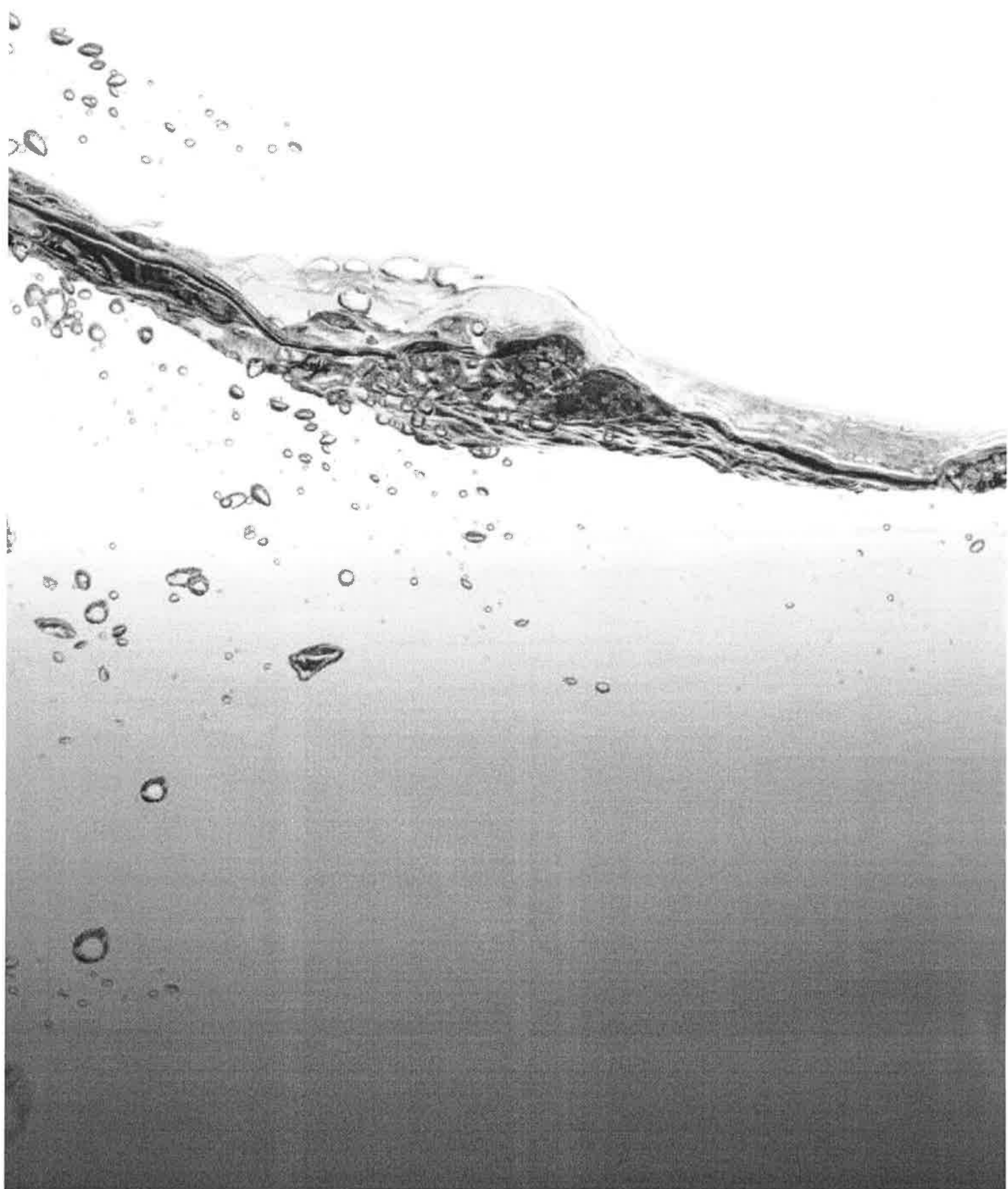




THE ROAD TO SUCCESS

CEFC International Limited | Annual Report 2012





NEW BUSINESS NEW DIRECTION

FY2012 is a significant year for CEFC International Limited as we found our new growth engine in the oil trading business, presenting a turnaround performance. We believe that this is a start of our new journey as we continue to build on our new capabilities, paving our Road to Success.

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CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the Board of Directors, we present to you the Annual Report for CEFC International Limited ("**CEFC**" or the "**Company**", and together with its subsidiary, the "**Group**") for financial year ended 31 December 2012 ("**FY2012**").

Turnaround Performance in FY2012

We are pleased to report that the Group achieved a turnaround profit of US\$0.2 million after three years of consecutive losses incurred by the now inactive beauty product business under its previous management. This turnaround was a result of the Group's new oil trading business that achieved sales volume of over 250,000 metric tonnes and total revenue of US\$159 million for FY2012.

Oil Trading Business

FY2012 was the start of a new direction for the Group as it underwent restructuring and commenced the new oil trading business. The restructuring included a change of the Company name, appointment of Mr Zang Jianjun as the Chief Executive Officer and incorporation of wholly-owned subsidiary to perform the oil trading business as the Group begins a new chapter.

Despite the challenges faced by the Group in its new business, such as being a new start-up in the industry and an absence of trade financing facilities, we have successfully launched the oil trading business. The success of the oil trading business is attributed to the support from our trading partners and the experience and industry networks provided by our directors and management, as well as continuing financial support by our controlling shareholder to kick start the business.

In the third quarter of FY2012, the Group completed its first trading transaction and recorded revenue of

US\$9 million by trading in petrochemical products, namely aromatics. The Group subsequently revised its trading strategy in the fourth quarter and began trading in fuel oil by securing new trading partners to ensure its long-term interest and profitability. As a result, the Group recorded revenue of US\$150 million and profit after tax of about US\$0.9 million from fuel oil trading in the fourth quarter of FY2012.

Risk Management

The Group also actively manages the risk of the trading business, such as counterparty, price and operational risks. To protect the Group against these major risks, policies and procedures have been established to assess and approve counterparties. Additionally, trade transactions are designed to minimise operational risks and the impact of potential price fluctuation to the Group. In FY2013, the Group will establish a risk management framework to monitor, assess and report on the key risks and countermeasures to have a better oversight over risks.

Changes to Board

In December 2012, the Board was reconstituted after the resignations of former Executive Director, Mr Gao Yonghong.

In February 2013, the Board and Board Committees underwent reconstitutions following the resignations of former Executive Director Chen Rongliang and former Independent Director Zhang Zhiqiang. On behalf of the Board, we would like to thank these directors for their past contributions. In addition, we would also like to welcome the appointments of the following directors: Independent Director, Ms Ling Chi and Executive Director and Chief Financial Officer, Ms Ju Jia.

“

FY2012 was a new beginning for the Group with the successful commencement of the oil trading business. With the results of FY2012, we are confident of meeting the requirements as set out in the Singapore Exchange Securities Trading Limited's Listing Manual for removal from the Watch-List as we aim to apply to exit the Watch-List in FY2013.”

