed to the Board on 26 February 2015. Mr Deng is the Founding Managing Partner of Mercury Capital Investment Limited and owns the entire shares of Mercury Capital Asset Management Limited. He is regarded as one of the best in the business of wealth management in the People's Republic of China, having over 10 years in the business of setting up clients' offshore entities and their asset allocation and management, venture investment and advisory. Mr Deng was the Founding Managing Partner of Company Incorporation Asia Limited which was the market leader in the People's Republic of China and adviser for offshore wealth management services. Prior to this, Mr Deng worked as a lawyer and investment banker in the People's Republic of China and serviced key Chinese investment groups.

MR MAH SEONG KUNG

Lead Independent Non-Executive Director

Mr Mah is our Lead Independent Non-Executive Director and was appointed to the Board with effect from 7 September 2012. Mr Mah is the Audit Committee Chairman and member of the Nominating Committee and Remuneration Committee. Currently, Mr Mah serves in the CEO Office of DongGuan-ChaShan Eco Food Hub, a logistics and commercial food trading hub development in DongGuan City of China. Mr Mah is also a Principal of Biztrack Public Accounting Corporation. Prior to these, Mr Mah served in various positions in the investment banking industry and the corporate finance advisory sector. Mr Mah holds a Bachelor in Accountancy from the National University of Singapore and is a Chartered Accountant of Singapore.

MS KE LIHONG

Independent Non-Executive Director

Ms Ke is our Independent Non-Executive Director and was appointed to the Board on 28 March 2011. Ms Ke is the Chairman of the Nominating Committee and Remuneration Committee and member of the Audit Committee. She is currently an Executive Director of Fujian Baideli Textile Trading Co., Ltd and previously the General Manager of Fujian Maolin Industry & Trading Co., Ltd. She holds a degree in business administration from DongHu University (东湖大学) and is currently the Vice President of Fujian Province Shishi City Textile Association (福建石狮市布料同业公会).

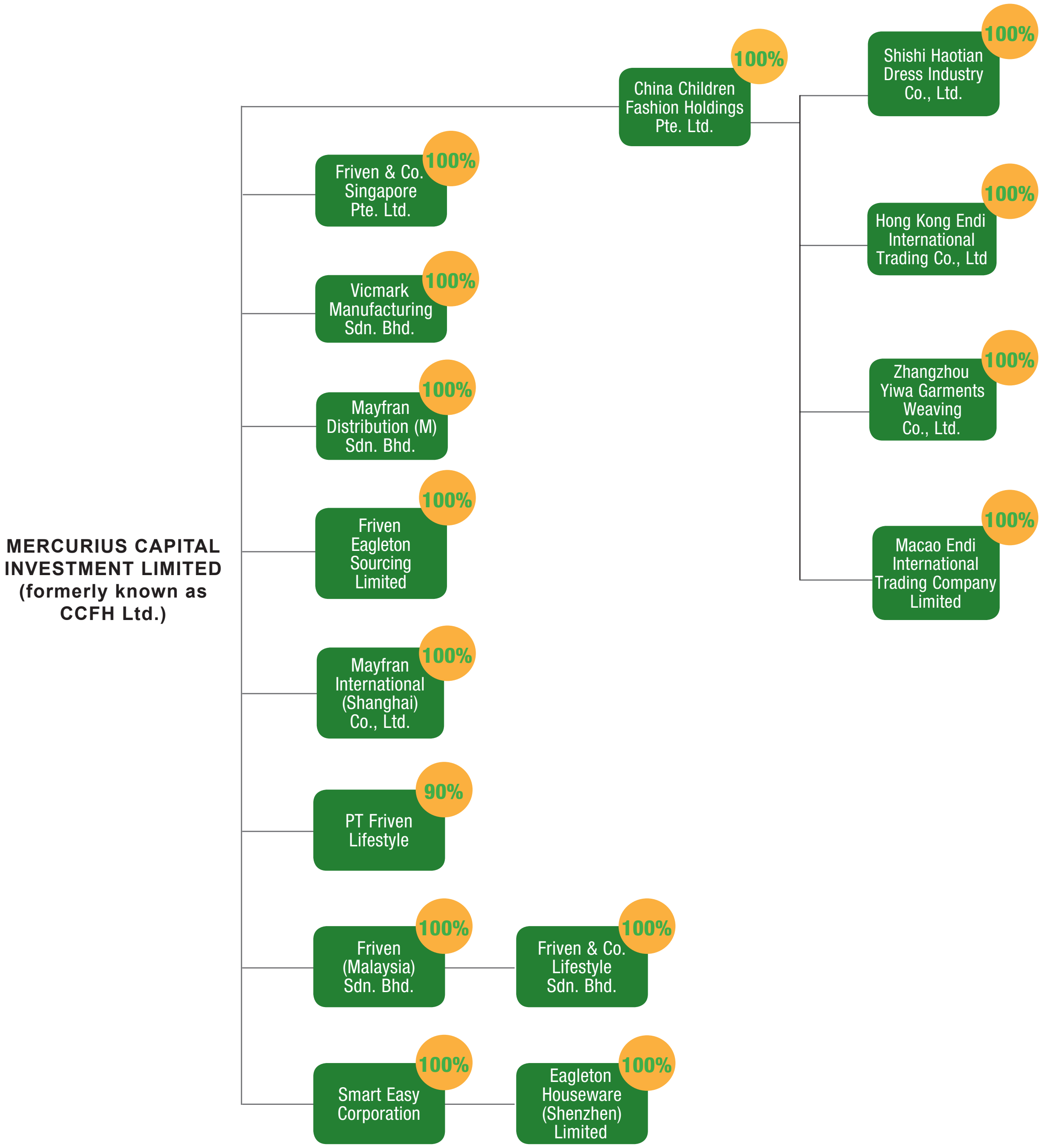
BOARD OF **DIRECTORS**

MR FENG JIANJIA

Independent Non-Executive Director

Mr Feng is our Independent Non-Executive Director and was appointed to the Board on 12 May 2014. He is a member of the Audit Committee, Nominating Committee and Remuneration Committee. Since April 2000, Mr Feng has served in various positions in the Bank of Quanzhou (泉州银行) and is currently a Vice President. Prior to that, he spent 11 years in the Industrial Bank Co. Ltd. (兴业银行) and last served as a Branch General Manager. Mr Feng holds a law degree from the Fujian Normal University (福建师范大学) and a Masters degree in Banking and Finance from the University of Xiamen (厦门大学).

CORPORATE **STRUCTURE**



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CORPORATE GOVERNANCE REPORT

Introduction

The Board of Directors (the "Board" or the "Directors") and the management (the "Management") of Mercurius Capital Investment Limited (formerly known as CCFH Ltd.) (the "Company" and together with its subsidiaries, the "Group") are committed to maintaining a high standard of corporate governance. Underlying this commitment is the belief that good governance will help to enhance corporate performance and accountability.

This report will help shareholders to better understand the Group's practices which were in place throughout the financial year ended 31 December 2014 ("FY2014") and guided by the Code of Corporate Governance 2 May 2012 (the "Code").

Board Matters

The Board's Conduct of Affairs

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

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

Chang Wei Lu	Executive Chairman and Executive Director
Lim Yew Seng	Deputy Executive Chairman and Executive Director
Xu Rongsen	Chief Executive Officer and Executive Director
Deng Xinhua	Deputy Chief Executive Officer and Executive Director
Mah Seong Kung	Lead Independent Non-Executive Director
Ke Lihong	Independent Non-Executive Director
Feng Jianjia	Independent Non-Executive Director

Role of the Board

The Board's primary role is to protect and enhance long-term shareholders' value. To fulfil this role, the Board is responsible for the overall corporate governance of the Group including setting its strategic direction, establishing goals for the Management and monitoring the achievement of these goals. As part of its responsibility in discharging its duty, the Board also:

- oversees the risk management and internal control processes, financial reporting and compliance, including the release of quarterly, half yearly and full year financial results and all other types of announcements and media releases;
- approves major funding investments and divestment proposals;
- approves the nominations to the Board and appointments to the various Board committees; and
- approves the framework of remuneration for the Board and key executives as recommended by the Remuneration Committee.

Board Processes

To assist the Board in discharging its responsibilities and to enhance the Company's corporate governance framework, the Board has delegated some of its authorities to three (3) Board committees, namely the Audit Committee (the "AC"), the Remuneration Committee (the "RC") and the Nominating Committee (the "NC"). These Board committees function within clearly defined terms of reference and operating procedures, which are reviewed by the Board on a regular basis. The effectiveness of each Board committee is also constantly monitored. The attendance of the Board members at the Board and Board committees meetings of the Company and the frequency of such meetings during 2014 are set out as follows:–

	Board		**Audit Committee**		**Nominating Committee**		**Remuneration Committee**	
Name	No. Held	No. Attended	No. Held	No. Attended	No. Held	No. Attended	No. Held	No. Attended
Chang Wei Lu[(1)]	4	2	–	–	–	–	–	–
Xu Rongsen	4	4	–	–	–	–	–	–
Mah Seong Kung	4	4	4	4	1	1	1	1
Ke Lihong	4	4	4	4	1	1	1	1
Feng Jianjia[(2)]	4	2	4	2	–	–	–	–
Zhang Zhize[(3)]	4	2	–	–	–	–	–	–
Shi Xiaohong[(4)]	4	1	4	1	1	1	1	1
Wu Lianhua[(5)]	4	1	–	–	–	–	–	–

Notes:–

(1) Mr Chang Wei Lu was appointed on 12 May 2014 as an Executive Chairman and Executive Director of the Company.

(2) Mr Feng Jianjia was appointed on 12 May 2014 as an Independent Non-Executive Director and member of the AC, RC and NC.

(3) Mr Zhang Zhize resigned as a director on 26 February 2015

(4) Ms Shi Xiaohong resigned as a director on 12 May 2014

(5) Ms Wu Lianhua resigned as a director on 12 May 2014

The Company's Articles of Association (the "Articles") allows a Board meeting to be conducted by way of tele-conference and video-conference.

The Directors are regularly briefed on the Group's activities to keep them updated on the Group's recent developments as well as new and/or updates on relevant rules and regulations. The Directors are free to request sponsorship from the Company, subject to the approval from the Chairman, to attend courses to update their knowledge and better equip themselves to discharge their duties as the Directors of the Company. An orientation program will be conducted for newly appointed Directors to ensure that they are familiar with the Company's business and governance practices.

CORPORATE GOVERNANCE REPORT

Board Composition and Guidance

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

With the appointment of Mr Lim Yew Seng and Mr Deng Xinhua on 26 February 2015, the Board now comprises one (1) Executive Chairman, one (1) Deputy Executive Chairman, two (2) Executive Directors and three (3) Independent Non-Executive Directors. The requirement of the Code that at least half (1/2) of the Board comprises independent directors under specified circumstances shall be complied with at the Annual General Meeting following the end of the financial year ending on or after 1 May 2016, within the transition period stipulated by the Monetary Authority of Singapore, as the Board believes that it needs more time to find a suitable independent director.

The independence of each Director is reviewed annually by the NC. The NC adopts the Code's definition of what constitutes an independent director in its review. The NC has reviewed and determined that the Independent Directors are independent.

The Independent Directors have confirmed that they do not have any relationship with the Company, its related companies or its officers that could interfere, or be reasonably perceived to interfere, with the exercise of the Director's independent business judgment with a view to the best interest of the Company.

The Board and the NC, having reviewed the composition of the Board, is satisfied that the present size of the Board is effective for decision making and is appropriate for the nature and scope of the Group's operations. The Board's composition is reviewed annually by the NC to ensure that the Board has the appropriate mix of expertise and experience. The NC is satisfied that the Board comprised Directors with a variety of core competencies and expertise necessary to discharge their duties and responsibilities and to provide strategic networking to enhance the business of the Group.

The names and the key information of the Directors in office are set out in the "Board of Directors" section on pages 9 to 11 of this Annual Report.

Chairman and Chief Executive Officer

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

Mr Chang Wei Lu serves as the Executive Chairman ("Chairman") of the Board and Mr Xu Rongsen assumes the role of Chief Executive Officer ("CEO") of the Company. There is a separation of roles of the Company's leadership as the Board and the executive responsibilities of the Group are assumed by different persons.

The Chairman bears responsibility for the working of the Board, whilst the CEO bears executive responsibility for the management of the Group's business. The Chairman and the CEO are currently assisted by, Mr Lim Yew Seng, Deputy Executive Chairman, and Mr Deng Xinhua, Deputy Chief Executive Officer. The Board is of the view that there are sufficient safeguards and checks to ensure that the process of decision making by the Board is independent and based on collective decisions without any individual or group of individuals exercising any considerable concentration of power or influence. All the Board committees are chaired by the Independent Directors and one-third (1/3) of the Board consists of Independent Directors.

The Board agenda will be prepared in consultation with the Chairman and the CEO. The Chairman will also ensure that the Board members are provided with adequate and timely information prior to Board meetings and also to promote a culture of openness and debate at the Board. The CEO plays an instrumental role in developing the business of the Group and exercising control over the quality and timeliness of information flow between the Board and the Management.

Board Membership

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

Nominating Committee

As at the date of this report, the NC comprises of three (3) members, as set out below. All the NC members are Independent Directors.

Mr Mah Seong Kung	Chairman	Lead Independent Non-Executive
Ms Ke Lihong	Member	Independent Non-Executive
Mr Feng Jianjia	Member	Independent Non-Executive

The NC is scheduled to meet at least once a year and at such other times as may be necessary.

The NC is responsible for:–

- evaluating the effectiveness of the Board as a whole and the contributions of each Director;
- identifying the skills, expertise and capabilities for the effective functioning of the Board;
- reviewing the training and professional development programs for the Board:
- maintaining a formal process for the nomination of new Directors;
- re-nominating the Directors for re-election at the annual general meetings; and
- evaluating and determining the independence of each Director annually.

The Company has put into place a process for selecting and appointing new Directors to the Board. Where there is a need to appoint a new Director, the NC will evaluate the balance of skills, knowledge and experience on the Board in order to identify the essential and desirable competencies of the candidate. Suitable candidates are sourced through the recommendations of the Directors or the Management or through other external sources. The NC will then meet up with the candidates to assess his or her suitability based on certain objective criteria such as integrity, independent mindedness and the ability to commit time, and make its recommendation to the Board.

The year of initial appointment and last re-election of each Director, are set out below:–

Director	Date of Initial Appointment	Date of re-election
Chang Wei Lu	12 May 2014	–
Lim Yew Seng	26 February 2015	–
Xu Rongsen	23 April 2012	23 April 2012
Deng Xinhua	26 February 2015	–
Mah Seong Kung	7 September 2012	30 April 2013
Ke Lihong	28 March 2011	29 April 2014
Feng Jianjia	12 May 2014	–

The Board has determined the maximum number of listed board representations which any director may hold is not more than five (5) directorships. None of the Directors has any current and/or past directorships in other listed company.

The Articles of the Company provide that one-third (1/3) of the Directors, except the CEO shall retire from office at every annual general meeting and the Directors appointed during the course of the year will be subject to re-election at the next annual general meeting following his appointment. For the forthcoming annual general meeting, the NC has recommended Chang Wei Lu, Mah Seong Kung, Feng Jianjia, Lim Yew Seng and Deng Xinhua be nominated for re-election. In making the recommendation, the NC had considered the Directors' overall contributions and performance. The Board has accepted the NC's recommendation.

Board Performance

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

The NC has established processes for evaluating the effectiveness of the Board as a whole and the contribution of each individual Director. All Directors completed a Board Evaluation Questionnaire which sought to assess the effectiveness of the Board and the results were considered by the NC. The performance criteria for the Board evaluation includes an evaluation of the size and composition of the Board, the Board's access to information, communication with the Management and standards of conduct of the Directors. The NC also assesses the contribution of each Director to the effectiveness of the Board as a whole taking into consideration the Director's attendance record, overall participation, expertise, strategic vision, financial savvy, business judgement and sense of accountability. The Company will continue to review and evaluate its appraisal process and consider how best to fine tune the appropriate performance criteria.

The NC is satisfied that sufficient time and attention has been given by the Directors to the Group. The NC has assessed the current Board's and each individual Director's performance to-date and is of the view that the performance of the Board as a whole and each individual Director is satisfactory.

Access to Information

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

The Board members have separate and independent access to the Management and the company secretary.

The company secretary attends all meetings of the Board and Board committees and ensures that board procedures are followed and that applicable rules and regulations of the Companies Act, Chapter 50 of Singapore (the "Act") and the Listing Manual (Section B: Rules of Catalist) of the SGX-ST ("Rules of Catalist") are complied with.

Prior to each Board meeting, the Board is provided with the relevant background or explanatory information relating to the business of meeting and information on major operational, financial and corporate issues. In respect of budgets, any material variances between the projections and actual results are disclosed and explained during Board meetings.

Should the Directors, whether as a group or individually, need independent professional advice to enable them to discharge their duties, the Company will appoint a professional adviser selected by the group or individual and approved by the Chairman, at the Company's cost, to render the advice.

Remuneration Matters

Procedures for Developing Remuneration Policies

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

Remuneration Committee

The RC comprises of three (3) members, as set out below. All the RC members are Independent Directors.

Ms Ke Lihong	Chairman	Independent Non-Executive
Mr Mah Seong Kung	Member	Lead Independent Non-Executive
Mr Feng Jianjia	Member	Independent Non-Executive

The RC is scheduled to meet at least once a year and at such other times as may be necessary.

The RC is responsible for:–

- reviewing and approving the structure of the compensation plans and recruitment strategies of the Group so as to align compensation with shareholders' interests; and
- reviewing the Executive Directors' and the senior Management's compensation and determine appropriate adjustments; and
- administering the Friven & Co. Employee Share Option Scheme.