Looking Forward

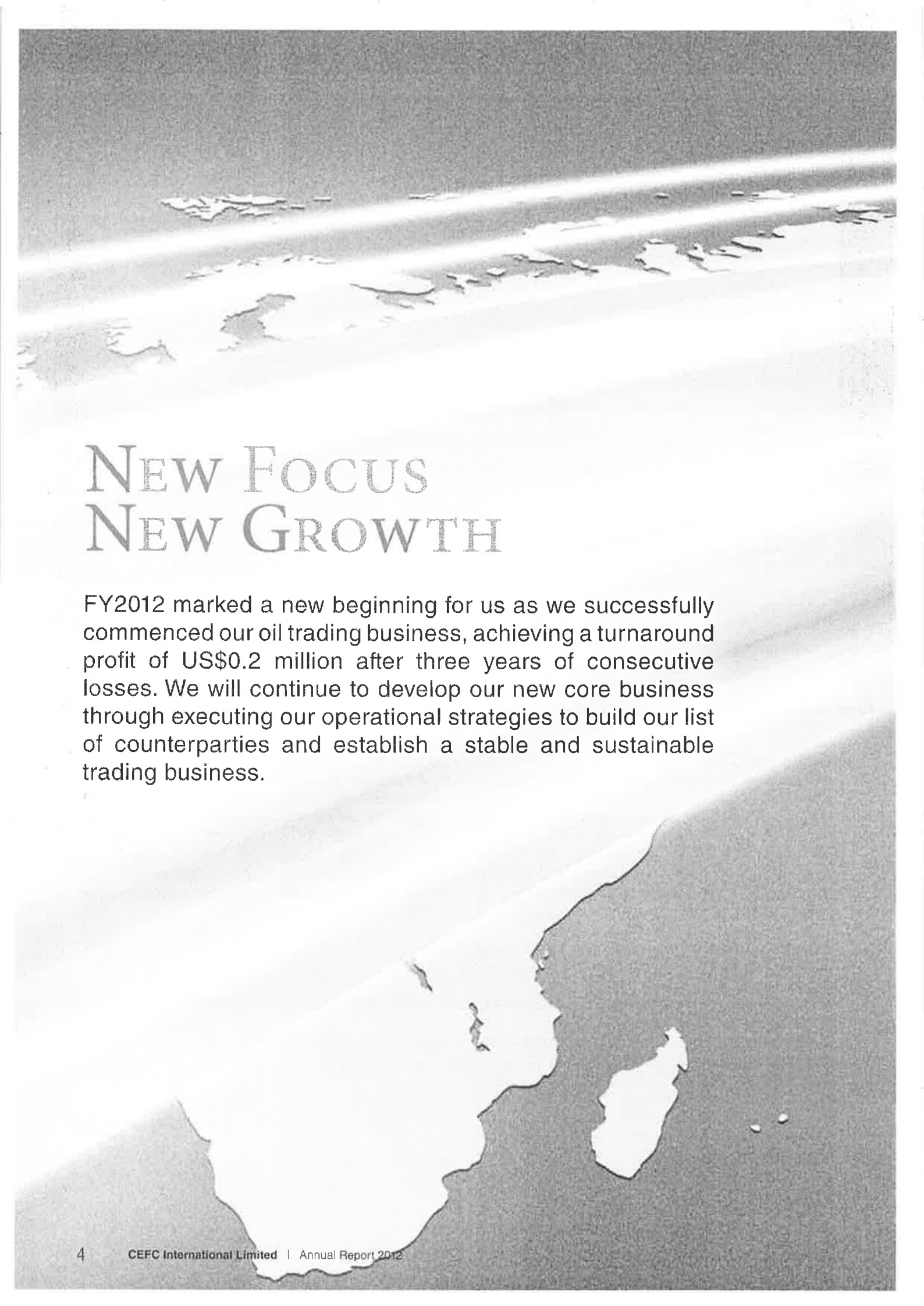
FY2012 was a new beginning for the Group with the successful commencement of the oil trading business. With the results of FY2012, we are confident of meeting the requirements as set out in the Singapore Exchange Securities Trading Limited's (“**SGX-ST**”) Listing Manual for removal from the SGX-ST Watch-List as we aim to apply to exit the Watch-List in the financial year ending 31 December 2013 (“**FY2013**”).

The Group will also continue to develop the oil trading business in FY2013 by executing its operating strategy to build up its list of counterparties and establish a stable and sustainable trading business. In FY2013, the Group will mainly focus on the trading of fuel oil by sourcing internationally from well-established trading partners to sell to the China and Southeast Asia market. Due to the general positive outlook of the China economy in 2013, we expect China's and Southeast Asia's demand for fuel oil to continue to grow, thus benefiting the Group's oil trading business.

Acknowledgements

We would like to offer our sincere gratitude to our business partners and shareholders for their confidence and indispensable support. We look forward to your continued partnership. We also thank our Board of Directors for their invaluable contributions and our staff for their commitment and hard work throughout the year. Together, we look forward to achieve a better performance in years ahead.

YE JIANMING
Executive Chairman

An aerial photograph of a coastal region, likely in Southeast Asia, showing a large body of water, a prominent island, and a coastline with several smaller islands and peninsulas. The image is in black and white and serves as the background for the page.

NEW FOCUS NEW GROWTH

FY2012 marked a new beginning for us as we successfully commenced our oil trading business, achieving a turnaround profit of US\$0.2 million after three years of consecutive losses. We will continue to develop our new core business through executing our operational strategies to build our list of counterparties and establish a stable and sustainable trading business.



BOARD OF DIRECTORS

MR. YE JIANMING

Mr. Ye Jianming is our Executive Chairman. He was appointed to our Board on 4 January 2012. Mr. Ye Jianming is the permanent resident of Singapore, with many years experience in capital operation, energy strategy development and inter coordinations within multi-areas projects and tasks. He is greatly skillful in big corporate management. From 2003 to 2005, Mr. Ye Jianming has been working in CAIFC as deputy secretary-general. In 2006, Mr. Ye established Fujian Huaxin Holdings Co., Ltd, and assumed the role of the chairman of the board. During that time, he established trading system, financing system and industrial system covering all the major places of production for energy across the whole world. He also established an economic community with the downstream energy enterprises, and built the strategic energy repositories along the seaside of China. From 2008 to 2009, Mr. Ye was the chairman of the board in CEFC. In 2011, he resigned from CEFC and traded all his shares into a huge amount of money. Subsequently, he established Singapore Petrochemical Energy Development Pte Ltd (formerly known as **"Singapore Petrol Development Co., Pte Ltd"**) and assumed the role of the chairman of the board. Mr. Ye has established good partnership with many energy corporations listed on Global Fortune 500 and other large energy related companies. He mapped strategic layout and made strategic investment in Southeast Asia, Africa, and Middle East. Mr. Ye obtained his Bachelor of Arts, major in finance in 2003.

MR. ZANG JIANJUN

Mr. Zang Jianjun was appointed to our Board on 4 January 2012, as our Executive Director. Mr. Zang Jianjun has over ten years of experience in petro chemical industry and has a very wide network. From August 2009 to March 2011, he was the general manager of Hua Xin Energy Holdings Ltd, in charge of establishing corporate strategy and general operating strategy. From October 2006 to

July 2009, Mr. Zang was a deputy general manager in DaGang Petro Chemical Co. Ltd. From June 1999 to September 2006, Mr. Zang was the Chemical Business Unit General Manager in DaGang Petro Chemical Co. Ltd. At the same time, he was also the international trading manager, responsible for the company's importing project involving in both the upstream and the downstream of the industrial chain. From October 1996 to May 1999, he was the international trading manager in Hebei Lixiang Corporation. From June 1995 to September 1996, Mr. Zang was the business manager in Hebei Baoding International Trading Company.

MS. JU JIA

Ms. Ju Jia joined the Company in February 2012 as Chief Financial Officer and was appointed as our Executive Director on 7 February 2013. Ms. Ju Jia is a Fellow of the Association of Chartered Certified Accountants and a Certified Public Accountant in Singapore and holds solicitor qualifications in China. She obtained her Masters of Economics in 2005 from Shanghai University of Finance and Economics and Law degree in 1993 from East China University of Political Science and Law. Ms. Ju Jia has over 10 years of experience in financial management and corporate finance. From 2008 to 2011, Ms. Ju Jia was the Chief Financial Officer of JCH Home Furnituring Co., Pte Ltd and was responsible for the group's overseas Initial Public Offering ("**IPO**"). From 2005 to 2008, Ms. Ju Jia was the Financial Controller of Financial Payment System Limited listed in UK and was responsible for the finance functions including accounting, corporate finance and investor relations. Ms. Ju Jia is currently a permanent resident of Singapore.

MR. OOI HOE SEONG

Mr. Ooi Hoe Seong was appointed to the Board on 30 December 2011 as Lead Independent Director and serves as the Chairman of the Audit Committee and a member of Nominating Committee and Remuneration Committee. He has over 25 years of management, corporate finance and wealth management experiences with lots of multi-national companies. From 2006 to now, he is the director of Mega Honour Limited, in charge of the financing projects. From 2004 to 2006, he was the regional CEO of Boutique Regional Financial Institution. From 1992 to 2001, he was the Managing Director of British American Tobacco China Limited. From 1990 to 1992, he was with Pepsi-Cola International Asia Pacific Region. He was based in the U.S. Southwest region initially as part of the International management exchange program, and then moved on to be the Managing Director of the region.

AMBASSADOR TOH HOCK GHIM

Ambassador Toh Hock Ghim was appointed to the Board on 30 December 2011 as an Independent Director and serves as Chairman of the Nominating Committee and a member of Remuneration Committee and Audit Committee. He joined the Singapore Ministry of Foreign Affairs in 1966. He served in Singapore Embassy of many places including Manila, Bangkok, Kuala Lumpur, Vietnam. In 1989, he served as Deputy Director and later as Director in the ASEAN Directorate. Moreover, he was Consul-General in Hong Kong and Macao from February 2002 to December 2007. Upon his return from Hong Kong and Macao, he was appointed Senior Adviser to the Ministry of Foreign Affairs. Beyond this, he also has rich experience of being chairman or director in listed company. He is Chairman/Director of Tridex (HK) Ltd, Chairman of JK Integrated Pte Ltd, Director of The Fullerton Hotel Singapore, as well as Chairman of a Singapore-listed company, Equation Corp Limited. He is also Director of CIAM Group Ltd, a Hong Kong-Listed company. Ambassador Toh Hock Ghim was born on 7 July 1942

in Johore, West Malaysia. He obtained his Bachelor of Arts (Political Science) degree from the University of Singapore in 1966.

MS LING CHI

Ms. Ling Chi was appointed to the Board on 7 February 2013 as an Independent Director and serves as Chairman of the Remuneration Committee and a member of the Audit Committee and Nominating Committee. Ms. Ling Chi is a member of the National Committee of the Chinese People's Political Consultative Conference since 2008. From 1987 till now, Ms. Ling Chi has been engaged in the promotion and development of traditional Chinese culture and is the Film Director of China News Services and Beijing Film Studio, Deputy Director of International Confucian Association, Deputy Director of Chinese Confucian Academy, Executive Director of State Ethnic Progress Committee of the People's Republic of China and Research Fellow of Education Theory Department, National Institute of Education Sciences. Ms. Ling Chi graduated from Beijing Film Academy and The Central Academy of Drama and obtained her doctorate from Peking University Health Science Centre.

CORPORATE INFORMATION

BOARD OF DIRECTORS

Mr. Ye Jianming (Executive Chairman)
(appointed on 4 January 2012)

Mr. Zang Jianjun (Executive Director/Chief
Executive Officer)
(appointed on 4 January 2012)

Ms. Ju Jia (Executive Director/Chief Financial Officer)
(appointed on 7 February 2013)

Mr. Ooi Hoe Seong (Independent Director)
(appointed on 30 December 2011)

Ambassador Toh Hock Ghim (Independent Director)
(appointed on 30 December 2011)

Ms. Ling Chi (Independent Director)
(appointed on 7 February 2013)

Ms. Chen Jin (Executive Director)
(resigned on 31 March 2012)

Mr. Gao Yong Hong (Executive Director)
(resigned on 21 December 2012)

Mr. Chen Rong Liang (Executive Director)
(resigned on 7 February 2013)

Mr. Zhou Jia Min (Independent Director)
(resigned on 5 April 2012)

Mr. Zhang Zhi Qiang (Independent Director)
(resigned on 7 February 2013)

AUDIT COMMITTEE

(reconstituted on 7 February 2013)

Mr. Ooi Hoe Seong (Chairman)
Ambassador Toh Hock Ghim
Ms. Ling Chi

REMUNERATION COMMITTEE

(reconstituted on 7 February 2013)

Ms. Ling Chi (Chairman)
Mr. Ooi Hoe Seong
Ambassador Toh Hock Ghim

NOMINATION COMMITTEE

(reconstituted on 7 February 2013)

Ambassador Toh Hock Ghim (Chairman)
Mr. Ooi Hoe Seong
Ms. Ling Chi

COMPANY SECRETARY

Ms. Ong Beng Hong, LLB (Hons)

BERMUDA RESIDENT REPRESENTATIVE AND SHARE REGISTER

Codan Services Limited
Clarendon House, 2 Church Street, Hamilton HM11,
Bermuda

REGISTERED OFFICE

Clarendon House, 2 Church Street, Hamilton HM11,
Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

80 Raffles Place #12-20 UOB Plaza 2 Singapore 048624
Fax: 65 6222 2021

SINGAPORE SHARE TRANSFER AGENT

Boardroom Corporate & Advisory Services Pte. Ltd.
50 Raffles Place #32-01, Singapore Land Tower,
Singapore 048623
Tel : (65) 6230 9532
Fax : (65) 6536 1360

AUDITORS

Mazars LLP
Public Accountants
Certified Public Accountants
133 Cecil Street
#15-02 Keck Seng Tower
Singapore 069535

Partner-in-charge: Mr. Choo Chai Leong (with effect from
31 December 2012)

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CORPORATE GOVERNANCE REPORT

The Board of Directors (the “**Board**”) and the Management (the “**Management**”) of CEFC International Limited (the “**Company**”) are committed to maintaining a high standard of corporate governance and endeavour to comply with the principles and guidelines of the Code of Corporate Governance 2005 (the “**Code**”) issued by the Corporate Governance Committee.

The Board and the Management believe that corporate governance is an integral element of a sound corporation as it promotes corporate transparency and protects and enhances shareholders’ interest.

This report outlines the main corporate governance practices and processes with specific reference to the guidelines of the Code that were in place during the financial year commencing from 1 January 2012 to 31 December 2012 (“**FY2012**”). The Board notes that the Company has generally complied with the spirit and intent of the Code but in areas where the Company deviates from the Code, the rationale is provided.

(A) BOARD MATTERS

Board’s Conduct of its Affairs

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

As at the date of the report, the members of the Board are set out below:

Name of Director	Position	Date of Appointment
Ye Jianming	Executive Chairman	4 January 2012
Zang Jianjun	Executive Director/Chief Executive Officer	4 January 2012
Ju Jia	Executive Director/Chief Financial Officer	7 February 2013
Ooi Hoe Seong	Independent Director	30 December 2011
Toh Hock Ghim	Independent Director	30 December 2011
Ling Chi	Independent Director	7 February 2013

At the beginning of FY2012, the Board comprised three Independent Directors, namely Mr Ooi Hoe Seong, Ambassador Toh Hock Ghim and Mr Zhou Jiamin, all having the right core competencies and diversity of experience which enable them to effectively contribute to the Group.

Mr Ye Jianming, Mr Zang Jianjun, Ms Chen Jin and Mr Chen Rongliang also joined the Board as Executive Directors with effect from 4 January 2012.

Ms Chen Jin resigned from her position as an Executive Director with effect from 31 March 2012.

Mr Zhang Zhiqiang joined the Board as an Independent Director with effect from 5 April 2012 and Mr Zhou Jiamin resigned from his position as an Independent Director with effect from 5 April 2012.

Mr Gao Yong Hong also joined the Board as an Executive Director with effect from 5 April 2012. Mr Gao Yong Hong resigned from his position as an Executive Director with effect from 21 December 2012.

Ms Ju Jia and Ms Ling Chi were appointed as an Executive Director and an Independent Director respectively with effect from 7 February 2013.

Mr Zhang Zhiqiang and Mr Chen Rongliang resigned from their respective positions as an Independent Director and an Executive Director with effect from 7 February 2013.

At the date of this report, the Board comprises of three Executive Directors, namely Mr Ye Jianming, Mr Zang Jianjun, Ms Ju Jia and three Independent Directors, namely Mr Ooi Hoe Seong, Mr Toh Hock Ghim, and Ms Ling Chi. The experience and competence of each Director contributes to the overall effective management of the Group.