The RC ensures that a formal and transparent procedure is in place for fixing the remuneration packages of individual Directors and the Management. No Director is involved in deciding his own remuneration, except in providing information and documents if specifically requested by the RC to assist in its deliberations.

The RC's review covers all aspects of remuneration, including salaries, fees, allowances, bonuses and benefits-in-kind. The RC's recommendations are submitted for endorsement by the entire Board.

The RC reviews the fairness and reasonableness of the termination clauses of the service agreements of Executive Directors and key management executives to ensure that such contracts of service contain fair and reasonable termination clauses which are not overly generous, with an aim to be fair and avoid rewarding poor performance.

Level and Mix of Remuneration

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

The Company adopts an overall remuneration policy for Executive Directors and employees comprising a fixed component in the form of a base salary, and a variable component in the form of a bonus that is linked to the performance of the Company, the individual, the industry and the economy. In May 2014, our Executive Directors' remuneration package was revised and will be based on only variable bonus linked to the performance of the Company.

The remuneration of Non-Executive Directors is paid by way of Director's fees. The amount of Directors' fees payable is dependent on the respective Independent Director's level of responsibility and contributions. The payment of Directors' fees is subject to the approval of shareholders of the Company at the annual general meeting.

The RC is of the view that it is currently not necessary to use contractual provisions to allow the Company to reclaim incentive components of remuneration from the Executive Directors and key management executives in exceptional circumstances of misstatement of financial statements, or of misconduct resulting in financial loss to the Company.

Disclosure on Remuneration

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

The remuneration of the Directors for FY2014 is as follows:–

Director	Director's Fee (%)	Salary* (%)	Bonus (%)	Benefits-in-kind (%)	Total (%)
Below $250,000					
Chang Wei Lu	–	–	–	–	–
Xu Rongsen	–	100	–	–	100
Mah Seong Kung	100	–	–	–	100
Ke Lihong	100	–	–	–	100
Feng Jianjia	100	–	–	–	100
Zhang Zhize(i)	–	100	–	–	100
Wu Lianhua(ii)	–	100	–	–	100
Shi Xiaohong(iii)	100	–	–	–	100

* Salary is inclusive of the Central Provident Fund contribution.

Notes:–

(i) Mr Zhang Zhize resigned as a Director on 26 February 2015.

(ii) Ms Wu Lianhua resigned as a Director on 12 May 2014.

(iii) Ms Shi Xiaohong resigned as a Director on 12 May 2014.

The remuneration of the key executives (who are not Directors) in the bands of S$250,000 are set out below:–

Key Executive	Salary* (%)	Bonus (%)	Benefits-in-kind (%)	Total (%)
Below $250,000				
Darren Tan Poon Guan	92	8	–	100
Chen Binggao	100	–	–	100
Ceng Guoyin	100	–	–	100
Yang Haihua	100	–	–	100
Zhang Yitan	100	–	–	100

There are no termination, retirement and post-employment benefits that may be granted to Directors and key management personnel (who are not Directors or the CEO).

To preserve confidentially on the remuneration policies of the Company, the Board is of the view that it is in the best interests of the Company not to fully disclose the remuneration of each individual Director and key management executive. Nevertheless, the Company has sought to provide the remuneration of each individual Director and key management executive in the bands of S$250,000 and also a breakdown in percentage terms.

The total remuneration paid to the top five key management personnel (who are not Directors or the CEO) for FY2014 was S$350,000.

There were no employees who are immediate family members of a Director or the CEO whose remuneration exceeded S$50,000 during FY2014.

The Company currently has an employee share option scheme which was administered by the RC, more details of which may be found in the Directors' Report on pages 28 to 31 of this Annual Report. No share options had been granted to any employees and non-executive Directors during the financial year.

Accountability and Audit

Accountability

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

The Company takes adequate steps to ensure compliance with the legislative and regulatory requirements, including requirements under the Rules of Catalist. During FY2014, the Company released its quarterly results within forty-five (45) days from the end of each quarter and full year results within sixty (60) days from the end of financial year.

The shareholders are provided with detailed analysis, explanation and assessment of the Group's financial position and performance via the issue of the quarterly and full year financial results announcements and the annual reports.

CORPORATE GOVERNANCE REPORT

Risk Management and Internal Controls

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

Management is responsible to the Board for the design, implementation and monitoring of the Group's risk management and internal control systems and for providing assurance to the Board that it has done so. The Board acknowledges that it is responsible for determining the company's level of risk tolerance and risk policies and reviewing the adequacy and effectiveness of the Group's risk management and internal control systems. The Board recognises that all internal control systems contain inherent limitations and no system of internal controls could provide absolute assurance against the occurrence of material errors, poor judgment in decision-making, human error losses, fraud or other irregularities. Nevertheless, the Board strives to identify key risk areas in every aspect of the Group and improve internal controls to mitigate such risks in order to achieve the overall business objective of the Group and enhance long term shareholders' value.

The Group regularly reviews and improves its business and operational activities to identify areas of significant business risks as well as respond appropriately to control and mitigate these risks. The Group reviews all significant control policies and procedures and highlights all significant matters to the AC and the Board.

The Board, with concurrence from the AC, are satisfied with the Group's internal controls system and is of the opinion that the internal controls system maintained by the Group throughout FY2014 in addressing financial, operational and compliance risks are adequate and effective as at 31 December 2014. The Board believes that the Group's internal controls provide reasonable, but not absolute assurance against material financial misstatements or losses.

The CEO and Chief Financial Officer have provided a letter of confirmation that as at the end of FY2014:

(a) The financial records have been properly maintained and the financial statements give a true and fair view of the Company's operations and finances; and

(b) The Company's risk management and internal control systems are effective.

Audit Committee

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

Audit Committee

The AC comprises three (3) members, as set out below. All the AC members are Independent Directors.

Mr Mah Seong Kung	Chairman	Lead Independent Non-Executive
Ms Ke Lihong	Member	Independent Non-Executive
Mr Feng Jianjia	Member	Independent Non-Executive

The Board has reviewed and is satisfied that the members of the AC are appropriately qualified to discharge their responsibilities. The members of the AC are scheduled to meet at least four (4) times a year and have the following principal functions:–

- review the scope and results of the audit undertaken by the external auditors, including non-audit services performed by the external auditors to ensure that there is a balance between maintenance of their objectivity and cost effectiveness;
- review the internal audit plans, the scope and results of internal audit procedures;
- review with the internal auditors the effectiveness of the Group's material internal controls, including financial, operational, compliance and information technology controls;
- review the financial statements and other announcements to shareholders and the SGX-ST, prior to submission to the Board;
- conduct investigation into any matter within the AC's scope of responsibility and review any significant findings of investigations;
- assess the independence and objectivity of the external auditors;
- recommend to the Board on the appointment or re-appointment of external auditors;
- review the assistance given by the Company's officers to the external auditors; and
- review interested person transactions falling within the scope of Chapter 9 of the Rules of Catalist.

The AC has been given full access to and is provided with the cooperation of the Management. In addition, the AC has independent access to the external auditors. The AC meets with the external auditors without the presence of the Management at least once every financial year to review matters that might be raised privately. The AC has reasonable resources to enable it to discharge its functions properly.

The AC has met with the external auditors of the Company, Nexia TS Public Accounting Corporation (herein referred to as "Independent Auditor"), without the presence of the Management for FY2014.

The AC will review the independence of the Independent Auditor annually. The AC has reviewed the volume of non-audit services to the Group provided by the Independent Auditor (see details on page 27) during FY2014 in relation to tax compliance services, and being satisfied that the nature of such non-audit services will not prejudice the independence and objectivity of the Independent Auditor and is pleased to recommend their re-appointment.

The Company is in compliance with Rule 712 and Rule 715 of the Rules of Catalist in relation to its external auditors.

Whistle-Blowing Policy

The Company has put in place a whistle-blowing policy. The policy encourages employees to raise concerns, in confidence, about possible irregularities to the whistle-blowing committee. It seeks to provide an avenue for employees and external parties to raise concerns and offer reassurance that they will be protected from reprisals for whistle-blowing in good faith within the limits of the law.

The AC oversees the administration of the policy. Periodic reports will be submitted to the AC stating the number and the nature of complaints received, the results of the investigations, follow-up actions and unresolved complaints.

Internal Audit

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

The size of the operations of the Group does not warrant the Group having an in-house internal audit function. The AC has engaged an independent third party professional firm, Mazars LLP, to undertake the functions of an internal auditor, which reports directly to the AC, for FY2014.

The internal auditors support the AC in its role to assess the effectiveness of the Group's overall system of internal controls. The assistance provided by the internal auditors is primarily accomplished through their appraisals of the financial and operational controls, policies and procedures established by Management and their reviews for compliance by the Group's operating entities with these established controls, policies and procedures.

The internal auditors have unfettered access to all company's documents, records, properties and personnel, including access to the AC.

The AC has met and reviewed with the internal auditors their audit plans and their evaluation of the systems of internal controls, their audit findings and Management's processes to those findings, in relation to the effectiveness of internal controls and overall risk management of the Group for FY2014. The AC is satisfied that the internal audit is adequate and effective and has the appropriate standing within the Group.

Shareholder Rights and Responsibilities

Shareholder Rights

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

All shareholders are treated fairly and equitably to facilitate their ownership rights. In line with the continuing disclosure obligations of the Company pursuant to the Catalist Rules and the Companies Act, Chapter 50 of Singapore, the Board's policy is that all shareholders should be informed in a comprehensive manner and on a timely basis of all material developments that impact the Group.

Shareholders can vote in person or appoint not more than two (2) proxies to attend and vote on their behalf at general meetings of shareholders. There is no provision in the Company's Articles that limits the number of proxies for nominee companies.

Communications with Shareholders

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

The Company takes a serious view of maintaining full and adequate disclosure, in a timely manner, of material events and matters concerning its business. All the necessary disclosures are made in public announcements, press releases and annual reports to shareholders.

The Company maintains an updated corporate website to keep shareholders abreast with the Company's developments and to serve as a platform to gather shareholders' feedback. The Company may conduct media interviews or briefing sessions to engage shareholders when opportunities present themselves.

The Company does not practise selective disclosure. Price-sensitive information is first publicly released via SGXNET before the Company meets with any group of investors or analysts.

The Company does not have a fixed dividend policy. The payment of dividends will be contingent on the Company's earnings, business and economic prospects, working capital requirements and other factors deem appropriate by the Directors. For FY 2014, the Company will not be declaring dividends due to working capital requirements for the ODM business.

Conduct of Shareholder Meetings

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

The annual general meeting of the Company provides a principal forum for dialogue and interaction with shareholders. Members of the Board are present to address questions raised by shareholders at annual general meetings.

The Chairman of the AC, the RC and the NC as well as the Company's Independent Auditor will also be present and on hand to address any issues raised at the annual general meetings.

The Articles of the Company allows members of the Company to appoint not more than two proxies to attend and vote at the annual general meetings of the Company.

Issues or matters requiring shareholders' approval are tabled in the form of separate and distinct resolutions.

The Company will make available minutes of general meetings to shareholders upon their request. Resolutions are passed at the general meetings by poll. As the number of shareholders who attend the general meetings are generally not large, it is not cost effective to have voting by electronic polling. The results of the general meeting are released on SGXNET on the same day.

Dealings in Securities

The Company has adopted an internal code on dealings in securities to govern dealings in its shares by the Directors, the Management and officers of the Group. This internal code is modelled on the Code relating to dealings in securities and has been disseminated to the Directors, the Management and officers of the Group. The Directors, the Management and officers of the Group who have access to price-sensitive, financial or confidential information are not permitted to deal in the Company's shares during the periods commencing two weeks before the announcement of the of the Group's quarterly financial results for the first three (3) quarters and one (1) month before the announcement of the Group's full year financial results and ending on the date of announcement of such financial results, or when they are in possession of unpublished price-sensitive information on the Group. In addition, the Directors, the Management and officers of the Group are discouraged from dealing in the Company's shares on short term considerations. The Directors, the management and officers are expected to observe insider trading laws at all times even when dealing in securities within the permitted trading period.

Interested Person Transactions ("IPT")

The Company has established procedures to ensure that all transactions with interested persons are reported in a timely manner to the AC and that the transactions are conducted at arm's length basis and will not be prejudicial to the interests of the Company and its minority shareholders.

The aggregate value of IPT entered into during the financial year, disclosed in accordance with Rule 907 of the Rules of Catalist, is as follows:

Name of Interested Person	Aggregate value of all interested person transactions during the financial year under review (excluding transactions less than $100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920)	Aggregate value of all interested person transactions conducted under shareholders' mandate pursuant to Rule 920 (excluding transactions less than $100,000)
	S$'000	S$'000
Shishi Jijile Garments Weaving Co., Ltd. ("Jijile")(1)	343	–
Guo Yu Ling(2)	103	–

(1) Jijile is wholly owned by Wu Shidai, father of Wu Lianhua, the Executive Director of the Company. Shishi Haotian Dress Industry Co., Ltd, the wholly-owned subsidiary of the Company has entered into an annual lease arrangement with Jijile for the office and production facilities on 1 January 2014.

(2) Guo Yu Ling is the mother-in-law of Xu Rongsen and Zhang Zhize, directors of the Company. Eagleton (Xiamen) Import & Export Co., Ltd, the wholly-owned subsidiary of the Company entered into an annual lease arrangement with Guo Yu Ling for their office space on 31 March 2014.

The AC and the Board have reviewed the transactions and were satisfied that the terms were fair and reasonable and were not prejudicial to the interests of the Company and its minority shareholders.

The Group does not have a general mandate pursuant to Rule 920 of the Rules of Catalist from shareholders for IPTs.

Material Contracts

There were no material contracts of the Company or its subsidiaries involving the interest of the CEO, any Director or controlling shareholder of the Company, either still subsisting at the end of the financial year or if not then subsisting, entered into since the end of the previous financial year.

Non-Sponsor Fees

The Company is currently under the SGX-ST Catalist sponsor-supervised regime. The continuing sponsor of the Company is R&T Corporate Services Pte. Ltd. (the “Sponsor”). There was no non-sponsor fee paid by the Company to the Sponsor during the financial year ended 31 December 2014.

The amount of fees paid to Rajah & Tann Singapore LLP, an affiliate of the Sponsor, for work done in FY2014 was S$50,300.

Audit and Non-Audit Fees

The aggregate amount of fees paid/payable to the independent auditor of the Company, broken down into audit and non-audit services during FY2014 are as follows:

Audit fees	:	S$145,000
Non-audit fees in relation to tax services	:	S$8,200

Use of Placement Proceeds

The Company completed a private placement of 244,000,363 new ordinary shares in the capital of the Company at an issue price of S$0.033 share in March 2014, which raised net proceeds of approximately S$8.1 million. As announced by the Company on 26 February 2015, the net proceeds of S$8.1 million have been fully utilised as follows: –

Purpose	Intended use (before reallocation)	Intended use (after reallocation)	Utilisation (after reallocation)	Balance of Proceeds (after reallocation)
	S$	S$	S$	S$
1. Brand promotion, retail distribution network expansion, Business-to-Customer (B2C) platform enhancements and new product offerings in relation to the Group’s Children’s fashion business and JJL Kids brand	6,000,465	7,003,216	7,003,216	–
2. Expansion of the Group’s bed linen brand into Chinese market	1,002,751	–	–	–
3. General corporate working capital	1,018,796	1,018,796	1,018,796	–
Total	8,022,012	8,022,012	8,022,012	–

The Company had reallocated proceeds intended for the expansion of the Group’s bed linen into Chinese market to the Group’s Children fashion business as there was no immediate use of funds for the purpose, and additional funds was needed for the expansion of the Children’s fashion business.

DIRECTORS' REPORT

For the financial year ended 31 December 2014

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

Directors

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

Chang Wei Lu (appointed on 12 May 2014)
Lim Yew Seng (appointed on 26 February 2014)
Xu Rongsen
Deng Xinhua (appointed on 26 February 2015)
Mah Seong Kung
Ke Lihong
Feng Jianjia (appointed on 12 May 2014)

Zhang Zhize resigned on 26 February 2015.

Arrangements to enable directors to acquire shares and debentures

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

Directors' interests in shares or debentures

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

	Holdings registered in name of director or nominee		
	At 21.1.2015	At 31.12.2014	At 1.1.2014 or date of appointment if later
Company			
(No. of ordinary shares)			
Chang Wei Lu	5,000,000	5,000,000	5,000,000
Zhang Zhize (resigned on 26 February 2015)	255,041,534	255,041,534	148,723,791

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

Directors' contractual benefits

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

Share options

Friven & Co. Employee Share Option Scheme (the "Scheme") was approved and adopted by the members of the Company at an Extraordinary General Meeting on 21 September 2007 and administered by the Remuneration Committee comprising Ke Lihong (Chairman), Mah Seong Kung and Feng Jianjia. The Scheme continues to remain in force after the completion of the Reverse Takeover Offer ("RTO") on 3 August 2010, and may continue in force with the approval of shareholders by ordinary resolution in general meeting.

Employees (including executive directors and employees of the Company's subsidiaries) and non-executive directors, subject to certain conditions, are eligible to participate in the Scheme. The Scheme provides means to recruit, retain, and give recognition to employees, and to give recognition to non-executive directors, who have contributed to the success and development of the Company and/or the Group.

The principal terms of the Scheme are as follows:

– The exercise price of the granted options is equal to the average of the last dealt prices for the share on the Singapore Exchange Securities Trading Limited ("SGX-ST") for the three (3) consecutive trading days immediately prior to the relevant date of grant of the options.

– The value of share options is determined using the Black Scholes option pricing model (taking into account relevant assumptions).