CORPORATE GOVERNANCE REPORT

The Board's primary role includes but is not limited to the following:

- (a) providing entrepreneurial leadership;
- (b) setting and approving policies and strategies of the Group;
- (c) establishing goals for the Management, monitoring the achievement of these goals and reviewing the Management's performance;
- (d) reviewing the remuneration packages of the Directors and key executives;
- (e) reviewing and approving the financial performance of the Group including its quarterly and full year financial results announcements;
- (f) reviewing the adequacy of the Company's internal control and the financial information reporting system;
- (g) establishing a framework of prudent and effective controls;
- (h) approving the nomination of Directors and appointments to the Board and/or the Board Committees (i.e. the Audit Committee, the Nominating Committee and the Remuneration Committee);
- (i) authorising major transactions such as fund raising exercises and material acquisitions;
- (j) setting the Company's values and standards, and ensuring that obligations to shareholders and others are understood and met; and
- (k) assuming responsibility for corporate governance of the Group.

All the Directors bring their independent judgement, diversified knowledge and experience to bear on issues of strategy, performance, resource and standards of conduct.

Board Processes

To assist in the execution of its responsibilities, the Board has established a number of Board Committees including a Nominating Committee, a Remuneration Committee and an Audit Committee. The effectiveness of each committee is constantly monitored. The Board has also established a framework for the management of the Group including a system of internal control. The members of the Board Committees as at the date of this Report are as set out below:

Name of Director	Audit Committee ⁽¹⁾	Nominating Committee ⁽²⁾	Remuneration Committee ⁽³⁾
Ooi Hoe Seong	Chairman	Member	Member
Toh Hock Ghim	Member	Chairman	Member
Ling Chi	Member	Member	Chairman

Notes:

- (1) The Audit Committee was reconstituted on 5 April 2012 and 7 February 2013. For further details on the members of the Audit Committee during FY2012, please refer to the section entitled "Accountability and Audit – Audit Committee" of this Report.
- (2) The Nominating Committee was reconstituted on 5 April 2012 and 7 February 2013. For further details on the members of the Nominating Committee during FY2012, please refer to the section entitled "Board Matters – Nominating Committee" of this Report.
- (3) The Remuneration Committee was reconstituted on 5 April 2012 and 7 February 2013. For further details on the members of the Remuneration Committee during FY2012, please refer to the section entitled "Remuneration Matters – Remuneration Committee" of this Report.

CORPORATE GOVERNANCE REPORT

The Board is committed to hold regular meetings to review the Company's operations and as and when required, it will not hesitate to hold additional meetings to address any specific significant matters that may arise. Details of the number of meetings held during the FY2012 are also set out below for your reference.

The agenda for all meetings of the Board and Board Committee were prepared in consultation with the Group's Board.

Standing items include the management report, financial reports, strategic matters, governance, business risk issues and compliance. Executives were from time to time invited to attend the Board meeting to provide updates on operational matters. Further to the above, the Board also discussed matters relating to the Company in informal settings and written resolutions were also circulated amongst the Board members to decide appropriate actions to be taken in relation to the Company's operations.

The Bye-laws of the Company allows the Directors to participate in meetings of the Board and/or Board Committees by telephone conference or by means of similar communication equipment whereby all persons participating in the meetings are able to communicate as a group, without requiring the Directors' physical presence at the meetings.

The Board and Board Committees also circulate written resolutions to its members to regulate the business operations of the Company. The Board also conducts an annual review of its processes to ensure that it is able to carry out its functions in the most effective manner.

Board and Board Committee Meetings held in FY2012⁽¹⁾

The number of meetings held by the Board and Board Committees and attendance thereat during FY2012 are as follows:

	Board ⁽²⁾		Audit Committee ⁽²⁾		Nominating Committee ⁽³⁾		Remuneration Committee ⁽³⁾	
	No. of meetings held	No. of meetings attended	No. of meetings held	No. of meetings attended	No. of meetings held	No. of meetings attended	No. of meetings held	No. of meetings attended
Ye Jianming ⁽⁴⁾ (Executive Chairman)	3	2	—	—	—	—	—	—
Zang Jianjun ⁽⁴⁾ (Executive Director)	3	3	—	—	—	—	—	—
Chen Rongliang ⁽⁴⁾ (Executive Director)	3	3	—	—	—	—	—	—
Chen Jin ⁽⁵⁾ (Executive Director)	3	1	—	—	—	—	—	—
Gao Yong Hong ⁽⁶⁾ (Executive Director)	3	3	—	—	—	—	—	—
Ooi Hoe Seong ⁽⁷⁾ (Independent Director)	3	3	3	3	1	1	1	1
Toh Hock Ghim ⁽⁷⁾ (Independent Director)	3	3	3	3	1	1	1	1
Zhang Zhiqiang ⁽⁸⁾ (Independent Director)	3	2	3	2	1	—	1	—
Zhou Jiamin ⁽⁷⁾ (Independent Director)	3	1	3	1	1	1	1	1
Ju Jia ⁽⁹⁾ (Executive Director)	3	—	—	—	—	—	—	—
Ling Chi ⁽⁹⁾ (Independent Director)	3	—	3	—	1	—	1	—

CORPORATE GOVERNANCE REPORT

Notes:

- (1) The attendance of the Directors, including those acting as the members of the respective Board Committees, at the meetings of the Board and the Board Committees was recorded in the relevant attendance lists prepared and circulated by the Company Secretary prior to the commencement of such meetings and these attendance lists are kept in the statutory records of the Company.
- (2) In addition to holding physical meetings, the Board and the Audit Committee were kept informed of the operations of the Company via email and telephone. Documents relating to the Company were circulated via email for the Board's and Audit Committee's consideration and the Board, the Audit Committee and the Management also contacted each other on an informal basis to discuss of these matters. Pursuant to their review, the Board and the Audit Committee passed resolutions in writing to approve matters relating to the Company's businesses.
- (3) In addition to holding physical meetings, the Nominating Committee and the Remuneration Committee provided with documents relating to the Company, the re-election of certain members of the Board, the re-constitution of the Board Committees and remuneration packages ("NC/RC Matters") were circulated via email. The members of each of the Nominating Committee and the Remuneration Committee contacted each other as well as the other members of the Board and the Management on an informal basis to discuss of these matters. Pursuant to their review, the Nominating Committee and the Remuneration Committee passed resolutions in writing to approve NC/RC Matters.
- (4) Mr Ye Jianming, Mr Zang Jianjun and Mr Chen Rongliang were appointed with effect from 4 January 2012. Details of their appointments were contained in the announcements released via SGXNET on 4 January 2012. Subsequently, Mr Chen Rongliang resigned as an Executive Director with effect from 7 February 2013. Details of his resignation were contained in an announcement released via SGXNET on 8 February 2013.
- (5) Ms Chen Jin was appointed with effect from 4 January 2012. Details of her appointment were contained in an announcement released via SGXNET on 4 January 2012. Subsequently, Ms Chen Jin resigned with effect from 31 March 2012. Details of her resignation were contained in an announcement released via SGXNET on 17 April 2012.
- (6) Mr Gao Yong Hong was appointed with effect from 5 April 2012. Details of his appointment were contained in an announcement released via SGXNET on 5 April 2012. Subsequently, Mr Gao Yong Hong resigned with effect from 21 December 2012.
- (7) Mr Ooi Hoe Seong, Mr Zhou Jiamin and Ambassador Toh Hock Ghim were appointed with effect from 30 December 2011. Details of their appointments were contained in the announcements released via SGXNET on 30 December 2011. Subsequently, Mr Zhou Jiamin resigned as an Independent Director with effect from 5 April 2012. Details of his resignation were contained in an announcement released via SGXNET on 17 April 2012.
- (8) Mr Zhang Zhiqiang was appointed with effect from 5 April 2012. Details of his appointment were contained in an announcement released via SGXNET on 5 April 2012. Subsequently, Mr Zhang Zhiqiang resigned as an Independent Director with effect from 7 February 2013. Details of his resignation were contained in an announcement released via SGXNET on 8 February 2013.
- (9) Ms Ling Chi and Ms Ju Jia were appointed with effect from 7 February 2013. Details of their appointments were contained in the announcements released via SGXNET on 8 February 2013.