– Granted options shall be exercisable, in whole or in part, during the exercise period applicable to the options and in accordance with the vesting schedule applicable to the options or other condition (if any) that may be imposed by the Remuneration Committee in relation to the options. Options may be exercised, in whole or in part in respect of 1,000 shares or any multiple thereof, by a participant giving notice in writing, accompanied by a remittance for the aggregate subscription cost in respect of the shares for which the options are exercised. The method of settlement could be in cheque, cashier's order, banker's draft or postal order made out in favour of the Company or such other mode of payment as may be acceptable to the Company. There are no restrictions on the eligibility of the persons to whom the options have been granted to participate in any other share options or share incentive scheme, whether or not implemented by any of the other companies within the Group or any other company. The Group has no legal or constructive obligation to repurchase or settle the options in cash.

– The vesting schedule for the share options (market price option) granted to eligible employees (including executive directors) and non-executive directors is as follows:

Vesting period	Proportion of total share options that are exercisable
Before the first anniversary of the Date of Grant	Nil
Between the first anniversary and the second anniversary of the Date of Grant	25%
Between the second anniversary and the third anniversary of the Date of Grant	25%
Between the third anniversary and the fourth anniversary of the Date of Grant	25%
Between the fourth anniversary and the fifth anniversary of the Date of Grant	25%

– The vesting schedule for the share options (discounted options) granted to eligible employees (including executive directors) and non-executive directors is as follows:

Vesting period	Proportion of total share options that are exercisable
Before the second anniversary of the Date of Grant	Nil
Between the second anniversary and the third anniversary of the Date of Grant	30%
Between the third anniversary and the fourth anniversary of the Date of Grant	30%
Between the fourth anniversary and the fifth anniversary of the Date of Grant	40%

DIRECTORS' REPORT

For the financial year ended 31 December 2014

Share options (Cont'd)

Share options granted to eligible employees (including executive directors) and non-executive directors vest after one year from the date of grant and are exercisable for a period of five years.

The total number of shares over which options may be granted under the Scheme on any date, when added to the nominal amount of shares issued and issuable and in respect of all options granted under the Scheme, shall not exceed 15 per cent of the issued share capital of the Company on the day preceding that date.

No share options were outstanding as at end of the financial year.

No share options had been granted to any employees and non-executive directors during the financial year.

No participant under the Scheme has received 5% or more of the total number of shares under options available under the Scheme.

Audit committee

The members of the Audit Committee at the end of the financial year were as follows:

- Mah Seong Kung (Chairman)
- Ke Lihong
- Feng Jianjia

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

The Audit Committee carried out its functions in accordance with Section 201B(5) of the Singapore Companies Act and Code of Corporate Governance. In performing those functions, the Audit Committee carried out the following:

- Review the scope and the results of internal audit procedures with the internal auditor;

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

- Review the assistance given by the Company's management to the independent auditor;

- Review the balance sheet of the Company and the consolidated financial statements of the Group for the financial year ended 31 December 2014 before their submission to the Board of Directors, as well as the independent auditor's report on the balance sheet of the Company and the consolidated financial statements of the Group;

- Review transactions failing within the scope of Chapter 9 of the SGX-ST Listing Manual Section B: Rules of Catalist ("Catalist Rules");

- Review the quarterly, half yearly and annual financial statements, results announcements and media releases before submission to the Board of Directors for approval, focusing on changes in accounting policies and practices, major risk areas, significant adjustments resulting from the audit, compliance with accounting standards and compliance with the Catalist Rules and any other relevant statutory or regulatory requirements;

- Review the independence and objectivity of the independent auditor; and

- Make recommendations to the Board of Directors on the appointment, re-appointment and removal of independent auditor, and approve the remuneration and terms of engagement of the independent auditor.

Audit committee (Cont'd)

The Audit Committee has met the independent auditor without the presence of the Company's management at least once a year.

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

Independent auditor

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

On behalf of the Directors

Chang Wei Lu
Chairman

Xu Rongsen
Director

7 April 2015

STATEMENT BY DIRECTORS

For the financial year ended 31 December 2014

In the opinion of the directors,

(a) the balance sheet of the Company and the consolidated financial statements of the Group as set out on pages 35 to 95 are drawn up so as to give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2014 and of the results of the business, changes in equity and cash flows of the Group for the financial year then ended; and

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

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

On behalf of the Directors

Chang Wei Lu
Chairman

Xu Rongsen
Director

7 April 2015

INDEPENDENT AUDITOR'S REPORT

To the members of Mercurius Capital Investment Limited (Formerly known as CCFH Ltd.)

Report on the Financial Statements

We have audited the accompanying financial statements of Mercurius Capital Investment Limited (the "Company") and its subsidiaries (the "Group") set out on pages 35 to 95, which comprise the consolidated balance sheet of the Group and balance sheet of the Company as at 31 December 2014, the consolidated statement of comprehensive income, statement of changes in equity and statement of cash flows of the Group for the financial year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

INDEPENDENT AUDITOR'S REPORT

To the members of Mercurius Capital Investment Limited (Formerly known as CCFH Ltd.)

Opinion

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

Report on Other Legal and Regulatory Requirements

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

Nexia TS Public Accounting Corporation
Public Accountants and Chartered Accountants

Director-in-charge: Low See Lien
Appointed since financial year ended 31 December 2013

Singapore

7 April 2015

BALANCE SHEETS

As at 31 December 2014

		Group		Company	
		2014	2013	2014	2013
	Note	$'000	$'000	$'000	$'000
ASSETS					
Current assets					
Cash and cash equivalents	4	3,548	11,357	96	147
Trade and other receivables	5	51,919	28,589	42,156	23,897
Income tax recoverable	22(b)	35	54	–	–
Inventories	6	23,159	21,085	–	28
		78,661	61,085	42,252	24,072
Asset held-for-sale	7	–	1,347	–	–
		78,661	62,432	42,252	24,072
Non-current assets					
Investments in subsidiaries	8	–	–	45,571	49,191
Property, plant and equipment	9	914	2,752	16	25
Intangible assets	10	1,432	2,892	–	–
		2,346	5,644	45,587	49,216
TOTAL ASSETS		81,007	68,076	87,839	73,288
LIABILITIES					
Current liabilities					
Trade and other payables	11	25,142	15,332	32,130	22,238
Borrowings	12	13,370	22,138	–	–
Current income tax liabilities	22(b)	407	188	–	–
		38,919	37,658	32,130	22,238
Non-current liabilities					
Deferred income tax liabilities	13	–	341	–	–
TOTAL LIABILITIES		38,919	37,999	32,130	22,238
NET ASSETS		42,088	30,077	55,709	51,050
EQUITY					
Capital and reserves attributable to equity holders of the Company					
Share capital	14	49,074	41,022	132,732	124,680
Other reserves	15	8,611	7,906	–	–
Accumulated losses	16	(15,376)	(18,630)	(77,023)	(73,630)
		42,309	30,298	55,709	51,050
Non-controlling interests	8	(221)	(221)	–	–
TOTAL EQUITY		42,088	30,077	55,709	51,050

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the financial year ended 31 December 2014

	Note	2014 $'000	2013 $'000
Continuing operations			
Revenue	17	45,287	36,611
Cost of sales		(37,145)	(27,253)
Gross profit		8,142	9,358
Other income, net	18	727	546
Other losses, net		(24)	(723)
Selling and distribution expenses		(1,678)	(1,557)
Administrative expenses		(4,939)	(5,220)
Finance costs	19	(723)	(679)
Profit before income tax		1,505	1,725
Income tax expense	22(a)	(340)	(13)
Net profit from continuing operations		1,165	1,712
Discontinued operations			
Net profit/(loss) from discontinued operations, net of tax	27	2,095	(321)
Total profit		3,260	1,391
Other comprehensive income:			
Items that may be reclassified subsequently to profit or loss:			
Currency translation differences arising from consolidation			
– Gains	15(c)	748	1,292
– Reclassification	15(c)	(49)	689
Other comprehensive income, net of tax		699	1,981
Total comprehensive income		3,959	3,372
Net profit/(loss) attributable to:			
Equity holders of the Company – Continuing operations		1,165	1,876
Equity holders of the Company – Discontinued operations		2,095	(320)
Non-controlling interests		–	(165)
		3,260	1,391
Total comprehensive income/(loss) attributable to:			
Equity holders of the Company – Continuing operations		1,864	3,857
Equity holders of the Company – Discontinued operations		2,095	(320)
Non-controlling interests		–	(165)
		3,959	3,372
Earnings per share for profit from continuing & discontinued operations attributable to equity holders of the Company (cents per share)	23		
– Basic earnings per share – Continuing operations		0.11	0.25
– Basic earnings per share – Discontinued operations		0.20	(0.04)
– Diluted earnings per share – Continuing operations		0.11	0.25
– Diluted earnings per share – Discontinued operations		0.20	(0.04)

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the financial year ended 31 December 2014

	Note	Share capital $'000	Statutory surplus reserve $'000	Capital reserve $'000	Currency translation reserve $'000	Accumulated losses $'000	Total equity attributable to owners of the Company $'000	Non-controlling interests $'000	Total equity $'000
Group									
2014									
Beginning of financial year		41,022	1,905	6,992	(991)	(18,630)	30,298	(221)	30,077
Issue of shares via placement	14	8,052	–	–	–	–	8,052	–	8,052
Total comprehensive income for the financial year		–	–	–	699	3,260	3,959	–	3,959
Transfer to statutory reserve	15(b)	–	6	–	–	(6)	–	–	–
End of financial year		49,074	1,911	6,992	(292)	(15,376)	42,309	(221)	42,088
2013									
Beginning of financial year		36,893	1,905	6,992	(2,972)	(20,186)	22,632	(57)	22,575
Issue of shares via placement	14	4,129	–	–	–	–	4,129	–	4,129
Liquidation and strike off of subsidiaries		–	–	–	–	–	–	1	1
Total comprehensive income/ (loss) for the financial year		–	–	–	1,981	1,556	3,537	(165)	3,372
End of financial year		41,022	1,905	6,992	(991)	(18,630)	30,298	(221)	30,077

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

CONSOLIDATED STATEMENT OF CASH FLOWS

For the financial year ended 31 December 2014

	Note	2014 $'000	2013 $'000
Cash flows from operating activities			
Total profit		3,260	1,391
Adjustments for:			
– Income tax expense/(credit)	22(a)	1,072	(11)
– Allowance/(Reversal of allowance) for impairment of trade and other receivables	20	1,115	(1)
– Write down/(Reversal of write down) of inventories, net	20	2,186	(62)
– Amortisation of intangible assets	10	1,392	1,459
– Bad debt written-off	20	–	3
– Depreciation of property, plant and equipment	9	389	495
– Impairment loss on asset held-for-sale	20	–	76
– Impairment loss on property, plant and equipment	20	55	12
– Interest expense		1,045	823
– Interest income – bank deposits		(30)	(25)
– Property, plant and equipment written-off		3	56
– (Gain)/Loss on disposal/liquidation/strike off of subsidiaries	18	(250)	337
– Loss/(Gain) on disposal of property, plant and equipment	20	22	(21)
– Unrealised currency translation losses		1,348	804
		11,607	5,336
Change in working capital, net of effects from disposal/ liquidation/strike off of subsidiaries:			
– Trade and other receivables		(29,640)	(6,808)
– Inventories		(8,450)	(5,815)
– Trade and other payables		16,834	3,385
Cash used in operations		(9,649)	(3,902)
Interest received		30	25
Income tax paid	22(b)	(527)	(497)
Net cash used in operating activities		(10,146)	(4,374)
Cash flows from investing activities			
Additions of intangible assets	10	(109)	(81)
Additions of property, plant and equipment	9	(1,390)	(1,412)
Proceeds from disposal of property, plant and equipment		15	22
Proceeds from disposal of asset held-for-sale		1,347	–
Disposal/liquidation/strike off of subsidiaries, net of cash disposed of	4	(2,304)	(6)
Net cash used in investing activities		(2,441)	(1,477)
Cash flows from financing activities			
Proceeds from placement of ordinary shares	14	8,052	4,129
Proceeds from borrowings		35,010	31,769
Repayment of borrowings		(37,290)	(22,318)
Interest paid		(1,045)	(853)
Decrease/(Increase) in bank deposits and bank balances pledged		5,795	(4,470)
Net cash provided by financing activities		10,522	8,257
Net (decrease)/increase in cash and cash equivalents		(2,065)	2,406
Cash and cash equivalents			
Beginning of financial year		4,570	1,693
Effects of currency translation on cash and cash equivalents		52	471
End of financial year	4	2,557	4,570

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

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

1 General information

Mercurius Capital Investment Limited (the "Company") is a listed company on the SGX-ST Catalist and incorporated and domiciled in Singapore. The address of its registered office is 33 Ubi Avenue 3, #08-38, Vertex, Singapore 408868.

On 27 March 2015, the Company has passed the special resolution to change the Company name from CCFH Ltd. to Mercurius Capital Investment Limited.

The principal activities of the Company are the manufacturing and sale of cushions, bed linen, pillows, bolsters, household textiles, household products and wholesale of children and infant wear. The principal activities of the subsidiaries are described in Note 8 to the financial statements.

2 Significant accounting policies

2.1 Basis of preparation

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

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

Interpretations and amendments to published standards effective in 2014

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

The adoption of these new or amended FRS and INT 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 for the following:

FRS 112 Disclosures of Interests in Other Entities

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

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

2 Significant accounting policies (Cont'd)

2.2 Group accounting

(a) Subsidiaries

(i) Consolidation

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

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

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

(ii) Acquisitions

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

The consideration transferred for the acquisition of a subsidiary or business comprises of the fair value of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred also includes the fair value of any contingent consideration arrangement.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquire 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.

Acquisition-related costs are expensed as incurred.

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

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

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

2 Significant accounting policies (Cont'd)

2.2 Group accounting (Cont'd)

(a) Subsidiaries (Cont'd)

(iii) Disposals

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

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

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

(b) Transactions with non-controlling interests

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

(c) Reverse acquisition

The acquisition of the China Children Fashion Holdings Pte. Ltd. and its subsidiaries ("the Acquired Group") on 3 August 2010 has been accounted for as a reverse acquisition and the legal subsidiary (the Acquired Group) is considered the acquirer for accounting purposes. Accordingly, the consolidated financial statements are prepared and presented as a continuation of the Acquired Group's financial statements.

(i) the assets and liabilities of the Acquired Group are recognised and measured in the statement of financial position of the Group at their pre-acquisition carrying amounts;

(ii) the accumulated profits and other equity balances recognised in the consolidated financial statements are the accumulated profits and other equity balances of the Acquired Group immediately before the business combination; and

(iii) the amount recognised as issued equity instruments in the consolidated financial statements is determined by adding to the issued equity of the Acquired Group immediately before the business combination the costs of the reverse acquisition. However, the equity structure appearing in the consolidated financial statements (i.e. the number and type of equity instruments issued) reflect the equity structure of the legal parent, including the equity instruments issued by the Company to reflect the reverse acquisition.

2 Significant accounting policies (Cont'd)

2.2 Group accounting (Cont'd)

(c) Reverse acquisition (Cont'd)

Consolidated financial statements prepared following a reverse acquisition shall reflect the fair values of the assets, liabilities and contingent liabilities of the legal parent. Therefore, the cost of the reverse acquisition for the acquisition is allocated to the identifiable assets, liabilities and contingent liabilities of the legal parent that satisfy the recognition criteria at their fair values as at 3 August 2010. The excess of the cost of the reverse acquisition over the Acquired Group's interest in the net fair value of those items is recognised as goodwill.

Reverse acquisition accounting applies only in the consolidated financial statements. In the Company's separate financial statements, the investment in the legal subsidiary (the Acquired Group) is accounted for at cost less accumulated impairment losses in the Company's balance sheet.

2.3 Investments in subsidiaries

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

2.4 Property, plant and equipment

(a) Measurement

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

The cost of an item of property, plant and equipment initially recognised includes its purchase price and any cost that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Cost also includes borrowing costs (refer to Note 2.24 on borrowing costs).

(b) Depreciation

Depreciation is calculated using the straight-line method to allocate their depreciable amounts over their estimated useful lives as follows:

	Useful lives
Leasehold land and building	60 years
Leasehold improvements	5 years
Furniture and fittings	3 – 10 years
Office equipment	5 – 10 years
Motor vehicles	5 – 10 years
Machinery and equipment	5 – 10 years

2 Significant accounting policies (Cont'd)

2.4 Property, plant and equipment (Cont'd)

(b) Depreciation (Cont'd)

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

Assets under construction included in property, plant and equipment are not depreciated as these assets are not yet available for use.

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

(c) Subsequent expenditure

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

(d) Disposal

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

2.5 Intangible assets

(a) Goodwill on acquisitions

Goodwill on acquisitions of subsidiaries and businesses on or after 1 January 2010 represents the excess of (i) the aggregate 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 (ii) the fair value of the identifiable net assets acquired net of the fair values of the liabilities and any contingent liabilities assumed.

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

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

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

2 Significant accounting policies (Cont'd)

2.5 Intangible assets (Cont'd)

(b) Acquired computer software licenses

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

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

(c) Customer relationship, brand names, trademarks and license agreement

Customer relationship, brand names, trademarks and license agreement acquired in business combination are initially recognised at cost, represent fair value at the date of acquisition and are subsequently carried at cost less accumulated amortisation and accumulated impairment losses. These costs are amortised to profit or loss on a straight-line method over their estimated useful lives as follows:

	Useful lives
Customer relationship	6 years
Brand names	20 years
Trademarks	5 – 11 years
License agreement	2.5 years

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

2.6 Impairment of non-financial assets

(a) Goodwill

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

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

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

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

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

2 Significant accounting policies (Cont'd)

2.6 Impairment of non-financial assets (Cont'd)

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

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

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

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

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

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

A reversal of impairment loss for an asset other than goodwill is recognised in profit or loss. However, to the extent that an impairment loss on the same revalued asset was previously recognised as an expense, a reversal of that impairment is also recognised in profit or loss.

2.7 Financial assets

(a) Classification

The Group classifies its financial assets in loans and receivables. The classification depends 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 12 months after the balance sheet date which are presented as non-current assets. Loans and receivables are presented as "Trade and other receivables" (Note 5) and "Cash and cash equivalents" (Note 4) on the balance sheet.

2 Significant accounting policies (Cont'd)

2.7 Financial assets (Cont'd)

(b) Recognition and derecognition

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

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

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

(c) Measurement

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

(d) Impairment

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

Loans and receivables

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

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

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

2 Significant accounting policies (Cont'd)

2.8 Offsetting of financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

2.9 Financial guarantees

The Company has issued corporate guarantees to banks for bank borrowings of its subsidiaries. These guarantees are financial guarantees as they require the Company to reimburse the banks if the subsidiaries fail to make principal or interest payments when due in accordance with the terms of their borrowings.

Financial guarantees are initially recognised at their fair values plus transaction costs in the Company's balance sheet.

Financial guarantees are subsequently amortised to profit or loss over the period of the subsidiaries' borrowings, unless it is probable that the Company will reimburse the banks for an amount higher than the unamortised amount. In this case, the financial guarantees shall be carried at the expected amount payable to the banks in the Company's balance sheet.

Intra-group transactions are eliminated on consolidation.

2.10 Inventories

Inventories are carried at the lower of cost and net realisable value. Cost is determined using the weighted average method for original design manufacturing segment while first-in, first-out method is used for bedding and bedroom linen business under retail and furnishing segment. The cost of finished goods and work-in-progress comprises raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity) but excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and applicable variable selling expenses.

2.11 Cash and cash equivalents

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

2.12 Trade and other payables

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

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

2 Significant accounting policies (Cont'd)

2.13 Leases

When the Group is the lessee:

The Group leases premises under operating leases from related parties and non-related parties.

(a) 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 balance sheet as plant and equipment and finance lease liabilities 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.

(b) Lessee – Operating leases

Leases where substantially all risks and rewards incidental to ownership are retained by the lessors are classified as operating leases. Payments made under operating lease (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.

2.14 Revenue recognition

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

The Group assesses its role as an agent or principal for each transaction and in an agency arrangement the amounts collected on behalf of the principal are excluded from revenue. The Group recognises revenue when the amount of revenue and related cost can be reliably measured, it is probable that the collectability of the related receivables is reasonably assured and when the specific criteria for each of the Group's activities are met as follows:

(a) Sale of goods

Revenue from sale of goods is recognised upon passage of title to the customer which coincides with the delivery and acceptance.

(b) Interest income

Interest income is recognised using the effective interest rate method.

(c) Dividend income

Dividend income is recognised when the right to receive payment is established.

2 Significant accounting policies (Cont'd)

2.15 Income taxes

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

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

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

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

Deferred income tax is measured:

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

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

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

2.16 Provisions

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

Provisions are measured at the present value of the expenditure expected to be required to settle the obligation using a pre-tax discount rate that reflects the current market assessment of the time value of money and the risks specific to the obligation. The increase in the provision due to the passage of time is recognised in profit or loss as finance costs.

Changes in the estimated timing or amount of the expenditure or discount rate are recognised in profit or loss when the changes arise.

2 Significant accounting policies (Cont'd)

2.17 Borrowings

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

(a) Borrowings

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

(b) Convertible loans

The total proceeds from convertible loans issued are allocated to the liability component and the equity component, which are separately presented on the balance sheet.

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

The difference between the total proceeds and the liability component is allocated to the conversion option (equity component), which is presented in equity net of any deferred tax effect. The carrying amount of the conversion option is not adjusted in subsequent periods. When the conversion option is exercised, its carrying amount is transferred to the share capital. When the conversion option lapses, its carrying amount is transferred to retained profits.

2.18 Employee compensation

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

(a) Defined contribution plans

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

(b) Share-based compensation

The Group operates an equity-settled, shared-based compensation plan. The value of the employee services received in exchange for the grant of options is recognised as an expense with a corresponding increase in the share option reserve over the vesting period. The total amount to be recognised over the vesting period is determined by reference to the fair value of the options granted on the date of the grant. Non-market vesting conditions are included in the estimation of the number of shares under options that are expected to become exercisable on the vesting date. At each balance sheet date, the Group revises its estimates of the number of shares under options that are expected to become exercisable on the vesting date and recognises the impact of the revision of the estimates in profit or loss, with a corresponding adjustment to the share option reserve over the remaining vesting period.

When the options are exercised, the proceeds received (net of transaction costs) and the related balances previously recognised in the share option reserve are credited to share capital account, when new ordinary shares are issued.

2 Significant accounting policies (Cont'd)

2.18 Employee compensation (Cont'd)

(c) Employee leave entitlement

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the balance sheet date.

(d) Defined contributions benefits

The Group is required to provide certain staff pension benefits to their employees under existing regulations of the People's Republic of China ("PRC"). Pension contributions are provided at rates stipulated by PRC regulations and are contributed to a pension fund managed by government agencies, which are responsible for administering these amounts for the subsidiaries' employees. The Group has no further payment obligations once the contributions have been paid. Pension contribution contributions are recognised as expense in the period in which the related services are performed.

2.19 Currency translation

(a) Functional and presentation currency

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

(b) Transactions and balances

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

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

Foreign exchange gains and losses that relate to borrowings are presented in the profit or loss within "Finance costs". All other foreign exchange losses impacting profit or loss are presented in profit or loss within "Other (losses)/gains, net".

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

2 Significant accounting policies (Cont'd)

2.19 Currency translation (Cont'd)

(c) Translation of Group entities' financial statements

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

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

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

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

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

2.20 Segment reporting

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

2.21 Share capital

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

2.22 Dividends to Company's shareholders

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

2.23 Government grants

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

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

Government grants relating to assets are deducted against the carrying amount of the assets.

2 Significant accounting policies (Cont'd)

2.24 Borrowing costs

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

2.25 Fair value estimation

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

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

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

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

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

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

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

3. Critical accounting estimates, assumptions and judgements

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

(a) Estimated impairment of non-financial assets

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

The recoverable amounts of these assets and, where applicable, cash-generating units, have been determined based on the higher of value-in-use calculations or fair value less costs to sell. These calculations require the use of estimates (Note 10(a)).

If the management's estimated growth rate used in the value-in-use calculation for this CGU has been lowered by 1% (2013: 1%), or the estimated pre-tax discount rate applied to the discounted cash flows for this CGU had been raised by 1% (2013: 1%), the value-in-use calculation at 31 December 2014 would have decreased by $3,170,000 (2013: $1,572,000) and $3,168,000 (2013: $158,000) respectively.

3. Critical accounting estimates, assumptions and judgements (Cont'd)

(b) Impairment of trade receivables

Management reviews its trade 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 has made judgements as to whether there is observable data indicating that there has been a significant change in the payment ability of the debtor, or whether there have been significant changes with adverse effect in the technological, market, economic or legal environment in which the debtor operates in.

Where there is objective evidence of impairment, management has made judgements as to whether an impairment loss should be recorded as an expense. In determining this, management has used 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 amount of trade receivables is disclosed in Note 5.

If the net present values of estimated cash flows had been higher/lower by 10% (2013: 10%) from management's estimates for all past due trade receivables, the allowance for impairment of the Group and the Company would have been lower/higher by $480,000/$3,718,000 (2013: $433,000/$553,000) and $110,000/$3,679,000 (2013: $105,000/$273,000) respectively.

(c) Useful lives of property, plant and equipment

The cost of furniture and fittings and machinery and equipment are depreciated on a straight-line basis over their useful lives, which management estimates to be between 3 to 10 years.

The Group reviews the residual values and useful lives of furniture and fittings and machinery and equipment at each reporting date in accordance with the accounting policies in Note 2.4. The estimation of the residual values and useful lives involves significant judgements. The carrying amounts of the Group's furniture and fittings and machinery and equipment as at 31 December 2014 were $712,000 (2013: $2,289,000).

If the actual useful lives of the furniture and fittings and machinery and equipment differ by one year from management's estimates, the carrying amounts of the Group's furniture and fittings and machinery and equipment will be increased by $35,000 (2013: $58,000) or decreased by $22,000 (2013: $35,000) correspondingly to profit or loss.

(d) Net realisable value of inventories

A review is made periodically on inventories for excess inventory, obsolescence and declines in net realisable value below cost. These require management to estimate future demand for products and their selling prices. In any case, the realisable value represents the best estimate of the recoverable amount and is based on the most reliable evidence available at the end of the reporting year and inherently involves estimates regarding the future expected realisable value. The usual considerations for determining the amount to write-down includes ageing analysis, utilisation of inventories, the purpose of the inventories held, category and conditions of inventories and subsequent events.

In general, such an evaluation process requires significant judgment which may materially affect the carrying amount of inventories at the end of the financial year. Possible changes in these estimates could result in revisions to the valuation of inventories. The carrying amount of the inventories at the balance sheet date is disclosed in Note 6.

3. Critical accounting estimates, assumptions and judgements (Cont'd)

(d) Net realisable value of inventories (Cont'd)

Net write down of inventories of $2,186,000 (2013: Reversal of write down of inventories of $62,000) was recognised in the financial year ended 31 December 2014 based on management's estimates. If the management's estimate on the realisable value of inventories had been lower by 5%, the Group would have reduced the carrying value of inventories by $1,158,000 (2013: $1,054,000).

4 Cash and cash equivalents

	Group		Company	
	2014	2013	2014	2013
	$'000	$'000	$'000	$'000
Cash at bank and on hand	3,548	8,995	96	147
Short-term bank deposits	–	2,362	–	–
	3,548	11,357	96	147

As at 31 December 2014, the Group did not have any short-term bank deposits. The Group's short-term bank deposits as at 31 December 2013 matured on various dates range from 1 month to 11 months from the end of the financial year. The effective interest rates on the short-term bank deposits was 2.9 to 3.2%.

As at 31 December 2014, the Group did not have any short-term bank deposits (2013: $16,000) pledged to banks as securities for the banker guarantee granted to a subsidiary.

As at 31 December 2014, the bank balances of the Group amounting to approximately $991,000 (2013: $6,771,000) are pledged to banks as securities for notes payables granted to certain subsidiaries as disclosed in Note 12 to the financial statements.

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

	Group	
	2014	2013
	$'000	$'000
Cash and bank balances (as above)	3,548	11,357
Less: Short-term bank deposits pledged	–	(16)
Less: Bank balances pledged with banks	(991)	(6,771)
Cash and cash equivalents per consolidated statement of cash flows	2,557	4,570

Disposal / liquidation / strike-off of subsidiaries

On 15 October 2014, the Group entered into a sale and purchase agreement with non-related parties to dispose of the children's fashion retail business, comprising of Jijile Clothing International Commerce Private Limited ("Jijile") and Eagleton (Xiamen) Import & Export Co., Ltd ("Eagleton") for a cash consideration of US$3,250,000 (approximately S$4,165,000). The Group has deconsolidated Jijile and Eagleton upon signing of the sale and purchase agreement as management has assessed that the Group has lost control over both Jijile and Eagleton based on the Group's exposure and rights to variable returns which were effectively transferred to the purchasers on the date of the agreement.

In January 2013, the Group struck off a subsidiary, Asia Pacific Resources Investment Ltd.

In March 2013, one of the Group's subsidiaries, PT Friven Indonesia was placed under creditors' liquidation.

4 Cash and cash equivalents (Cont'd)

In August 2013, the Group has applied to strike off two subsidiaries, Friven Asia Productions Pte. Ltd. and Mayfran Investments Pte. Ltd. and its subsidiaries.

The effects of the disposal, liquidation and strike off of the subsidiaries on the cash flows of the Group were:

	Group	
	2014	**2013**
	$'000	**$'000**
Carrying amounts of assets and liabilities disposed of/liquidated/struck-off		
Cash and cash equivalents	3,137	6
Trade and other receivables	9,837	13
Inventories	4,190	–
Investments in subsidiaries	1,557	–
Property, plant and equipment	2,763	–
Intangible assets (Note 10)	206	–
Total assets	21,690	19
Trade and other payables	(10,081)	(372)
Borrowings	(6,972)	–
Current income tax liabilities (Note 22(b))	(673)	–
Total liabilities	(17,726)	(372)
Net assets/(liabilities) derecognised	3,964	(353)
Less: Non-controlling interests	–	1
Net assets/(liabilities) disposed of/liquidated/struck off	3,964	(352)

The aggregate cash outflows arising from the disposal/liquidation/strike-off of subsidiaries were:

	Group	
	2014	**2013**
	$'000	**$'000**
Net assets/(liabilities) disposed of/liquidated/struck-off (as above)	3,964	(352)
– Reclassification of currency translation reserve (Note 15(c))	(49)	689
	3,915	337
Gain/(Loss) on disposal/liquidation/strike-off of subsidiaries (Note 18)	250	(337)
Proceeds from disposal of subsidiaries	4,165	–
Less: Deferred proceeds from disposal of subsidiaries	(3,332)	–
Net cash proceeds from disposal of subsidiaries	833	–
Less: Cash and cash equivalents in subsidiaries disposed of/liquidated/struck off	(3,137)	(6)
Net cash outflow on disposal/liquidation/strike-off of subsidiaries	(2,304)	(6)

5 Trade and other receivables

	Group 2014 $'000	Group 2013 $'000	Company 2014 $'000	Company 2013 $'000
Trade receivables				
– Non-related parties	45,185	27,449	37,113	18,598
– Subsidiaries	–	–	2,211	2,187
	45,185	27,449	39,324	20,785
Less: Allowance for impairment of trade receivables (Note 28(b)(ii))				
– Non-related parties	(4,804)	(4,327)	(20)	(19)
– Subsidiaries	–	–	(1,082)	(1,035)
	(4,804)	(4,327)	(1,102)	(1,054)
Trade receivables – net	40,381	23,122	38,222	19,731
Non-trade receivables				
– Non-related parties	5,587	3,214	824	1,929
– Subsidiaries	–	–	5,707	5,448
	5,587	3,214	6,531	7,377
Less: Allowance for impairment of non-trade receivables (Note 28(b)(ii))				
– Non-related parties	(816)	(850)	(812)	(850)
– Subsidiaries	–	–	(2,774)	(2,525)
	(816)	(850)	(3,586)	(3,375)
Non-trade receivables – net	4,771	2,364	2,945	4,002
Advances to suppliers – non-related parties	6,670	1,994	–	125
Bills receivable	–	913	–	–
Deposits	40	152	11	14
Prepayments	57	44	978	25
	51,919	28,589	42,156	23,897

The Group has factored/discounted certain trade receivables with carrying amount of $2,100,000 (2013: $1,080,000) to banks in exchange for cash during the financial year ended 31 December 2014. The transaction has been accounted for as collateralised borrowings as the banks have full recourse to the Group in the event of default by the debtors.

Included in the Group's non-trade receivables are deferred considerations of $3,332,000 (2013: Nil) which is receivable from the sale of the children fashion retail business.

Included in the Group's advances to suppliers are refundable advances to non-related parties of approximately $4,432,000 (2013: $346,000). The refundable advances to non-related parties are unsecured, interest free and refundable on demand.

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

6 Inventories

	Group		Company	
	2014	2013	2014	2013
	$'000	$'000	$'000	$'000
Finished goods	247	7,001	–	28
Work-in-progress	11,001	13,383	–	–
Raw materials	11,911	198	–	–
Goods-in-transit	–	503	–	–
	23,159	21,085	–	28

The cost of inventories recognised as an expense and included in "cost of sales" amounts to $45,382,000 (2013: $29,648,000).

During the financial year ended 31 December 2014, the Group recognised a write-down in inventories of $3,350,000 (2013: Nil), which is included within "cost of sales" in the statement of comprehensive income. The write-down was recognised for inventories which were considered obsolete.

During the financial year ended 31 December 2014, $1,162,000 (2013: $62,000) of a previous inventory write-down in prior financial years was reversed. The Group has sold the goods that were written down and the amount reversed has been included in "cost of sales".

7 Asset held-for-sale

	Group	
	2014	2013
	$'000	$'000
Beginning of the financial year	1,347	–
Reclassification from property, plant and equipment (Note 9)	–	1,421
Impairment loss (Note 20)	–	(76)
Disposal	(1,379)	–
Currency translation differences	32	2
End of the financial year	–	1,347

On 27 November 2013, the Group entered into a sale and purchase agreement with a prospective purchaser for the proposed sale of a leasehold property of the Group which is located at No. 3, Jalan Perindustrian 1, Kawasan Perindustrian Pontian, 82000 Pontian, Johor, Malaysia for a proposed cash consideration of $1.35 million. As the proposed disposal of the above asset is expected to be completed within the next 12 months from 31 December 2013, the asset is reclassified as "Asset held-for-sale" as at 31 December 2013. An impairment loss of $76,000 was recognised during the financial year ended 31 December 2013 based on the selling price of the property (Level 2 fair value). The Group completed the proposed sale of the asset held-for-sale in September 2014.

8 Investments in subsidiaries

	Company 2014 $'000	Company 2013 $'000
Equity investments at cost		
Beginning of financial year	64,075	65,823
Liquidation and strike off	–	(1,748)
	64,075	64,075
Less: Impairment loss	(18,504)	(14,884)
End of financial year	45,571	49,191

Movements in impairment loss of investments in subsidiaries are as follows:

	2014 $'000	2013 $'000
Beginning of financial year	14,884	16,632
Impairment loss	3,620	–
Liquidation and strike off	–	(1,748)
End of financial year	18,504	14,884

As at 31 December 2014, the Company carried out a review on the recoverable amount of its investments in subsidiaries. The recoverable amount of each of the relevant subsidiaries were based on the fair value of the net assets as at balance sheet date. The review led to the recognition of an impairment loss of approximately $3,620,000 (2013: Nil) that has been recognised in the statement of comprehensive income.