Matters Requiring Board Approval

The Board's approval is required for matters such as:

- (a) all announcements of the Group released via the SGXNET, in particular the Group's quarterly and annual financial results;
- (b) the corporate strategy and direction of the Group, including major corporate policies on key areas of operations;
- (c) interested person transactions;
- (d) material acquisitions and disposals;
- (e) corporate and financial restructuring, including mergers and joint ventures;
- (f) major investments;

CORPORATE GOVERNANCE REPORT

- (g) declaration of interim dividends and proposal of final dividends; and
- (h) appointments of new Directors and senior management.

All other matters are delegated to the Board Committees whose actions are reported to and monitored by the Board.

Training of Directors

All the newly appointed Directors were given an orientation to familiarise them with the Group's business and governance practices. In addition, they were each provided with a memorandum setting out the duties and obligations of a director of a listed company.

All Directors appointed to the Audit Committee were also provided with the Guidebook for Audit Committee in Singapore issued by the Audit Committee Guidance Committee.

Directors are also encouraged to attend seminars and training courses to assist them in executing their obligations and responsibilities to the Company. Details of seminars and courses held by the Singapore Accounting & Corporate Regulatory Authority, Singapore Institute of Directors and Singapore Exchange Securities Trading Limited ("SGX-ST") are sent to the Directors via email for their consideration.

Further to the above, the Directors are also provided with updates on the relevant new laws, regulations and changing commercial risks in the Group's operating environment through regular presentations and meetings or via email. Directors also have the opportunity to visit the Group's operational facilities and meet with the Management to gain a better understanding of business operations.

In FY2012, Ambassador Toh Hock Ghim attended two training courses on *inter alia*, effective running of the Board, Directors' responsibilities and liabilities, price sensitive information, overview of corporate governance, connected transactions and notifiable transactions and the Singapore Code of Corporate Governance (Revised) 2012 which were organised by the Singapore Institute of Directors.

Board Composition and Balance

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

Details relating to the changes to the Board are set out in section entitled "Board Matters – Board's Conduct of its Affairs" set out in this Report. As the date of this Report, the Board comprised three Executive Directors and three Independent Directors as set out below:

(a) Executive Directors

Mr Ye Jianming (Executive Chairman)
Mr Zang Jianjun (Executive Director/Chief Executive Officer)
Ms Ju Jia (Executive Director/Chief Financial Officer)

(b) Independent Directors

Mr Ooi Hoe Seong
Ambassador Toh Hock Ghim
Ms Ling Chi

For key information on these Directors, please refer to their profiles set out in this Annual Report. Information relating to their respective shareholdings in the Company is also disclosed in the Report of the Directors contained in this Annual Report.

In FY2012, there were 6 Directors appointed to the Board and when appointing these Directors, the Board and the then Nominating Committee took into consideration each Director's experience, qualifications and ability to contribute to the Company. After reviewing their curriculum vitae and declaration forms, the Board and the Nominating Committee were satisfied that these newly-appointed Directors were of sufficient calibre and were able to contribute to the Board as well as the Company effectively.

CORPORATE GOVERNANCE REPORT

In general, the Board and the Nominating Committee review the composition of the Board and the Board Committees regularly to ensure that they are well-constituted and comprise members of sufficient calibre and who contribute effectively to the Company. Pursuant to their review, the Board and the Nominating Committee are of the view that the current size and composition of the Board is appropriate for effective decision-making, having taken into account the nature of the businesses and current scope of operations of the Group as the Directors are business leaders and professionals with industry background and/or financial backgrounds. The Board's composition also enables the Management to benefit from a diverse and objective external perspective when issues are brought before the Board for discussion.

Further to the above, the Board and the Nominating Committee note that as half of the current Board is made up of Independent Directors, the Board should be able to exercise independent judgement on corporate affairs and ensure that no one individual or groups of individuals dominate any decision making process.

For avoidance of doubt, the criterion of independence is based on the definition given in the Code. The Board considers an "independent" director as one who has no 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 judgment of the conduct of the Group's affairs.

The Independent Directors exercise no management functions in the Company or any of its subsidiaries. Although all the Directors have equal responsibility for the performance of the Group, the role of the Independent Directors is particularly important in reviewing and monitoring the performance of executive management in meeting the Group's agreed goals and objectives and ensuring that the strategies proposed by the Management are fully discussed and rigorously examined taking into account the long-term interests, not only of the Shareholders, but also of employees, customers, suppliers and the many communities in which the Group conducts business. The Independent Directors also have no financial or contractual interests in the Group other than by way of their fees as set out in this Report.

The Board and the Nominating Committee will continue to review the composition of the Board on an annual basis to ensure that the Board continues to have members who would be able to provide the Board with an appropriate mix of expertise and experience, and that the Board collectively possesses the necessary core competencies for effective functioning and informed decision-making.

In the event that a vacancy arises under any circumstance, or where it is considered that the Board would benefit from the services of a new director with particular skills, the Nominating Committee, in consultation with the Board, shall determine the selection criteria and select candidates with the appropriate expertise and experience for the position. In particular, the Board and the Nominating Committee took into consideration the following factors:

- (a) the Board should comprise a sufficient number of directors to fulfil its responsibilities and who as a group provide core competencies such as accounting or finance, business or management experience, industry knowledge, strategic planning experience and customer-based experience or knowledge. (This number may be increased where it is felt that additional expertise is required in specific areas, or when an outstanding candidate is identified);
- (b) the Board should comprise a majority of non-executive directors, with at least half of the Board made up of independent non-executive directors;
- (c) the Board should have enough directors to serve on various committees of the Board without over-burdening the Directors or making it difficult for them to fully discharge their responsibilities; and
- (d) the number of listed company board representations and other principal commitments of each Director when assessing whether each Director is able to adequately carry out his/her duties to the Company.

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Chairman and Chief Executive Officer

Principle 3: There should be a clear division of responsibilities at the top of the company – the working of the Board and the executive responsibility of the company's business – which will ensure a balance of power and authority, such that no one individual represents a considerable concentration of power.

As at the date of this report, Mr Ye Jianming holds the position as the Company's Executive Chairman and Mr Zang Jianjun holds the position as the Company's Chief Executive Officer. They each assumes different roles and responsibilities.

The Executive Chairman's duties and responsibilities include but are not limited to:

- (a) leading the Board to ensure its effectiveness;
- (b) ensuring that all Directors receive accurate and timely and clear information;
- (c) ensuring effective communication with Shareholders;
- (d) encouraging constructive relations between the Board and the Management;
- (e) facilitating the effective contribution of Non-executive Directors and Independent Directors;
- (f) encouraging constructive relations between the Executive Directors, Non-executive Directors and Independent Directors; and
- (g) promoting high standards of corporate governance.

The Chief Executive Officer is responsible for the day-to day operations of the Group and he assists the Executive Chairman to ensure that the Management carries out the strategic plans agreed by the Board. In addition, the Chief Executive Officer is also responsible for overseeing the business operations of the Group.

In view that the positions of the Executive Chairman and the Chief Executive Officer are held by two unrelated individuals, the Board is of the view that the power is not unduly concentrated in the hands of one individual nor is there any compromised accountability and independent decision making because all decisions and policy changes are also reviewed by the respective Board Committees (which are all currently chaired by Independent Directors).

Nominating Committee

In FY2012, the Nominating Committee was reconstituted on 5 April 2012 pursuant to the resignation of Mr Zhou Jiamin and the appointment of Mr Zhang Zhiqiang. It was reconstituted on 7 February 2013 following the appointment of Ms Ling Chi and the resignation of Mr Zhang Zhiqiang. The re-constituted Nominating Committee is currently chaired by Ambassador Toh Hock Ghim and its current members include Mr Ooi Hoe Seong and Ms Ling Chi.

The primary functions of the Nominating Committee are as follows:

- (a) to identify candidates and review all nominations for the appointment or reappointment of members of the Board and Chief Executive Officer of the Group, and to determine the selection criteria thereof;
- (b) to ensure that all Board appointees undergo an appropriate induction programme;
- (c) to regularly review the Board structure, size and composition and make recommendations to the Board with regard to any adjustments that are deemed necessary;
- (d) to identify gaps in the mix of skills, experience and other qualities required in an effective Board and to nominate or recommend suitable candidates to fill these gaps;
- (e) to decide whether a Director is able to and has been adequately carrying out his duties as director of the Company, particularly where the Director has multiple board representations;

CORPORATE GOVERNANCE REPORT

- (f) to review the independence of each Director annually;
- (g) to decide how the Board's performance may be evaluated and propose objective performance criteria for the Board's approval; and
- (h) to assess the effectiveness of the Board as a whole.

The Nominating Committee is also responsible for ensuring that the existing Directors contribute a right blend of relevant experiences to the Board and have core competencies to effectively manage the Company. In view that some of the Directors may serve on multiple boards, the Nominating Committee also performs annual evaluation to determine if such Director is able to commit to the Company effectively despite his other commitments.

As part of their review, the Nominating Committee noted the following engagements of the existing Directors:

Name of Director	Current directorship in other listed companies	Past directorship in other listed companies (for the last three years)
Ye Jianming	—	—
Zang Jianjun	—	—
Ju Jia	—	—
Ooi Hoe Seong	Mega Honour Limited	—
Toh Hock Ghim	Equation Corp Ltd CIAM Group Ltd	WE Holdings Limited
Ling Chi	—	—

After reviewing the disclosures made by the Directors as well as their performances for FY2012, the Board is of the view that the Directors have been able to devote adequate time and attention to the affairs of the Company and they have been able to fulfil their duties as directors to the Company.

For FY2012, the Nominating Committee has also noted that the Group has not employed any person who is a relative of a Director, Chief Executive Officer or Substantial Shareholder of the Company.

Board Membership

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

In the event that the Board needs to be reconstituted, the Nominating Committee is responsible for nominating suitable candidates to the Board for appointment as Director, if the nominee is able to fill up the core competencies and expertise which the existing Board lacks. The Nominating Committee will seek candidates widely and beyond persons directly known to the Directors and is empowered to engage professional search firms and also give due consideration to candidates identified by any persons. In its search and nomination process for new directors, the Nominating Committee will also have, at its disposal, search companies, personal contracts and recommendations, to cast its net as wide as possible for the right candidates

For any appointment of a new Director to the Board, the Nominating Committee would, in consultation with the Board, evaluate and determine the selection criteria with due consideration to the mix of skills, knowledge and experience of the existing Board. The Nominating Committee does so by first evaluating the existing strengths and capabilities of the Board, assess the likely future needs of the Board, assess whether this need can be fulfilled by the appointment of one person and if not, then to consult the Board with respect to the appointment of two persons, seek likely candidates widely and source resumes for review, undertake background checks on the resumes received, narrow this list of resumes to a short list and then to invite the shortlisted candidates to an interview which may include a briefing of the duties required to ensure that there are no expectations gap. The Nominating Committee will interview all potential candidates in frank and detailed meetings and make recommendations to the Board for approval.

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The Board will consider the potential candidates and Directors newly appointed by the Board are appointed by way of resolutions passed by the Board, following which they are subject to election by Shareholders at the next Annual General Meeting immediately following their appointment and thereafter, they are required to retire once every three years under Bye-Law 86 of the Company's Bye-Laws.

In FY2012, the Nominating Committee reviewed the resignations and the appointments of Directors to the Company.

Re-election of Directors

Pursuant to its review, the Nominating Committee has noted the dates of appointment of the existing Directors are as follows:

Name of Director	Age	Date of Appointment
Ye Jianming	36	4 January 2012
Zang Jianjun	38	4 January 2012
Ju Jia	41	7 February 2013
Ooi Hoe Seong	62	30 December 2011
Toh Hock Ghim	71	30 December 2011
Ling Chi	72	7 February 2013

The re-election of Directors is held annually and in accordance with the Bye-Laws of the Company. As set out in Bye-law 86(1) of the Company's Bye-Laws, each Director shall retire at least once every three years and shall be eligible for re-election at each Annual General Meeting.

The Board has delegated to the Nominating Committee the functions of developing and maintaining a transparent and formal process for the appointment of new directors, making recommendations for Directors who are due for retirement by rotation to seek re-election at general meeting and determining the independent status of each Director

Board Performance

Principle 5: There should be a formal assessment of the effectiveness of the Board as a whole and the contribution by the directors to the effectiveness of the Board.

To ensure that the Board contributes effectively to the Group, the Nominating Committee evaluates the Board's performances using assessment parameters, including (i) the Director's attendance at the meetings of the Board and the relevant Board Committees; (ii) the Director's level of participation at the meetings of the Board and the relevant Board Committees; (iii) quality of the interventions made by the Director; and (iv) the special contributions of the Director. Other assessment criteria include evaluation of the Board's success in achieving its strategic and long-term objectives, the Group's profitability, the Group's return on assets and the Group's return on equity.

The Nominating Committee also takes into consideration the skills and experience of each Director to ensure that the Directors appointed are able to assist the Company and the Group adequately. The assessment on the Board is both quantitative and qualitative in nature. To assess the contribution of each individual Director, the factors evaluated by the Nominating Committee include but are not limited to:

- (a) his/her participation at the meetings of the Board;
- (b) his/her ability to contribute to the discussion conducted by the Board;
- (c) his/her ability to evaluate the Company's strength and weaknesses and make informed business decisions;
- (d) his/her ability to interpret the Company's financial reports and contribute to the formulation of strategies, budgets and business plans that are compatible with the Group's vision and existing business strategy;

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- (e) his/her compliance with the policies and procedures of the Group;
- (f) his/her performance of specific tasks delegated to him/her;
- (g) his/her disclosure of any related person transactions or conflicts of interest; and
- (h) for Independent Directors, his/her independence from the Group and the Management.

In addition to its constant evaluation of the Board's performance, the Nominating Committee also assesses annually the performances and contributions of the Director that is to be re-appointed at the Annual General Meeting.

Access to Information

Principle 6: In order to fulfil their responsibilities, Board members should be provided with complete, adequate and timely information prior to Board meetings and on an on-going basis.

To enable the Board to fulfil its responsibilities, the Management provides the Board with adequate information on a regular basis, to update the Board on the affairs of the Company and Group.

On-going reports relating to the developments, the operational performances and the financial performances of the Group are provided to the Board on a regular basis such that the Board is kept informed on the Group's performances.

Board papers are also circulated to the Directors prior to each meeting to allow the Directors to prepare for that meeting such that they may participate actively at the meeting and have a more effective discussion of the issues faced by the Group. In particular, financial statements of the Group which are prepared on a quarterly basis are circulated to all the Directors for their review, allowing the Directors to have an awareness of the Group's financial position. The Management will also attend the Board Meetings to provide the Directors with information as well as to answer any queries that the Directors may have, allowing the Directors to be kept updated on the health of the Group's businesses and operations.

In general, the Board has unrestricted access to the Company's records and information. Each member of the Board also has separate and independent access to the Company Secretary and Mazars LLP (the external auditor) when they each require assistance or advice from the Company Secretary or Mazars LLP, as the case may be. The Board, whether individually or collectively, in furtherance of their duties, has access to independent professional advice, if necessary, at the Company's expense. In addition, the Independent Directors have access to all levels of key personnel in the Group.

In particular, the Company Secretary administers, attends and prepares minutes of Board meetings, and assists the Executive Chairman in ensuring that Board procedures are followed and reviewed so that the Board functions effectively, and the Company's Bye-laws and relevant rules and regulations, including requirements of the Singapore Exchange Securities Trading Limited ("SGX-ST"), are complied with.