Details of the subsidiaries are as follows:

Name of companies	Principal activities	Country of business/ incorporation	Equity holding 2014 %	Equity holding 2013 %
Held by the Company:				
Friven Eagleton Sourcing Limited [e]	Trading and sundry merchandise (Dormant)	Hong Kong	100	100
Smart Easy Corporation [e]	Provision of sourcing and inspection services and investment holding (Dormant)	British Virgin Islands	100	100
China Children Fashion Holdings Pte. Ltd. [a]	Investment holding	Singapore	100	100
Friven (Malaysia) Sdn. Bhd. [c]	Manufacture and sale of bedlinen and household textile products (Dormant)	Malaysia	100	100
Vicmark Manufacturing Sdn. Bhd. [c]	Property holding (Dormant)	Malaysia	100	100
Mayfran International (Shanghai) Co., Ltd [e]	Manufacture and sale of household textile products (Dormant)	China	100	100

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

8 Investments in subsidiaries (Cont'd)

Name of companies	Principal activities	Country of business/ incorporation	Equity holding 2014 %	Equity holding 2013 %
Held by the Company: (Cont'd)				
Mayfran Distribution (M) Sdn. Bhd. [f]	Retailing of menswear products (Dormant)	Malaysia	100	100
PT Friven Lifestyle [e]	Retailing of bedroom linen and household products (Dormant)	Indonesia	90	90
Friven & Co. Singapore Pte. Ltd. [a]	Retailing of bedroom linen and household products (Dormant)	Singapore	100	100
Held by Friven (Malaysia) Sdn. Bhd.:				
Friven & Co. Lifestyle Sdn. Bhd. [c]	Trading in bedding and bedroom linen products (Dormant)	Malaysia	100	100
Held by Smart Easy Corporation:				
Eagleton Houseware (Shenzhen) Limited [e]	Provision of kitchenware consumable products design and consultancy services (Dormant)	China	100	100
Held by China Children Fashion Holdings Pte. Ltd.:				
Shishi Haotian Dress Industry Co., Ltd. (石狮市好田服饰实业有限公司) [b]	Manufacture, retail and wholesale of children and infants wear and retail sale of children wear	China	100	100
Hong Kong Endi International Trading Co., Ltd. [d]	Wholesale of children and infants wear (Dormant)	Hong Kong	100	100
Zhangzhou Yiwa Garments Weaving Co., Ltd. (漳州市艺娃服饰织造有限公司) [d]	Wholesale of children and infants wear (Dormant)	China	100	100
Jijile Clothing International Commerce Private Limited [g]	Wholesale of children and infants wear (Disposed)	Singapore	-	100
Macao Endi International Trading Company Limited [e]	Wholesale of children and infants wear	Macau	100	-
Held by Shishi Haotian Dress Industry Co., Ltd.:				
Eagleton (Xiamen) Import & Export Co., Ltd (鹰高顿(夏门)进出口有限公司) [g]	Trading and sundry merchandise (Disposed)	China	-	100

8 Investments in subsidiaries (Cont'd)

The English names of certain subsidiaries represent the best effort by the management in translating their Chinese names as they do not have official English names.

(a) Audited by Nexia TS Public Accounting Corporation, Singapore.
(b) Audited by Nexia TS Public Accounting Corporation, Singapore for consolidation purpose.
(c) Audited by SSY Partners, Chartered Accountants, Malaysia, member of Nexia International.
(d) Limited scope audited by Nexia TS Public Accounting Corporation, Singapore for consolidation purpose.
(e) Not required to be audited as the companies are presently dormant.
(f) In the process of striking off and deconsolidated from the Group as at 31 December 2014 as the Group is deemed to have lost control over the subsidiary.
(g) Disposed off during the current financial year.

In accordance to Rule 716 of the Singapore Exchange Securities Trading Limited-Listing Rules, the Audit Committee and the Board of Directors of the Company confirmed that they are satisfied that the appointment of different auditors for its subsidiaries would not compromise the standard and effectiveness of the audit of the Group.

Significant restrictions

Cash and short-term deposits of $3,310,000 (2013: $10,992,000) are held in the People's Republic of China and are subject to local exchange control regulations. Those local exchange control regulations places restrictions on exporting capital from the country, other than through normal dividends.

Non-controlling interests

The carrying amount of non-controlling interests of $221,000 (2013: $221,000) relates to 10% interest held by non-controlling interests of PT Friven Lifestyle. The summarised financial information of PT Friven Lifestyle is not disclosed as it is insignificant to the Group.

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For the financial year ended 31 December 2014

9 Property, plant and equipment

	Leasehold improvements	Furniture and fittings	Office equipment	Motor vehicles	Machinery and equipment	Total
	$'000	$'000	$'000	$'000	$'000	$'000
Group						
2014						
Cost						
Beginning of financial year	154	1,403	635	99	2,562	4,853
Additions	–	1,245	70	23	52	1,390
Disposals	(114)	(2,637)	(228)	(31)	–	(3,010)
Currency translation differences	1	(11)	14	4	127	135
End of financial year	41	–	491	95	2,741	3,368
Accumulated depreciation and impairment losses						
Beginning of financial year	37	62	340	48	1,614	2,101
Depreciation charge						
– Continuing operations (Note 20)	7	7	45	13	258	330
– Discontinued operations	12	21	24	2	–	59
Disposals	(47)	(93)	(61)	(9)	–	(210)
Impairment loss (Note 20)	–	–	–	–	55	55
Currency translation differences	1	3	12	2	101	119
End of financial year	10	–	360	56	2,028	2,454
Net book value						
End of financial year	31	–	131	39	713	914

9 Property, plant and equipment (Cont'd)

	Leasehold land and building	Leasehold improvements	Furniture and fittings	Office equipment	Motor vehicles	Machinery and equipment	Construction in progress	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Group								
2013								
Cost								
Beginning of financial year	1,633	69	51	537	94	2,429	81	4,894
Additions	–	19	1,328	62	–	3	–	1,412
Disposals	–	–	–	(2)	–	–	–	(2)
Write-off	–	(54)	(17)	–	–	–	–	(71)
Reclassification to asset held-for-sale (Note 7)	(1,542)	(2)	–	–	–	(24)	–	(1,568)
Reclassification	(37)	118	–	–	–	–	(81)	–
Currency translation differences	(54)	4	41	38	5	154	–	188
End of financial year	–	154	1,403	635	99	2,562	–	4,853
Accumulated depreciation and impairment losses								
Beginning of financial year	131	20	11	244	27	1,247	–	1,680
Depreciation charge								
– Continuing operations (Note 20)	24	28	15	48	17	286	–	418
– Discontinued operations	12	–	36	27	2	–	–	77
Disposals	–	–	–	(1)	–	–	–	(1)
Write-off	–	(14)	(1)	–	–	–	–	(15)
Impairment loss (Note 20)	–	–	–	5	–	7	–	12
Reclassification to asset held-for-sale (Note 7)	(138)	(1)	–	–	–	(8)	–	(147)
Reclassification	(5)	5	–	–	–	–	–	–
Currency translation differences	(24)	(1)	1	17	2	82	–	77
End of financial year	–	37	62	340	48	1,614	–	2,101
Net book value								
End of financial year	–	117	1,341	295	51	948	–	2,752

9 Property, plant and equipment (Cont'd)

	Furniture and fittings	Office equipment	Motor vehicles	Total
	$'000	**$'000**	**$'000**	**$'000**
Company				
2014				
Cost				
Beginning of financial year	26	46	25	97
Additions	–	18	–	18
Disposals	(26)	–	(25)	(51)
End of financial year	–	64	–	64
Accumulated depreciation				
Beginning of financial year	17	45	10	72
Depreciation charge	3	3	1	7
Disposals	(20)	–	(11)	(31)
End of financial year	–	48	–	48
Net book value				
End of financial year	–	16	–	16
2013				
Cost				
Beginning of financial year	35	46	25	106
Disposals	(9)	–	–	(9)
End of financial year	26	46	25	97
Accumulated depreciation				
Beginning of financial year	14	44	5	63
Depreciation charge	8	1	5	14
Disposals	(5)	–	–	(5)
End of financial year	17	45	10	72
Net book value				
End of financial year	9	1	15	25

10 Intangible assets

	Goodwill arising on consolidation	Computer software	Customer relationship	Brand names	Trademarks	Total
	$'000	$'000	$'000	$'000	$'000	$'000
Group						
2014						
Cost						
Beginning of financial year	16,892	223	10,197	3,189	662	31,163
Additions	–	109	–	–	–	109
Disposal of subsidiary	(94)	(178)	–	–	(654)	(926)
Currency translation differences	133	(95)	309	–	(5)	342
End of financial year	16,931	59	10,506	3,189	3	30,688
Accumulated amortisation and impairment						
Beginning of financial year	15,500	92	9,173	3,189	317	28,271
Amortisation charge						
– Continuing operations (Note 20)	–	–	1,016	–	340	1,356
– Discontinued operations	–	36	–	–	–	36
Disposal of subsidiary	–	(69)	–	–	(651)	(720)
Currency translation differences	–	–	317	–	(4)	313
End of financial year	15,500	59	10,506	3,189	2	29,256
Net book value						
End of financial year	1,431	–	–	–	1	1,432

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For the financial year ended 31 December 2014

10 Intangible assets (Cont'd)

	Goodwill arising on consolidation	Computer software	Customer relationship	Brand names	Trademarks	License agreement	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Group							
2013							
Cost							
Beginning of financial year	18,029	134	9,638	3,189	617	562	32,169
Additions	–	81	–	–	–	–	81
Liquidation and strike-off of subsidiaries	(1,229)	–	–	–	–	(562)	(1,791)
Currency translation differences	92	8	559	–	45	–	704
End of financial year	16,892	223	10,197	3,189	662	–	31,163
Accumulated amortisation and impairment							
Beginning of financial year	16,729	59	7,363	3,189	240	562	28,142
Amortisation charge							
– Continuing operations (Note 20)	–	1	1,368	–	59	–	1,428
– Discontinued operations	–	31	–	–	–	–	31
Liquidation and strike-off of subsidiaries	(1,229)	–	–	–	–	(562)	(1,791)
Currency translation differences	–	1	442	–	18	–	461
End of financial year	15,500	92	9,173	3,189	317	–	28,271
Net book value							
End of financial year	1,392	131	1,024	–	345	–	2,892

10 Intangible assets (Cont'd)

(a) Goodwill arising on consolidation

Impairment tests for goodwill

Goodwill is allocated to the Group's cash-generating units ("CGUs") identified according to countries of operation and business segments.

A segment-level summary of the goodwill allocation is as follows:

	Group	
	2014	**2013**
	$'000	**$'000**
The People's Republic of China ("PRC")		
– Original design manufacturing ("ODM")	1,431	1,298
– Children's fashion retail ("Brand sale")	–	94
	1,431	1,392

The recoverable amount of a CGU was determined based on value-in-use. Cash flow projections used in the value-in-use calculations were based on financial budgets approved by management covering a five-year period. Cash flows beyond the five-year period were extrapolated using the estimated growth rates stated below. The growth rate did not exceed the long-term average growth rate for the component parts business in which CGU operates.

Key assumptions used for value-in-use calculations:

	PRC ODM	**PRC Brand sale**
2014		
Gross margin[1]	26.0%	–
Growth rate[2]	3.0%	–
Discount rate[3]	13.8%	–
2013		
Gross margin[1]	26.0%	34.0%
Growth rate[2]	3.0%	5.0%
Discount rate[3]	19.5%	17.9%

[1] Budgeted gross margin
[2] Weighted average growth rate used to extrapolate cash flows beyond the budget period
[3] Pre-tax discount rate applied to the pre-tax cash flow projections

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

No impairment charge is recognised as the estimated recoverable amounts for the CGU exceeds the carrying amounts of the CGU (inclusive of attributable goodwill). Based on the impairment test carried out as at 31 December 2014 for the ODM CGU in PRC, the recoverable amount of the CGU is $464,000 or 1.5% (2013: $6,751,000 or 32.8%) higher than its carrying amount. This has decreased due to the higher carrying amount for ODM CGU and higher projected expenses used in the cash flow projections. A further decrease in the growth rate by 0.12% would result in the recoverable amount of the ODM CGU in PRC being equal to its carrying amount.

10 Intangible assets (Cont'd)

(a) Goodwill arising on consolidation (Cont'd)

Impairment tests for goodwill (Cont'd)

Following the disposal of children's fashion retail business, there is no goodwill attributable from brand sale as at 31 December 2014.

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

	Group	
	2014	**2013**
	$'000	**$'000**
Administrative expenses (Note 20)	1,356	1,428

11 Trade and other payables

	Group		Company	
	2014	**2013**	**2014**	**2013**
	$'000	**$'000**	**$'000**	**$'000**
Trade payables				
– Non-related parties	9,498	9,524	–	3
– Subsidiaries	–	–	24,403	16,803
	9,498	9,524	24,403	16,806
Non-trade payables				
– Non-related parties	2,452	1,628	625	460
– Related parties	9	19	–	–
– Subsidiaries	–	–	4,567	3,477
– Directors	95	468	85	136
	2,556	2,115	5,277	4,073
Advances from customers – Non-related parties	10,703	1,503	2,291	1,172
Accrued operating expenses				
– Employment compensation	2,029	1,708	11	18
– Other operating expenses	356	482	148	169
	2,385	2,190	159	187
	25,142	15,332	32,130	22,238

The non-trade payables to related parties, subsidiaries and directors of the Company are unsecured, interest-free and are payable on demand.

There are no refundable advances from non-related parties included in the Group's non-trade payables to non-related parties as at 31 December 2014 (2013: $145,000). The refundable advances from non-related parties in 2013 were unsecured, interest free and were payable on demand.

12 Borrowings

	Group	
	2014	2013
	$'000	$'000
Current		
Notes payable	4,114	7,219
Bank borrowings	9,256	14,919
	13,370	22,138

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

	Group	
	2014	2013
	$'000	$'000
Not later than one year	13,370	22,138

Total borrowings of the Group include secured liabilities of $13,370,000 (2013: $22,138,000).

Notes payable of the Group are secured over certain bank balances (Note 4). Bank borrowings of the Group are secured over a pledge of certain properties, plant and equipment provided by a related company and related party.

Shishi Haotian Dress Industry Co., Ltd. ("Shishi Haotian"), a fully owned subsidiary of the Group, had extended a corporate guarantee to a bank in China for Eagleton (Xiamen) Import & Export Co., Ltd.'s ("Eagleton") banking facilities with the bank. The corporate guarantee is effective from 12 August 2014 to 12 August 2017 and for an amount up to RMB 20,000,000. Following the completion of the disposal of the Group's interests in Eagleton on the 23 January 2015, the Group is working towards the release of the corporate guarantee, and getting the purchasers of Eagleton to provide an indemnity in the favour of Shishi Haotian for the corporate guarantee.

13 Deferred income taxes

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current income tax assets against current income tax liabilities and when the deferred income taxes relate to the same fiscal authority. The amounts, determined after appropriate offsetting, are shown on the balance sheet as follows:

	Group	
	2014	2013
	$'000	$'000
Deferred income tax liabilities		
– To be recovered within one year	–	271
– To be recovered after one year	–	70
	–	341

13 Deferred income taxes (Cont'd)

Movement in deferred income tax liabilities (prior to offsetting of balances within the same tax jurisdiction) is as follows:

Group
Deferred income tax liabilities

	Fair value gains on intangible assets	Accelerated tax depreciation	Other	Total
	$'000	$'000	$'000	$'000
2014				
Beginning of financial year	341	–	–	341
Tax credited to profit or loss (Note 22(a))	(339)	–	–	(339)
Currency translation differences	(2)	–	–	(2)
End of financial year	–	–	–	–
2013				
Beginning of financial year	701	28	13	742
Tax credited to profit or loss (Note 22(a))	(396)	(28)	(13)	(437)
Currency translation differences	36	–	–	36
End of financial year	341	–	–	341

Group
Deferred income tax assets

	Accelerated tax depreciation	Unutilised tax losses	Other	Total
	$'000	$'000	$'000	$'000
2014				
Beginning and end of financial year	–	–	–	–
2013				
Beginning of financial year	1	41	21	63
Tax charged to profit or loss (Note 22(a))	(1)	(42)	(21)	(64)
Currency translation differences	–	1	–	1
End of financial year	–	–	–	–

Deferred income tax assets are recognised for tax losses and capital allowances carried forward to the extent that realisation of the related tax benefits through future taxable profits is probable. The Group has unrecognised tax losses of approximately $27,642,000 (2013: $27,098,000) and capital allowances of approximately $247,000 (2013: $152,000) at the balance sheet date which can be carried forward and used to offset against future taxable income subject to meeting certain statutory requirements by those companies with unrecognised tax losses and capital allowances in their respective countries of incorporation. The tax losses and capital allowances have no expiry date.

13 Deferred income taxes (Cont'd)

As at 31 December 2014, no deferred income tax liabilities have been recognised for withholding and other taxes that would be payable on unremitted earnings of the Group's subsidiaries of $20,218,000 (2013: $16,863,000) established in the PRC as the Group is in a position to control the timing of the remittance of earnings and these unremitted profits are deemed to be permanently reinvested. The deferred income tax liabilities not recognised is approximately $1,011,000 (2013: $843,000).

14 Share capital

	Group		Company	
	Number of ordinary shares '000	**Amount $'000**	**Number of ordinary shares '000**	**Amount $'000**
2014				
Beginning of financial year	860,009	41,022	860,009	124,680
Issue of shares via placement (1)	244,000	8,052	244,000	8,052
End of financial year	1,104,009	49,074	1,104,009	132,732
2013				
Beginning of financial year	736,009	36,893	736,009	120,551
Issue of shares via placement (2)	124,000	4,129	124,000	4,129
End of financial year	860,009	41,022	860,009	124,680

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

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

(1) On 19 March 2014, 244,000,363 placement shares were allotted and issued at $0.033 per share pursuant to the Placement Agreements for a total consideration of $8,052,000.

(2) On 17 October 2013, 124,000,000 placement shares were allotted and issued at $0.0333 per share pursuant to the Placement Agreements for a total consideration of $4,129,000.

These newly issued shares rank pari passu in all respects with the existing ordinary shares.

Reverse acquisition

The acquisition of the Acquired Group in 2010 has been accounted for as a reverse acquisition in the consolidated financial statements of the Group. Acquired Group, which is the legal subsidiary, is considered the acquirer for accounting purposes. Accordingly, the consolidated balance sheet, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group have been prepared as a continuation of Acquired Group's financial statements, in accordance with the group accounting policies.

15 Other reserves

	Group	
	2014	2013
	$'000	$'000
Composition:		
Capital reserve (Note (a))	6,992	6,992
Statutory surplus reserve (Note (b))	1,911	1,905
Currency translation reserve (Note (c))	(292)	(991)
	8,611	7,906

Other reserves are non-distributable.

(a) Capital reserve

	Group	
	2014	2013
	$'000	$'000
Beginning and end of financial year	6,992	6,992

Capital reserve comprised:

(i) the paid-up capital of Hong Kong Endi International Trading Co., Ltd. and Shishi Haotian Dress Industry Co., Ltd. prior to the group reorganisation of China Children Fashion Holdings Pte. Ltd. ("CCFH") and its subsidiaries ("CCFH Group") in 2008 ("CCFH Group reorganisation");

(ii) the deemed distribution to a Director of CCFH pursuant to the CCFH Group reorganisation; and

(iii) the difference between the payable waived by the shareholders of CCFH on 19 January 2009 and the consideration for the issue of shares by CCFH and paid-up by the shareholders of ordinary shares in CCFH.

(b) Statutory surplus reserve

	Group	
	2014	2013
	$'000	$'000
Beginning of financial year	1,905	1,905
Transfer from profit or loss	6	–
End of financial year	1,911	1,905

According to the relevant regulations in the PRC, the subsidiaries in the PRC are required to transfer 10% of their profit after income tax to the statutory surplus reserve until the reserve balance reaches 50% of their registered capital. The transfer of this reserve must be made before the distribution of dividends to shareholders. Statutory surplus reserve can be used to make good previous years' losses, if any, and may be converted into paid-in capital in proportion to the existing interests of owners, provided that the balance after conversion is not less than 25% of the registered capital.

15 Other reserves (Cont'd)

(c) Currency translation reserve

	Group 2014 $'000	Group 2013 $'000
Beginning of financial year	(991)	(2,972)
Reclassification on disposal/liquidation/strike-off of subsidiaries (Note 4)	(49)	689
Net currency translation differences of financial statements of foreign subsidiaries	748	1,292
End of financial year	(292)	(991)

This represents exchange differences arising from the translation of the financial statements of foreign operations whose functional currencies are different from that of the Company's presentation currency.

16 Accumulated losses

Movement in accumulated losses of the Company is as follows:

	Company 2014 $'000	Company 2013 $'000
Beginning of financial year	(73,630)	(76,422)
Net (loss)/profit	(3,393)	2,792
End of financial year	(77,023)	(73,630)

17 Revenue

	Group 2014 $'000	Group 2013 $'000
Sale of goods		
– Bedding and bed linen retail business	897	2,237
– Sourcing and procurement business	5,468	738
– Original design manufacturing	38,922	33,636
	45,287	36,611

18 Other income, net

	Group 2014 $'000	Group 2013 $'000
Interest income – bank deposits	26	19
Government grants (a)	238	166
Income from scrap sales	–	6
Gain/(Loss) on disposal/liquidation/strike-off of subsidiaries (Note 4)	250	(337)
License fee	97	–
Revenue guarantee on bedding and bed linen business	98	667
Other	18	25
	727	546

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

19 Finance costs

	Group 2014 $'000	Group 2013 $'000
Interest expense on bank borrowings	723	679

20 Expenses by nature

	Group 2014 $'000	Group 2013 $'000
Amortisation of intangible assets (Note 10)	1,356	1,428
Depreciation of property, plant and equipment (Note 9)	330	418
Impairment loss on asset held-for-sale (Note 7)	–	76
Impairment loss on property, plant and equipment (Note 9)	55	12
Total amortisation, depreciation and impairment	1,741	1,934
Allowance/(Write-back of allowance) of impairment of trade and other receivables, net (Note 28 (b)(ii))	1,115	(1)
Bad debt written-off	–	3
Employee compensation (Note 21)	10,945	8,868
Loss/(Gain) on disposal of property, plant and equipment	22	(21)
Property, plant and equipment written-off	3	31
Inventories:		
– Purchases of inventories	30,865	20,475
– Write down of inventories (Note 6)	3,350	–
– Reversal of write down of inventories (Note 6)	(1,162)	(62)
– Changes in inventories	(4,260)	(2,757)
Audit fee paid/payable to auditors:		
– auditor of the Company	145	170
– other auditors	–	22
Non-audit fee paid/payable to auditors of the Company	8	8
Advertising expenses	5	27
Currency translation (gains)/losses, net	(1,171)	620
Entertainment expenses	76	113
Freight and handling charges	81	226
Insurance expenses	26	70
Promotional expenses	525	198
Office expenses	76	35
Professional fee	170	141
Rental expense on operating leases	441	532
Travelling expenses	102	47
Transportation expenses	156	97
Sales tax	220	140
Upkeep, repair and maintenance expenses	63	61
Other expenses	244	3,776
Total cost of sales, selling and distribution, administrative expenses and other losses, net	43,786	34,753

21 Employee compensation

	Group	
	2014	2013
	$'000	$'000
Wages, salaries and short-term benefits	11,687	9,600
Employer's contribution to defined contribution plans including Central Provident Fund	75	94
	11,762	9,694
Less: Amounts attributable to discontinued operations	(817)	(826)
Amounts attributable to continuing operations (Note 20)	10,945	8,868

22 Income taxes

(a) Income tax expense/(credit)

	Group	
	2014	2013
	$'000	$'000
Tax expense/(credit) attributable to profit is made up of:		
– Profit from current financial year:		
From continuing operations		
Current income tax	677	395
Deferred income tax (Note 13)	(339)	(350)
	338	45
From discontinued operations		
Current income tax	715	1
	1,053	46
– Under/(Over) provision in prior financial years:		
From continuing operations		
Current income tax	2	(9)
Deferred income tax (Note 13)	–	(23)
	2	(32)
From discontinued operations		
Current income tax	17	(25)
	19	(57)
Tax expense/(credit) is attributable to:		
– continuing operations	340	13
– discontinued operations (Note 27(a))	732	(24)
	1,072	(11)

22 Income taxes (Cont'd)

(a) Income tax credit (Cont'd)

The tax on the Group's profit before income tax differs from the theoretical amount that would arise using the Singapore standard rate of income tax as follows:

	Group	
	2014	2013
	$'000	$'000
Profit/(loss) before income tax		
– continued operations	1,505	1,725
– discontinued operations	2,827	(345)
	4,332	1,380
Tax calculated at tax rate of 17% (2013: 17%)	736	235
Effects of:		
Different tax rates in other countries	(83)	(191)
Tax incentives	–	(1)
Expenses not deductible for tax purposes	895	223
Income not subject to tax	(531)	(713)
Utilisation of previously unrecognised:		
– tax losses	(80)	(377)
– capital allowances	–	(146)
Deferred tax assets not recognised	116	1,016
	1,053	46

(b) Movement in current income tax liabilities and income tax recoverable:

	Group	
	2014	2013
	$'000	$'000
Beginning of financial year	134	251
Income tax paid	(527)	(497)
Income tax expense	1,392	396
Under/(over) provision in prior financial years	19	(34)
Disposal of subsidiary (Note 4)	(673)	–
Currency translation differences	27	18
End of financial year	372	134
Presented as:		
Income tax recoverable	35	54
Current income tax liabilities	(407)	(188)
	(372)	(134)

23 Earnings/(losses) per share

Basic and diluted earnings/(losses) per share is calculated by dividing the net profit/(loss) attributable to equity holders of the Company by the weighted average number of ordinary shares outstanding during the financial year.

	2014		2013	
	Continuing operations	Discontinued operations	Continuing operations	Discontinued operations
Net profit/(loss) attributable to equity holders of the Company ($'000)	1,165	2,095	1,876	(320)
Weighted average number of ordinary shares outstanding for basic earnings per share ('000)	1,045,850	1,045,850	762,847	762,847
Basic and diluted earnings/(losses) per share (cents)	0.11	0.20	0.25	(0.04)

There were no potentially dilutive ordinary shares during the financial years ended 31 December 2014 and 2013.

24 Related party transactions

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

(a) Sales and purchases of goods and services

	Group	
	2014 $'000	2013 $'000
Lease payment to related parties	(461)	(448)

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

Outstanding balances as at 31 December 2014, arising from sales/purchases of goods and services, are unsecured and receivable/payable within 12 months from balance sheet date and are disclosed in Notes 5 and 11 respectively.

(b) Key management personnel compensation

Key management personnel compensation is as follows:

	Group	
	2014 $'000	2013 $'000
Salaries and short term benefits	551	923
Employer's contribution to defined contribution plans, including Central Provident Fund	12	12
Directors' fees	80	80
	643	1,015
Analysed as:		
Directors of the Company	294	665
Other key management personnel	349	350
	643	1,015

25 Commitments

Operating lease commitments – Where the Group and the Company is a lessee

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

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

	Group		Company	
	2014 $'000	2013 $'000	2014 $'000	2013 $'000
Not later than one year	369	413	29	9
Between one and five years	10	–	10	–
	379	413	39	9

26 Contingent liabilities

Group

Shishi Haotian Dress Industry Co., Ltd. ("Shishi Haotian"), a fully owned subsidiary of the Group, had extended a corporate guarantee to a bank in China for Eagleton (Xiamen) Import & Export Co., Ltd.'s ("Eagleton") banking facilities with the bank. The corporate guarantee is effective from 12 August 2014 to 12 August 2017 and for an amount up to RMB 20,000,000. Following the completion of the disposal of the Group's interests in Eagleton, the Group is working towards the release of the corporate guarantee, and getting the purchasers of Eagleton to provide an indemnity in the favour of Shishi Haotian for the corporate guarantee.

No liability was recognised in the balance sheet of the Group as it is considered unlikely that the Group will be held liable as a result of the obligation and the fair value of the corporate guarantee is considered as insignificant at initial recognition.

As at 31 December 2014, the banking facilities utilised by Eagleton amounted to $3,171,000 (2013: Nil).

Company

As at 31 December 2014, no corporate guarantee was issued by the Company for bank borrowings of a subsidiary (2013: $325,000).

The Company provides letter of financial support to subsidiaries with net liabilities at each financial year end. As at 31 December 2014, the Company has evaluated the fair value of the corporate guarantees and financial support, and is of the view that the consequential benefits desired from its guarantees to the banks and financial institutions with regard to the subsidiary is minimal.

27 Discontinued operation

Following the disposal of the children's fashion retail business on 15 October 2014 as described in Note 4, the entire results of children's fashion retail business are presented separately on the statement of comprehensive income as "Discontinued operations".

27 Discontinued Operations (Cont'd)

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

	Group	
	2014	2013
	$'000	$'000
Revenue	15,963	3,937
Expenses	(13,136)	(4,282)
Profit/(loss) before tax from discontinued operations	2,827	(345)
Income tax (expense)/credit	(732)	24
Profit/(loss) after tax from discontinued operations	2,095	(321)

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

	Group	
	2014	2013
	$'000	$'000
Operating cash (outflows)/inflows	(5,229)	2,956
Investing cash outflows	(1,402)	(1,478)
Financing cash inflows	1,630	5,340
Total cash (outflows)/inflows	(5,001)	6,818

28 Financial risk management

Financial risk factors

The Group's activities expose it to market risk (including interest rate risk and currency risk), credit risk, liquidity risk and capital risk. The Group's overall risk management strategy seeks to minimise adverse effects from the unpredictability of financial markets on the Group's financial performance. The Board of Directors is responsible for setting the objectives and underlying principles of financial risk management for the Group. The Audit Committee provides independent oversight to the effectiveness of the risk management process.

(a) Market risk

(i) Interest rate risk

Interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rate. Fair value interest rate risk is the risk that the fair value of a financial instrument will fluctuate due to changes in market interest rates.

The Group's exposure to market risk in interest rates is primarily to short-term bank deposits and bank borrowings. Interest rate risk is managed by the Group on an on-going basis with the primary objective of limiting the extent to which net interest expense could be affected by an adverse movement in interest rates.

The Group's results are affected by changes in interest rates due to impact of such changes on interest expenses from bank borrowings which are floating interest rates. It is the Group's policy to obtain quotes from banks to ensure that the most favourable rates are made available to the Group.

28 Financial risk management (Cont'd)

(a) Market risk (Cont'd)

(i) Interest rate risk (Cont'd)

The following table sets out the carrying amounts as at balance sheet date, by maturity or repricing, whichever is earlier, of the financial instruments of the Group that are exposed to interest rate risk:

	Group	
	2014	**2013**
	$'000	**$'000**
Less than one year		
Financial assets		
Fixed rate		
Bank deposits	–	2,362
Financial liabilities		
Fixed rate		
Bank borrowings	9,256	14,919

Sensitivity analysis

Fair value sensitivity analysis for fixed rate instruments

The Group has no significant exposure in interest rates as the Group's financial assets and financial liabilities are in fixed rates.

(ii) Currency risk

The Group operates in Asia with dominant operations in Singapore, the PRC and Malaysia. Entities in the Group regularly transact in currencies other than their respective functional currencies ("foreign currencies").

Currency risk arises within entities in the Group when transactions are denominated in foreign currencies such as the United States Dollar ("USD"), Euro ("EUR"), Chinese Renminbi ("RMB"), Hong Kong Dollar ("HKD") and Malaysia Ringgit ("MYR").

In addition, the Group is exposed to currency translation risk on the net assets of foreign operations in the PRC and Malaysia.

There is no hedging policy with respect to foreign currency exposure. Exposure to currency risk is monitored on an on-going basis and the Group endeavours to keep the net exposure at an acceptable level. The Group currently relies on the natural hedges between such transactions and will consider enter into currency forward contracts when the need arises.

28 Financial risk management (Cont'd)

(a) Market risk (Cont'd)

(ii) Currency risk (Cont'd)

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

	SGD $'000	USD $'000	RMB $'000	HKD $'000	Others $'000	Total $'000
At 31 December 2014						
Financial assets						
Cash and cash equivalents	94	12	2,038	74	1,330	3,548
Trade and other receivables	23	43,434	1,617	17	101	45,192
Receivables from subsidiaries	11,711	19,068	7,175	6,317	3,871	48,142
	11,828	62,514	10,830	6,408	5,302	96,882
Financial liabilities						
Trade and other payables	(776)	–	(11,681)	(1,847)	(135)	(14,439)
Borrowings	–	(2,096)	(11,274)	–	–	(13,370)
Payables to subsidiaries	(11,711)	(19,068)	(7,175)	(6,317)	(3,871)	(48,142)
	(12,487)	(21,164)	(30,130)	(8,164)	(4,006)	(75,951)
Net financial (liabilities)/assets	(659)	41,350	(19,300)	(1,756)	1,296	20,931
Less: Net financial (liabilities)/assets denominated in functional currencies	(659)	–	(19,152)	3	1,269	(18,539)
Currency exposure on financial assets/(liabilities) net of those denominated in the respective entities' functional currencies	–	41,350	(148)	(1,753)	27	39,470

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

28 Financial risk management (Cont'd)

(a) Market risk (Cont'd)

(ii) Currency risk (Cont'd)

	SGD $'000	USD $'000	RMB $'000	HKD $'000	Others $'000	Total $'000
At 31 December 2013						
Financial assets						
Cash and cash equivalents	140	12	10,987	77	141	11,357
Trade and other receivables	1,546	18,496	6,204	5	300	26,551
Receivables from subsidiaries	10,413	13,807	14,165	4,899	2,586	45,870
	12,099	32,315	31,356	4,981	3,027	83,778
Financial liabilities						
Trade and other payables	(831)	(183)	(10,699)	(1,694)	(422)	(13,829)
Borrowings	–	(1,080)	(20,733)	–	(325)	(22,138)
Payables to subsidiaries	(10,413)	(13,807)	(14,165)	(4,899)	(2,586)	(45,870)
	(11,244)	(15,070)	(45,597)	(6,593)	(3,333)	(81,837)
Net financial assets/(liabilities)	855	17,245	(14,241)	(1,612)	(306)	1,941
Less: Net financial (liabilities)/assets denominated in functional currencies	(880)	–	8,223	3,132	(1,686)	8,789
Currency exposure on financial (liabilities)/assets net of those denominated in the respective entities' functional currencies	(25)	17,245	(6,018)	1,520	(1,992)	10,730

28 Financial risk management (Cont'd)

(a) Market risk (Cont'd)

(ii) Currency risk (Cont'd)

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

	SGD $'000	USD $'000	RMB $'000	HKD $'000	Others $'000	Total $'000
At 31 December 2014						
Financial assets						
Cash and cash equivalents	83	10	–	3	–	96
Trade and other receivables	2,545	37,092	–	1,541	–	41,178
	2,628	37,102	–	1,544	–	41,274
Financial liabilities						
Trade and other payables	(8,923)	(18,443)	(653)	(775)	(1,045)	(29,839)
Net financial (liabilities)/assets	(6,295)	18,659	(653)	769	(1,045)	11,435
Less: Net financial liabilities denominated in the Company's functional currency	(6,295)	–	–	–	–	(6,295)
Currency exposure on financial assets/(liabilities) net of those denominated in the Company's functional currency	–	18,659	(653)	769	(1,045)	17,730

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

28 Financial risk management (Cont'd)

(a) Market risk (Cont'd)

(ii) Currency risk (Cont'd)

	SGD $'000	USD $'000	RMB $'000	HKD $'000	Others $'000	Total $'000
At 31 December 2013						
Financial assets						
Cash and cash equivalents	135	7	–	5	–	147
Trade and other receivables	3,601	18,496	–	1,540	110	23,747
	3,736	18,503	–	1,545	110	23,894
Financial liabilities						
Trade and other payables	(1,854)	(10,904)	(581)	(2,122)	(5,605)	(21,066)
Net financial assets/(liabilities)	1,882	7,599	(581)	(577)	(5,495)	2,828
Less: Net financial liabilities denominated in the Company's functional currency	(1,882)	–	–	–	–	(1,882)
Currency exposure on financial assets/(liabilities) net of those denominated in the Company's functional currency	–	7,599	(581)	(577)	(5,495)	946

28 Financial risk management (Cont'd)

(a) Market risk (Cont'd)

(ii) Currency risk (Cont'd)

Sensitivity analysis

If the USD, RMB and HKD change against the SGD by 5% (2013: 5%) with all other variables including tax rate being held constant, the effects arising from the net financial liability/asset position to net profit will be as follows:

	Increase/(Decrease)			
	Group		Company	
	2014 S$'000	2013 S$'000	2014 S$'000	2013 S$'000
USD against SGD				
– Strengthened	1,716	716	774	315
– Weakened	(1,716)	(716)	(774)	(315)
RMB against SGD				
– Strengthened	(6)	(250)	(27)	(24)
– Weakened	6	250	27	24
HKD against SGD				
– Strengthened	(73)	63	32	(24)
– Weakened	73	(63)	(32)	24

(b) Credit risk

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Group. The major classes of financial assets of the Group and the Company are bank deposits and trade receivables. For trade receivables, the Group adopts the policy of dealing only with customers of appropriate credit standing and history, and performs ongoing credit evaluation of their counterparties' financial condition and generally do not require collaterals. For other financial assets, the Group adopts the policy of dealing only with high credit quality counterparties.