(B) REMUNERATION MATTERS

Remuneration Committee

At the beginning of FY2012, the Remuneration Committee comprised Mr Ooi Hoe Seong, Ambassador Toh Hock Ghim and Mr Zhou Jiamin. Subsequently, the Remuneration Committee was reconstituted on 5 April 2012 pursuant to the appointment of Mr Zhang Zhiqiang and the resignation of Mr Zhou Jiamin. The Remuneration Committee was reconstituted on 7 February 2013 pursuant to the appointment of Ms Ling Chi and the resignation of Mr Zhang Zhiqiang. The re-constituted Remuneration Committee currently comprises Ms Ling Chi as its Chairman and Mr Ooi Hoe Seong and Mr Toh Hock Ghim as its members.

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Notwithstanding the above, the Group may appoint individuals as new Directors and as members of the Remuneration Committee if they are found to be suitable after a review by the existing Board and Nominating Committee.

The responsibilities of the Remuneration Committee include the following:

- (a) to attract, retain and reward well-qualified people to serve the Group by pegging remuneration and benefits at competitive rates;
- (b) to review directors' fees to ensure that they are at sufficiently competitive levels;
- (c) to reward staff based on their merit and performance through annual merit service increments;
- (d) to review and advise the Board on the terms of appointment and remuneration of its members and senior management of the Group;
- (e) to review the terms of the employment arrangements with management so as to develop consistent group wide employment practices subject to regional differences; and
- (f) to recommend to the Board in consultation with the Management and the Chairman of the Board, any long term incentive scheme.

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.

As part of its review, the Remuneration Committee shall ensure that:

- (a) all aspects of remuneration including directors' fees, salaries, allowances, bonuses, options and benefits-in-kind should be covered;
- (b) the remuneration packages should be comparable within the industry and comparable companies and shall include a performance-related element; and
- (c) the remuneration package of employees related to Directors or Controlling Shareholders of the Group are in line with the Group's staff remuneration guidelines and commensurate with their respective job scopes and levels of responsibility.

The members of the Remuneration Committee have not and will not participate in any decision concerning their own remuneration.

Level and Mix of Remuneration

Principle 8: The level of remuneration should be appropriate to attract, retain and motivate the directors needed to run the company successfully but companies should avoid paying more for this purpose. A significant proportion of executive directors' remuneration should be structured so as to link rewards to corporate and individual performance.

The Group's remuneration policy is to provide compensation packages appropriate to attract, retain and motivate the Directors and key personnel required to run the Group successfully.

In setting remuneration packages, the Remuneration Committee will take into consideration the prevailing economic situation, the pay and employment conditions within the industry and in comparable companies. As part of its review, the Remuneration Committee will ensure that the performance related elements of remuneration form a significant part of the total remuneration package of the Executive Directors and is designed to align the Executive Directors' interests with those of Shareholders and link rewards to corporate and individual performance.

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In determining the remuneration of the Independent Directors, the Remuneration Committee will ensure that the level of remuneration is appropriate to the level of contribution, taking into account factors such as effort and time spent and responsibilities of the Independent Directors. The Remuneration Committee will ensure that Independent Directors are not over-compensated to the extent that their independence may be compromised. The Board will, if necessary, consult experts on the remuneration of Independent Directors. The Board will recommend the remuneration of the Independent Directors for approval at the Annual General Meeting.

Disclosure on Remuneration

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

Details of remuneration paid to the Directors for the FY2012 are set out below:

Remuneration band And Names of Directors	Fees (S\$)	Salary (S\$)	Bonus (S\$)	Others (S\$)	Total (S\$)
<i>Directors who are paid S\$250,000 or more but less than S\$500,000 annually</i>					
Ye Jianming ⁽¹⁾	—	—	—	—	—
Chen Rongliang ⁽¹⁾	—	—	—	—	—
Zang Jianjun ⁽¹⁾	—	—	—	—	—
Ooi Hoe Seong	60,000	—	—	—	60,000
Toh Hock Ghim	60,000	—	—	—	60,000
Gao Yong Hong ⁽²⁾	—	—	—	—	—
Zhang Zhiqiang ⁽³⁾	45,250	—	—	—	45,250
Chen Jin ⁽⁴⁾	—	9,000	—	—	9,000

Notes:

- (1) Mr Ye Jianming, Mr Chen Rongliang and Mr Zang Jianjun were appointed with effect from 4 January 2012. Mr Chen Rongliang resigned with effect from 7 February 2013.
- (2) Mr Gao Yong Hong was appointed with effect from 5 April 2012. He subsequently resigned with effect from 21 December 2012.
- (3) Mr Zhang Zhiqiang was appointed with effect from 5 April 2012. Mr Zhang Zhiqiang resigned with effect from 7 February 2013.
- (4) Ms Chen Jin was appointed with effect from 4 January 2012. She resigned with effect from 31 March 2012.

The Company also did not employ any employees who are immediate family members of a Director or Substantial Shareholder in FY2012.

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At the date of the report, the Company only had three Key Executives and details of remuneration paid to these Key Executives for their services at the date of the report are set out below:

Remuneration band And Names of Key Executives	Fees	Salary	Bonus	Others	Total
<i>Key Executives who are paid S\$250,000 or more but less than S\$500,000 annually</i>					
Zang Jian Jun	—	100%	—	—	100%
<i>Key Executives who are paid below S\$250,000 annually</i>					
Ju Jia	—	100%	—	—	100%
Chen Xiao Yin	—	Nil	—	—	Nil

The Company also did not employ any employees who are immediate family members of a Director, the Chief Executive Officer or Substantial shareholder in FY2012.

(C) ACCOUNTABILITY AND AUDIT

Accountability

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

The Management provides the Board with a balanced and understandable management accounts of the Group's performance periodically and as and when necessary. This includes circulating the financial statements, which are prepared on a quarterly basis, to the Directors for their review such that the Directors may monitor the Group's performance as well as the Management's achievements of goals and objectives set by the Board.

The Board provides the Shareholders with a balanced and understandable assessment of the Group's performance, position and prospects on a regular basis through its quarterly announcements on SGXNET in relation to its financial statements for the relevant financial period. The announcements containing the quarterly financial statements are signed by two Directors, for and on behalf of the Board, to confirm that it is to the best of the Board's knowledge, that nothing has come to the attention of the Board which may render the unaudited interim financial statements contained in the announcements to be false or misleading in any material aspect.

The Company adopts the practice of communicating major developments in its business and operations to the SGX-ST, its Shareholders and its employees. Announcements are released via SGXNET and if necessary, circulars and/or letters to shareholders are also sent to Shareholders of the Company to provide them with further information on the Company's businesses and operations.

Audit Committee

Principle 11: The Board should establish an Audit Committee with written terms of reference which clearly set out its authority and duties.

As at the beginning of FY2012, the Audit Committee comprised Mr Ooi Hoe Seong, Ambassador Toh Hock Ghim and Mr Zhou Jiamin. However, pursuant to the appointment of Mr Zhang Zhiqiang and the resignation of Mr Zhou Jiamin, the Audit Committee was reconstituted on 5 April 2012. Subsequently, the Audit Committee was reconstituted on 7 February 2013 pursuant to the appointment of Ms Ling Chi and the resignation of Mr Zhang Zhiqiang. The reconstituted Audit Committee is currently chaired by Mr Ooi Hoe Seong and its current members include Ambassador Toh Hock Ghim and Ms Ling Chi.

In general, the Group may appoint individuals as new Directors and as members of the Audit Committee if they are found to be suitable after a review by the existing Board and Nominating Committee.

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The Audit Committee will assist the Board in discharging their responsibilities to safeguard the assets, maintain adequate accounting records, and develop and maintain effective systems of internal control, with the overall objective of ensuring that the Management creates and maintains an effective control environment in the Company. The Audit Committee will provide a channel of communication between the Board, the Management and Mazars LLP (external auditor) of the Company on matters relating to audit. Mazars LLP is an auditing firm registered with the Singapore Accounting & Corporate Regulatory Authority and it was in charge of auditing the Company and all its subsidiaries in FY2012. Accordingly, the Company is in compliance with Rule 712 and 715 of the SGX-ST's Listing Manual.