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

	Group		Company	
	2014 $'000	2013 $'000	2014 $'000	2013 $'000
Corporate guarantee provided to banks on non-related party's borrowings (Note 26)	3,171	–	–	–
Corporate guarantee provided to banks on subsidiaries' borrowings (Note 26)	–	325	–	325
	3,171	325	–	325

The trade receivables of the Group and the Company comprise of 1 debtor (2013: Nil) and 1 debtor (2013: 1 debtor) respectively that individually represented >10% (2013: >10%) of trade receivables.

28 Financial risk management (Cont'd)

(b) Credit risk (Cont'd)

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

	Group		Company	
	2014	2013	2014	2013
	$'000	$'000	$'000	$'000
By geographical areas				
Singapore	37,385	18,578	38,222	19,731
PRC	2,993	4,386	–	–
Other countries	3	158	–	–
	40,381	23,122	38,222	19,731
By types of customers				
Non-related parties – individuals	40,381	23,122	37,093	18,579
Subsidiaries	–	–	1,129	1,152
	40,381	23,122	38,222	19,731

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

Bank deposits that are neither past due nor impaired are mainly deposits with banks with high credit-ratings assigned by international credit-rating agencies. Trade receivables that are neither past due nor impaired are substantially companies with a good collection track record with the Group.

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

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

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

	Group		Company	
	2014	2013	2014	2013
	$'000	$'000	$'000	$'000
Past due < 3 months	9,561	1,533	9,175	917
Past due 3 to 6 months	6,189	1,675	6,189	364
Past due over 6 months	21,431	2,298	22,560	1,430
	37,181	5,506	37,924	2,711

28 Financial risk management (Cont'd)

(b) Credit risk (Cont'd)

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

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

	Group		Company	
	2014	**2013**	**2014**	**2013**
	$'000	**$'000**	**$'000**	**$'000**
Past due over 6 months	4,804	4,347	1,102	1,074
Less: Allowance for impairment	(4,804)	(4,327)	(1,102)	(1,054)
	–	20	–	20
Beginning of financial year	4,327	4,186	1,054	1,054
Currency translation difference	183	149	–	–
Allowance made (Note 20)	299	1	48	–
Allowance utilised	(5)	(7)	–	–
Allowance written-back (Note 20)	–	(2)	–	–
End of financial year (Note 5)	4,804	4,327	1,102	1,054

The impaired trade receivables arise mainly from sales to a customer which has suffered significant losses in its operations.

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

	Group		Company	
	2014	**2013**	**2014**	**2013**
	$'000	**$'000**	**$'000**	**$'000**
Past due over 6 months	816	850	3,586	3,375
Less: Allowance for impairment	(816)	(850)	(3,586)	(3,375)
	–	–	–	–

	Group		Company	
	2014	**2013**	**2014**	**2013**
	$'000	**$'000**	**$'000**	**$'000**
Beginning of financial year	850	850	3,375	3,485
Allowance made (Note 20)	816	–	1,061	52
Allowance utilised	(850)	–	(850)	(162)
End of financial year (Note 5)	816	850	3,586	3,375

The impaired non-trade receivables arise mainly from amounts owing from a long overdue non-trade debtor who has difficulty in repaying the amounts owned.

28 Financial risk management (Cont'd)

(c) Liquidity risk

Prudent liquidity risk management includes maintaining sufficient cash and marketable securities, the availability of funding through on adequate amount of committed credit facilities, and the ability to close out market positions as a short notice. At the balance sheet date, assets held by the Group and the Company for managing liquidity risk included cash and short term deposits as disclosed in Note 4.

The Group constantly monitors its liquidity risk and maintains a level of cash and cash equivalents deemed adequate by management to finance the Group's operations and to mitigate the effects of fluctuation in cash flows.

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

	Group		Company	
	2014	**2013**	**2014**	**2013**
	$'000	**$'000**	**$'000**	**$'000**
Less than one year				
Trade and other payables	14,439	13,829	29,839	21,066
Borrowings	13,370	22,862	–	–
Financial guarantee contract	3,171	–	–	325
	30,980	36,691	29,839	21,391

(d) Capital risk

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

The management constantly reviews the capital structure to ensure the Group and the Company are able to service any debt obligations (include principal repayment and interests) based on their operating cash flows.

The subsidiaries of the Group in the PRC are required by the relevant regulations in PRC to contribute and to maintain a non-distributable statutory reserve fund whose utilisation is subject to approval by the relevant the PRC authorities. This externally imposed capital requirement has been complied with by these subsidiaries in the PRC for the financial years ended 31 December 2014 and 2013 respectively.

The management monitors capital based on gearing ratio. The gearing ratio is calculated as net debt divided by total capital. Net debt is calculated as borrowings plus trade and other payables less cash and cash equivalents. Total capital is calculated as total equity attributable to equity holders of the Company plus net debt. The Group and the Company strategies, which were unchanged, are to maintain gearing ratio below 50%.

28 Financial risk management (Cont'd)

(d) Capital risk (Cont'd)

	Group		Company	
	2014	2013	2014	2013
	$'000	$'000	$'000	$'000
Net debt	34,964	26,113	32,034	22,091
Total equity	42,309	30,298	55,709	51,050
Total capital	77,273	56,411	87,743	73,141
Gearing ratio	45.2%	46.3%	36.5%	30.2%

The Group and the Company are in compliance with all externally imposed capital requirements for the financial years ended 31 December 2013 and 2014.

(e) Fair value measurements

The carrying amounts of the Group's and the Company's trade and other receivables, cash and cash equivalents, trade and other payables, and bank borrowings approximate their respective fair values due to the short term maturities of these financial instruments.

(f) Financial instruments by category

The carrying amounts of the different categories of financial instruments are as follows:

	Group		Company	
	2014	2013	2014	2013
	$'000	$'000	$'000	$'000
Financial liabilities at amortised cost	27,809	35,967	29,839	21,066
Loans and receivables	48,740	37,908	41,274	23,894

29 Segment information

Management has determined the operating segments based on the reports reviewed by the chief operating decision maker. The chief operating decision maker comprises the Chief Executive Officer, the Chief Financial Officer, and the heads of each business within each primary geographic segment.

Management considers the business from a business segment perspective. Management manages and monitors the business in these business segments.

During the financial year ended 31 December 2014, the Group restructured certain business segment through the licensing of the bedding and bed linen business and disposal of the children's fashion retail business. For better management and monitoring of the performance of the Group's business, management has reclassified the business segments as follow:

(i) Original design manufacturing ("ODM") business;
(ii) Bedding and bed linen retail business; and
(iii) Sourcing and procurement ("S&P") business.

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

29 Segment information (Cont'd)

The ODM business segment related to the contract manufacturing of children's and infants' apparel in PRC.

The bedding and bed linen retail business segment provides bedding and bedroom linen products to retail customers in the Singapore and Malaysia.

The S&P business segment related to sourcing for raw materials in the PRC.

The Group's reportable segments are strategic business units that are organised based on their function and targeted customer groups. They are managed separately because each business unit requires different skill sets and marketing strategies.

Management monitors the operating results of the segments separately for the purpose of making decisions about resources to be allocated and of assessing performance. Segment performance is evaluated based on operating profit or loss which is similar to the accounting profit or loss.

Income taxes are managed by the management teams of the respective entities within the Group.

The accounting policies of the operating segments are the same for those described in the summary of significant accounting policies. Management evaluates performance on the basis of profit or loss from operation before tax expense not including non-recurring gains and losses and foreign exchange gains or losses.

There is no change from prior periods in the measurement methods used to determine reported segment profit or loss.

The Group accounts for intersegment sales and transfer as if the sales or transfers were to third parties, which approximate market prices. These intersegment transactions are eliminated on consolidated.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items mainly comprise corporate assets and expenses.

Segment assets consist primarily of property, plant and equipment, inventories, receivables and operating cash, and exclude income tax recoverable and deferred tax assets. Segment liabilities comprise operating liabilities and exclude items such as current income tax payable and deferred tax liabilities.

Segment capital expenditure is the total cost incurred during the financial year to acquire segment assets that are expected to be used for more than one financial year.

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29 Segment information (Cont'd)

	ODM $'000	Bedding and bed linen retail $'000	S&P $'000	Elimination $'000	Total for continuing operations $'000
2014					
Revenue					
– External sales	38,922	897	5,468	–	45,287
– Inter-segment sales	34,239	43	–	(34,282)	–
	73,161	940	5,468	(34,282)	45,287
Results					
Segment results	2,838	(1,252)	(162)	202	1,626
Unallocated income					576
Operating profit	2,838	(1,252)	(162)	202	2,202
Interest income	24	(1)	3	–	26
Interest expense	(622)	(14)	(87)	–	(723)
Profit before income tax					1,505
Income tax expense					(340)
Profit from continuing operations					1,165
Profit from discontinued operations					2,095
Total profit					3,260
Assets and liabilities					
Segment assets	156,533	4,011	22,820	(106,777)	76,587
Unallocated assets					4,420
Consolidated total assets					81,007
Segment liabilities	68,315	3,628	7,973	(41,050)	38,866
Unallocated liabilities					53
Consolidated total liabilities					38,919
Capital expenditure	95	2	–	–	97
Depreciation and amortisation	1,685	12	–	–	1,697
Allowance for impairment of trade receivables	299	816	–	–	1,115
Write-down of inventories	3,350	–	–	–	3,350
Reversal of inventories write-down	(1,162)	–	–	–	(1,162)
Impairment loss on property, plant and equipment	55	–	–	–	55

29 Segment information (Cont'd)

	ODM $'000	Bedding and bed linen retail $'000	S&P $'000	Elimination $'000	Total for continuing operations $'000
2013					
Revenue					
– External sales	33,378	2,495	738	–	36,611
– Inter-segment sales	26,263	2,928	3,109	(32,300)	–
	59,641	5,423	3,847	(32,300)	36,611
Results					
Segment results	5,815	(4,394)	708	612	2,741
Unallocated expenses					(192)
Operating profit	5,815	(4,394)	708	612	2,549
Interest income	19	–	–	–	19
Interest expense	(671)	(8)	–	–	(679)
Profit before income tax					1,889
Income tax expense					(13)
Profit from continuing operations					1,876
Profit from discontinued operations					(320)
Non-controlling interests					(165)
Total profit					1,391
Assets and liabilities					
Segment assets	64,498	86,602	430	(83,791)	67,739
Unallocated assets					337
Consolidated total assets					68,076
Segment liabilities	29,846	30,355	4,948	(27,500)	37,649
Deferred income tax liabilities					341
Unallocated liabilities					9
Consolidated total liabilities					37,999
Capital expenditure	4	10	–	–	14
Depreciation and amortisation	1,565	281	–	–	1,846
Allowance for impairment of trade receivables	–	1	–	–	1
Reversal of allowance for impairment of trade receivables	–	(2)	–	–	(2)
Reversal of inventories write-down	–	(62)	–	–	(62)
Impairment loss on asset held-for-sale	–	76	–	–	76

29 Segment information (Cont'd)

(a) Reconciliations

(i) Segment profits

The chief operating decision maker assesses the performance of the operating segments based on a measure of segment results. Segment results represent the profit earned by each segment including allocation of selling and distribution, administrative and other operating expenses. This measurement basis excludes administrative expenses incurred by investment holding and dormant entities, interest income, interest expense and income tax credit. The reconciliation of segment results to total profit is shown as above.

(ii) Segment assets

The amounts provided to the chief operating decision maker with respect to total assets are measured in a manner consistent with that of the financial statements. These assets are allocated based on the operations of the segment. All assets are allocated to reportable segments other than certain cash and cash equivalents, non-trade receivables, trademarks and deferred income tax assets.

Segment assets are reconciled to total assets as follows:

	Group	
	2014	**2013**
	$'000	**$'000**
Segments assets for reportable segments	76,587	67,739
Other segment assets	–	–
Unallocated:		
Cash and cash equivalents	14	2
Non-trade receivables	4,406	334
Trademarks	–	1
	81,007	68,076

(iii) Segment liabilities

The amounts provided to the Group's chief executive officer and executive directors with respect to total liabilities are measured in a manner consistent with that of the financial statements. These liabilities are allocated based on the operations of the segment. All liabilities are allocated to reportable segments other than certain non-trade payables, current income tax liabilities and deferred tax income liabilities.

Segment liabilities are reconciled to total liabilities as follows:

	Group	
	2014	**2013**
	$'000	**$'000**
Segments liabilities for reportable segments	38,866	37,649
Unallocated:		
Non-trade payables	53	9
Deferred income tax liabilities	–	341
	38,919	37,999

29 Segment information (Cont'd)

(b) Revenue from major products and services

Revenues from external customers are derived mainly from the contract manufacturing of children's and infants' apparel, bedding and bedroom linen products and sourcing for raw materials. Breakdown of the revenue is as follows:

	Group	
	2014	2013
	$'000	$'000
Wholesale of children's and infants' apparel	38,922	33,378
Bedding and bedroom linen products	897	2,495
Sourcing and procurement	5,468	738
	45,287	36,611

Revenues of $6,255,000 (2013: $5,190,000) are derived from a single external customer. These revenues are attributable to the ODM business.

(c) Geographical information

The Group's three business segments operate in three main geographical areas. Revenue is based on the country in which the Group operates. The non-current assets are based on the location of those assets.

Revenue from external customers

	Singapore $'000	People's Republic of China $'000	Malaysia $'000	Total $'000
2014				
Revenue from external customers	37,737	6,774	776	45,287
2013				
Revenue from external customers	31,061	3,952	1,598	36,611

Location of non-current assets

	Singapore $'000	People's Republic of China $'000	Malaysia $'000	Total $'000
2014				
Non-current assets	17	897	–	914
2013				
Non-current assets	27	4,195	30	4,252

Non-current assets consist of property, plant and equipment and intangible assets (excluding goodwill) as presented in the balance sheet of the Group.

30 Events occurring after the balance sheet date

(a) On 23 January 2015, the Group completed the disposal of the children fashion retail business. Details of the assets and liabilities disposed and the effect on the cash flows of the Group are disclosed in Note 4. The revenue and profit contribution are disclosed in Note 27.

(b) On 18 January 2015, the Group entered into a conditional sale and purchase agreement with Deng Xinhua, Lim Yew Seng, and Mercury Capital Asset Management Limited to acquire 100% interests in Mercury Capital Investment Limited for a consideration based on the lower of the valuation price of Mercury Capital Investment Limited or S$2,800,000. The consideration will be satisfied by the issuance of new ordinary shares in the Company to the sellers (Deng Xinhua, Lim Yew Seng, and Mercury Capital Asset Management Limited) at an issue price of S$0.0175 per share. The acquisition would allow the Group to diversify its business for continued growth and success. Details of the assets acquired, liabilities assumed, revenue and profit contributed and the effect on the cash flow of the Group are not disclosed as the acquisition has not been completed.

31 New or revised accounting standards and interpretations

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

- Amendments to FRS 19 – Defined Benefits Plans: Employee Contributions (effective for annual periods beginning on or after 1 January 2014)
- Amendments to FRS 32 – Offsetting Financial Assets and Financial Liabilities (effective for annual periods beginning on or after 1 January 2014)
- Amendments to FRS 36 – Recoverable Amount Disclosures for Non-Financial Assets (effective for annual periods beginning on or after 1 January 2014)
- FRS 110 – Consolidated Financial Statements (effective for annual periods beginning on or after 1 January 2014)
- FRS 112 – Disclosure of Interests in Other Entities (effective for annual periods beginning on or after 1 January 2014)
- Amendments to FRS 110, FRS 111, FRS 112, FRS 27 (2011) and FRS 28 (2011) – Mandatory Effective Date (effective for annual periods beginning on or after 1 January 2014)
- Amendments to FRS 110, FRS 111 and FRS 112 – Transition Guidance (effective for annual periods beginning on or after 1 January 2014)
- Amendments to FRS 110, FRS 112 and FRS 27 – Investment Entities (effective for annual periods beginning on or after 1 January 2014)
- Amendments to FRS 110, FRS 111 and FRS 112 – Consolidated Financial Statements, Joint Arrangements and Disclosure of Interest in Other Entities: Transition Guidance (effective for annual periods beginning on or after 1 January 2014)

The management anticipates that the adoption of the above FRSs, INT FRSs and amendments to FRS in the future periods will not have a material impact on the financial statements of the Group and of the Company in the period of their initial adoption.

32 Authorisation of financial statements

These consolidated financial statements were authorised for issue in accordance with a resolution of the Board of Directors of Mercurius Capital Investment Limited on 7 April 2015.

STATISTICS OF SHAREHOLDINGS

As at 18 March 2015

Issued and fully paid-up capital	:	$132,732,529
No. of shares issued	:	1,104,008,940
Class of shares	:	Ordinary shares
Voting rights	:	One vote per share

DISTRIBUTION OF SHAREHOLDINGS

Size of Shareholding	Number of Shareholders	%	Number of Shares	%
1 – 99	2	0.11	146	0.00
100 – 1,000	338	19.06	156,308	0.01
1,001 – 10,000	429	24.20	1,669,932	0.15
10,001 – 1,000,000	904	50.99	176,842,808	16.02
1,000,001 and above	100	5.64	925,339,746	83.82
	1,773	100.00	1,104,008,940	100.00

TWENTY LARGEST SHAREHOLDERS

No.	Name of Shareholders	Number of Shares	%
1.	Zhang Zhize	255,041,534	23.10
2.	Cai Zhixiong	55,000,000	4.98
3.	Chen Bin Hua	55,000,000	4.98
4.	Yang Zhicheng	55,000,000	4.98
5.	Tsoi Cheong Lin	55,000,000	4.98
6.	Cheah Bee Lin	40,500,007	3.67
7.	Liu Lingyu	38,196,482	3.46
8.	Maybank Kim Eng Securities Pte Ltd	30,164,000	2.73
9.	KGI Fraser Securities Pte Ltd	20,310,000	1.84
10.	DBS Vickers Securities (S) Pte Ltd	16,955,182	1.54
11.	CIMB Securities (Singapore) Pte Ltd	14,212,000	1.29
12.	UOB Kay Hian Pte Ltd	13,294,500	1.21
13.	Phillip Securities Pte Ltd	12,519,250	1.13
14.	Thie Tjie Hoa @ Cheng Chih Hua	10,143,500	0.92
15.	Ang Ban Liong	8,853,000	0.80
16.	Maybank Nominees (S) Pte Ltd	8,770,000	0.79
17.	Lin Jianjia	8,750,000	0.79
18.	Chang Wei Lu	8,000,000	0.73
19.	Raffles Nominees (Pte) Ltd	7,929,250	0.72
20.	DBS Nominees Pte Ltd	7,186,750	0.65
	Total	720,825,455	65.29

SHAREHOLDING OF THE SUBSTANTIAL SHAREHOLDERS

As registered in the Register of Substantial Shareholders as at 18 March 2015.

	Direct Interest	%	Deemed Interest	%
Zhang Zhize	255,041,534	23.10	–	–

PERCENTAGE OF SHAREHOLDING IN THE HANDS OF THE PUBLIC

As at 18 March 2015, approximately 76.17% of the issued ordinary shares of the Company is held in the hands of the public as defined in the Listing Manual Section B: Rules of Catalist of the Singapore Exchange Securities Trading Limited (the “Catalist Rules”). Accordingly, Rule 723 of the Catalist Rules is complied with.

TREASURY SHARES – RULE 1207(9)(F)

The Company does not hold any treasury shares.

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Annual General Meeting of the Company will be held at Singapore Swimming Club, Fort Room, 45 Tanjong Rhu Road, Singapore 436899 on Monday, 27 April 2015 at 10.00 a.m., for the following purposes:

AS ORDINARY BUSINESS

1. To receive and adopt the Directors' Report and the Audited Accounts of the Company for the financial year ended 31 December 2014 together with the Auditors' Report thereon. **(Resolution 1)**

2. To re-elect Mr Mah Seong Kung, a Director retiring pursuant to Article 95(2) of the Company's Articles of Association. [See Explanatory Note (i)] **(Resolution 2)**

3. To re-elect Mr Chang Wei Lu, a Director retiring pursuant to Article 77 of the Company's Articles of Association. **(Resolution 3)**

4. To re-elect Mr Feng Jianjia, a Director retiring pursuant to Article 77 of the Company's Articles of Association. [See Explanatory Note (ii)] **(Resolution 4)**

5. To re-elect Mr Lim Yew Seng, a Director retiring pursuant to Article 77 of the Company's Articles of Association. **(Resolution 5)**

6. To re-elect Mr Deng Xinhua, a Director retiring pursuant to Article 77 of the Company's Articles of Association **(Resolution 6)**

7. To approve the payment of Directors' Fees of S$80,000.00 for the financial year ending 31 December 2015, to be paid quarterly in arrears. **(Resolution 7)**

8. To re-appoint Messrs Nexia TS Public Accounting Corporation as the Company's Independent Auditor and to authorise the Directors to fix their remuneration. **(Resolution 8)**

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

AS SPECIAL BUSINESS

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

10. GENERAL MANDATE TO ISSUE SHARES OR CONVERTIBLE SECURITIES

"That pursuant to Section 161 of the Companies Act, Cap. 50 and Rule 806 of the Listing Manual (Section B: Rules of Catalist) of the Singapore Exchange Securities Trading Limited ("SGX-ST") ("Rules of Catalist") and notwithstanding the provisions of the Articles of Association of the Company, authority be and is hereby given to the Directors of the Company (the Directors") to:

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

(ii) make or grant offers, agreements or options (collectively, "instruments") that may or would require shares to be issued, including but not limited to the creation and issue of 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 may in their absolute discretion deem fit; and

(b) (notwithstanding that 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 this Resolution was in force, provided that:

(i) the aggregate number of shares to be issued pursuant to this Resolution (including shares to be issued in pursuance of instruments made or granted pursuant to this Resolution) does not exceed one hundred per cent. (100%) of the total number of issued shares excluding treasury shares of the Company (as calculated in accordance with sub-paragraph (ii) below), of which the aggregate number of shares to be granted other than on a pro-rata basis to shareholders of the Company with registered addresses in Singapore (including shares to be issued in pursuance of instruments made or granted pursuant to this Resolution) does not exceed fifty per cent. (50%) of the total number of issued shares excluding treasury shares of the Company (as calculated in accordance with sub-paragraph (ii) below):

(ii) for the purpose of determining the aggregate number of shares that may be issued under sub-paragraph (i) above, the percentage of the total number of issued shares excluding treasury shares of the Company shall be calculated based on the total number of issued shares excluding treasury shares of the Company at the time of the passing of this Resolution, after adjusting for:

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

(2) new shares arising from exercise of share options or vesting of share awards outstanding or subsisting at the time of the passing of this Resolution, provided the options or awards were granted in compliance with Part VIII of Chapter 8 of the Rules of Catalist of the SGX-ST; and

(3) any subsequent bonus issue, consolidation or subdivision of shares;

(iii) in exercising the authority conferred by this Resolution, the Company shall comply with the provisions of the 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 Articles of Association for the time being of the Company; and

(iv) unless revoked or varied by the Company in general meeting, the authority conferred by this Resolution shall continue in force until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is the earlier." [See Explanatory Note (iii)] **(Resolution 9)**

11. FRIVEN & CO. EMPLOYEE SHARE OPTION SCHEME

"That the Directors of the Company be and are hereby authorised to offer and grant options in accordance with the provisions of the Friven & Co. Employee Share Option Scheme (the "ESOS Scheme") and to allot and issue from time to time such number of shares in the capital of the Company ("Shares") as may be required to be issued pursuant to the exercise of the options under the ESOS Scheme provided always that the aggregate number of Shares to be issued pursuant to the ESOS Scheme and any other share-based incentive schemes of the Company shall not exceed fifteen per cent. (15%) of the total number of issued shares excluding treasury shares of the Company from time to time." [See Explanatory Note (iv)] **(Resolution 10)**

By Order of the Board

Darren Tan Poon Guan
Loh Lee Eng
Joint Company Secretaries

Date: 10 April 2015
Singapore

Explanatory Notes:

(i) Mr Mah Seong Kung, upon re-election as a Director of the Company, will remain as the Chairman of the Audit Committee and members of the Remuneration and Nominating Committees. Mr Mah Seong Kung is a Lead Independent Non-Executive Director. Mr Mah Seong Kung will be considered independent for the purposes of Rule 704(7) of the Listing Manual (Section B: Rules of Catalist) of the Singapore Exchange Securities Trading Limited.

(ii) Mr Feng Jianjia, upon re-election as a Director of the Company, will remain as members of the Audit, Remuneration and Nominating Committees. Mr Feng Jianjia is an Independent Non-Executive Director. Mr Feng Jianjia will be considered independent for the purpose of Rule 704(7) of the Listing Manual (Section B: Rules of Catalist) of the Singapore Exchange Securities Trading Limited.

(iii) The Ordinary Resolution 9 proposed in item 10. above, if passed, is to empower the Directors to issue shares in the capital of the Company and/or instruments (as defined above). The aggregate number of shares to be issued pursuant to Resolution 9 (including shares to be issued in pursuance of instruments made or granted) shall not exceed one hundred per cent. (100%) of the total number of issued shares excluding treasury shares of the Company, with a sub-limit of fifty per cent. (50%) for shares issued other than on a pro-rata basis (including shares to be issued in pursuance of instruments made or granted pursuant to this Resolution) to shareholders with registered addresses in Singapore. For the purpose of determining the aggregate number of shares that may be issued, the percentage of the total number of issued shares excluding treasury shares of the Company will be calculated based on the total number of issued shares excluding treasury shares of the Company at the time of the passing of Resolution 9, after adjusting for (i) new shares arising from the conversion or exercise of any convertible securities; (ii) new shares arising from exercise of share options or vesting of share awards outstanding or subsisting at the time of the passing of Resolution 9, 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 (iii) any subsequent bonus issue, consolidation or subdivision of shares.

(iv) The Ordinary Resolution 10 proposed in item 11. above, if passed, is to authorise the Directors to offer and grant options in accordance with the provisions of the Friven & Co. Employee Share Option Scheme and to allot and issue shares thereunder.

NOTES:

1. A member of the Company entitled to attend and vote at the Annual General Meeting is entitled to appoint not more than two proxies to attend and vote on his/her behalf. A proxy need not be a member of the Company.

2. A member of the Company which is a corporation is entitled to appoint its authorised representatives or proxies to vote on its behalf.

3. The instrument appointing the proxy must be deposited at the registered office of the Company at 33 Ubi Avenue 3, #08-38 Vertex Singapore 408868 not less than 48 hours before the time appointed for holding the Annual General Meeting or any adjournment thereof.

Personal data privacy:

By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the Annual General Meeting and/or any adjournment thereof, a member of the Company (i) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents) for the purpose of the processing and administration by the Company (or its agents) of proxies and representatives appointed for the Annual General Meeting (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the Annual General Meeting (including any adjournment thereof), and in order for the Company (or its agents) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the "Purposes"), (ii) warrants that where the 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.

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MERCURIUS CAPITAL INVESTMENT LIMITED
(Incorporated in Singapore)
(Registration No. 198200473E)

PROXY FORM –
ANNUAL GENERAL MEETING

IMPORTANT:
1. For Investors who have used their CPF monies to buy the Company's shares, this Annual Report is forwarded to them at the request of their CPF Approved Nominees and is sent solely FOR INFORMATION ONLY.
2. This Proxy Form is not valid for use by CPF investors and shall be ineffective for all intents and purposes if used or purported to be used by them.

I/We, ______________________________ (Name)

of ______________________________ (Address)

being a member/members of MERCURIUS CAPITAL INVESTMENT LIMITED (the "Company"), hereby appoint:

Name	Address	NRIC or Passport No.	Percentage of Shareholdings (%)

and/or failing him/her (delete as appropriate)

Name	Address	NRIC or Passport No.	Percentage of Shareholdings (%)

or failing him/her the Chairman of the Annual General Meeting of the Company ("AGM") as my/our proxy/proxies to attend and vote for me/us on my/our behalf and, if necessary, to demand a poll, at the AGM to be held at Singapore Swimming Club, Fort Room, 45 Tanjong Rhu Road, Singapore 436899 on Monday, 27 April 2015 at 10.00 a.m., and at any adjournment thereof.

I/We direct my/our proxy/proxies to vote for or against the Resolutions to be proposed at the AGM as indicated hereunder. If no specific direction as to voting is given, the proxy/proxies will vote or abstain from voting at his/their discretion, as he/they will on any other matter arising at the AGM.

No.	Resolutions	For	Against
	ORDINARY BUSINESS		
1.	Adoption of Directors' Report and Audited Accounts of the Company for the financial year ended 31 December 2014 **(Resolution 1)**		
2.	Re-election of Mr Mah Seong Kung as a Director of the Company **(Resolution 2)**		
3.	Re-election of Mr Chang Wei Lu as a Director of the Company **(Resolution 3)**		
4.	Re-election of Mr Feng Jianjia as a Director of the Company **(Resolution 4)**		
5.	Re-election of Mr Lim Yew Seng as a Director of the Company **(Resolution 5)**		
6.	Re-election of Mr Deng Xinhua as a Director of the Company **(Resolution 6)**		
7.	Payment of Directors' Fees of $S80,000.00 for the financial year ending 31 December 2015, to be paid quarterly in arrears **(Resolution 7)**		
8.	Re-appointment of Messrs Nexia TS Public Accounting Corporation as Auditors of the Company **(Resolution 8)**		
9.	Any other ordinary business		
	SPECIAL BUSINESS		
10.	Authority for Directors to allot and issue new shares **(Resolution 9)**		
11.	Authority for Directors to offer, grant options and allot and issue shares in accordance with the provisions of the Friven & Co. Employee Share Option Scheme **(Resolution 10)**		

* Please indicate your vote "For" or "Against" with a tick (√) within the box provided.

Dated this ____________ day of ____________ 2015

Total Number of Shares held	

____
Signature(s) of member(s)
or Common Seal of Corporate Shareholder

* If no person is named in the space above, the Chairman of the AGM shall be my/our proxy to vote, for or against the Resolutions to be proposed at the AGM as indicated below, for me/us and on my/our behalf at the AGM and at any adjournment thereof.

IMPORTANT (PLEASE READ THE NOTES)

Notes:

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

2. A member entitled to attend and vote at the AGM is entitled to appoint not more than two proxies to attend and vote on his behalf. A proxy need not be a member of the Company.

3. The instrument appointing a proxy or proxies must be deposited at the Company's registered office at 33 Ubi Avenue 3, #08-38 Vertex Singapore 408868 not less than 48 hours before the time set for the AGM.

4. Where a member appoints more than one proxy, he shall specify the proportion of his shareholding to be represented by each proxy. If no such proportion or number is specified the first named proxy may be treated as representing 100% of the shareholding and any second named proxy as an alternate to the first named.

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

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

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

General:

The Company shall be entitled to reject the instrument appointing a proxy or proxies if it is incomplete, improperly completed or illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the instrument appointing a proxy or proxies. In addition, in the case of shares entered in the Depository Register, the Company may reject any instrument appointing a proxy or proxies lodged if the member, being the appointor, is not shown to have shares entered against his name in the Depository Register as at 48 hours before the time appointed for holding the AGM, as certified by The Central Depository (Pte) Limited to the Company.

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 Annual General Meeting dated 10 April 2015.

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Mr Chang Wei Lu
Executive Chairman and Executive Director

Mr Lim Yew Seng
Deputy Executive Chairman and Executive Director

Mr Xu Rongsen
Chief Executive Officer and Executive Director

Mr Deng Xinhua
Deputy Chief Executive Officer and Executive Director

Mr Mah Seong Kung
Lead Independent Non-Executive Director

Ms Ke Lihong
Independent Non-Executive Director

Mr Feng Jianjia
Independent Non-Executive Director

JOINT COMPANY SECRETARY

Mr Darren Tan Poon Guan
Ms Loh Lee Eng

REGISTERED OFFICE

Mercurius Capital Investment Limited
33 Ubi Avenue 3, #08-38 Vertex
Singapore 408868
Tel: (65) 6862 2622
Fax: (65) 6862 2322
www.ccfh.com.sg
(Reg. No. 198200473E)

SHARE REGISTRAR

B.A.C.S Private Limited
63 Cantonment Road
Singapore 089758

INDEPENDENT AUDITOR

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

Director-in-charge:
Mr Low See Lien
(Appointed since financial year ended 31 December 2013)

PRINCIPAL BANKERS

Bank of China
Bank of Quanzhou
China CITIC Bank
China Construction Bank
China Merchants Bank
Citibank N.A.
Industrial Bank Co., Ltd
Malayan Banking Berhad
Overseas-Chinese Banking Corporation Limited
The Development Bank of Singapore Ltd

This annual report has been prepared by the Company and its contents have been reviewed by the Company's sponsor, R & T Corporate Services Pte. Ltd. ("Sponsor"), for compliance with the relevant rules of the Singapore Exchange Securities Trading Limited (the "SGX-ST"). The Sponsor has not independently verified the contents of the Announcements including the accuracy or completeness of any of the figures used, statements, opinions or other information made or disclosed.

This annual report has not been examined or approved by the SGX-ST. The Sponsor and the SGX-ST assume no responsibility for the contents of this announcement, 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 Mr. Howard Cheam Heng Haw (Telephone: +65 6232 0685) at R & T Corporate Services Pte. Ltd., 9 Battery Road, #25-01 Straits Trading Building, Singapore 049910.

Designed and produced by
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