For FY2012, the Audit Committee held a formal meeting with Mazars LLP (the external auditor), without the presence of the Management for the purpose of facilitating discussion of the responses by management on audit matters.

Notwithstanding the above, the Audit Committee Members also had informal discussions with the Management of the Company or such discussions were tabled at the Board Meetings instead. The Audit Committee meets as and when required to discuss and review the following matters:

- (a) the audit plans of the external and internal auditors of the Company, and their reports arising from the audit;
- (b) the adequacy of the assistance and cooperation given by the Company's management to the external and internal auditors;
- (c) the financial statements of the Company and the consolidated financial statements of the Group;
- (d) the quarterly and annual announcement of the results of the Group before submission to the Board for approval;
- (e) the adequacy of the Group's internal controls in respect of the management, business and service systems and practices;
- (f) legal and regulatory matters that may have material impact on the financial statements, compliance policies and programmes and any reports received from regulators;
- (g) the cost effectiveness, independence and objectivity of the external auditor;
- (h) the approval of compensation to the external auditor;
- (i) the nature and extent of non-audit services provided by the external auditor;
- (j) the recommendation to the Board for the appointment or re-appointment of the external auditor of the Company;
- (k) any suspected fraud and irregularity, or suspected infringement of any relevant laws, rules or regulations, which has or is likely to have a material impact to the Group's operating results or financial position and the Management's response;
- (l) to report actions and minutes of the Audit Committee to the Board with such recommendations as the Audit Committee considers appropriate;
- (m) interested person transactions to ensure that the current procedures for monitoring of interested party transactions have been complied with; and
- (n) reviewing the adequacy of the internal audit function.

The Audit Committee is authorised to investigate any matter within its terms of reference, and has full access to the management and resources which are necessary to enable it to discharge its functions properly. It also has full discretion to invite any executive director or executive management to attend its meetings.

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For FY2012, the Audit Committee has reviewed the Company's financial reporting function, internal controls and processes and is satisfied with the adequacy and quality of the same. The Audit Committee is satisfied with the adequacy of the Company's accounts and financial reporting resources and the performance of the Chief Financial Officer and other senior management in the Finance Department.

The Audit Committee has also reviewed the arrangements by which the employees of the Company may, in confidence, raise concerns about the possible improprieties in matters of financial reporting or other matters within the Group, with the objectives of ensuring that arrangements are put in place for independent investigation of such matters and for appropriate follow-up action as and when the need arise. As at the date of this Report, the Company has put in place the whistle-blowing policy for this purpose.

The Audit Committee has reviewed the work performed by Mazars LLP after taking into consideration of the guidelines set out in the "Guidance to Audit Committees on Evaluation of Quality of Work Performed by External Auditors" issued in July 2010 by SGX-ST and the Singapore Accounting & Corporate Regulatory Authority. After taking into consideration the adequacy of the resources and experience of Mazars LLP (including the audit partner in charge of auditing the Company), the other audit engagements of Mazars LLP, the number and experience of supervisory and professional staff assigned to review the Group as well as the size and complexity of our Group, the Audit Committee and the Board were satisfied that Rules 712 and 715 of the SGX Listing Manual have been complied with and were of the view that Mazars LLP have been able to assist the Company in meeting its audit obligations.

During the financial period, the non-audit related work carried out by the external auditors amounted to a fee of S\$4,500.00 (excluding disbursements and GST), the Audit Committee having review of all the non-audit related work provided by the external auditors in FY2012, is satisfied that the independence and objectivity of Mazars LLP has not been compromised. In accordance with Rule 1207 of the SGX-ST's Listing Manual, the fees paid to Mazars LLP for preparing the audited accounts of the Company for year FY2012 are S\$75,000.00 (excluding disbursements and GST).

On this basis, the Audit Committee has recommended to the Board the nomination of Mazars LLP for re-appointment as external auditors of the Company at the forthcoming Annual General Meeting.

Internal Control

Principle 12: The Board should ensure that the management maintains a sound system of internal controls to safeguard the shareholders' investments and the company's assets.

The Board acknowledges that it is responsible for the overall internal control framework, but recognises that no cost effective internal control system will preclude all errors and irregularities, as a system is designed to manage rather than eliminate the risk of failure to achieve business objectives, and can provide only reasonable and not absolute assurance against material misstatement or loss.

The Audit Committee shall, on behalf of the Board, conduct regular review of the effectiveness and adequacy of the Group's internal control system, including financial, operational, compliance and information technology controls, put in place by the Management to provide reasonable assurance as to the integrity and reliability of the financial information and to safeguard and maintain accountability of its assets.

The Group has in place a management structure with clear reporting lines and delegation of authority to carry out its operations. Management through their day-to-day involvement in the Group's operations monitors the performance, operation effectiveness and efficiency of the Company internal controls practices. The Company's in-house internal auditor ("**Internal Auditor**") has also assisted the Management in enhancing the internal control system by documenting and updating policy and procedures for its key processes.

Based on the findings of the external auditors and the Internal Auditor and the various management controls put in place, the Board, with the concurrence of the Audit Committee, is of the opinion that the system of internal controls, including financial, operational and compliance and information technology controls, maintained by the Management and that was in place in FY2012 and up to the date of this report, are adequate and effective.

The system of internal controls provides reasonable, but not absolute, assurance that the Company will not be adversely affected by any event that could be reasonably foreseen as it strives to achieve its business objectives. However, the Board also notes that no system of internal control could provide absolute assurance against the occurrence of material errors, poor judgement in decision-making, human error, losses, fraud or other irregularities.

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Internal Audit

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

The Board acknowledges that it is responsible for maintaining an internal audit function independent of the activities it audits. In FY2012, the Company's Internal Auditor reports directly to the Audit Committee. The Audit Committee approves the annual internal audit plan and the Internal Auditor has unfettered access to the Company's records and Management. The Internal Auditor is a member of the Institute of Internal Auditors of Singapore and carries out its activities consistent with the International Standards for the Professional Practices of Internal Auditing set by the Institute of Internal Auditors.

(D) COMMUNICATION WITH SHAREHOLDERS

Communication with Shareholders

Principle 14: Companies should engage in regular, effective and fair communication with shareholders.

In line with continuous disclosure obligations of the Company, pursuant to the SGX-ST's Listing Rules, the Board's policy is that Shareholders are informed of all major developments that impact the Group.

Information is communicated to shareholders on a timely basis. Where there is inadvertent disclosure made to a selected group, the Company will make the same disclosure publicly as soon as practicable. Communication is made through:

- annual reports that are prepared and issued to all Shareholders. The Board makes every effort to ensure that the annual reports include all relevant information about the Group, including future developments and other disclosures required under the SGX-ST's Listing Rules and the relevant accounting standards;
- quarterly financial statements containing a summary of the financial information and affairs of the Group for the period;
- notices of and explanatory memoranda for annual general meetings and special general meetings; and
- disclosures to the SGX-ST and the Shareholders by releasing announcements via SGXNET.

Greater Shareholder Participation

Principle 15: Companies should encourage greater shareholder participation at Annual General Meetings, and allow shareholders the opportunity to communicate their views on various matters affecting the company.

The Board is mindful of its obligations to provide timely disclosure of material information to Shareholders and does so through (i) the Company's Annual Reports; (ii) the Group's results announcements; and (iii) other SGXNET announcements on developments within the Group or in relation to disclosures required by the SGX-ST. If necessary, the Group will also despatch circulars or letters to its Shareholders to provide the Shareholders with more information on its major transactions.

The Board regards the general meetings as opportunities to communicate directly with the Shareholders and encourages greater shareholder participation. As such, the Shareholders are encouraged to attend general meetings of the Company to grasp a better understanding of the Group's businesses and be informed of the Group's strategic goals and objectives. Notices of general meetings are dispatched to the Shareholders at least 14 days before the meeting if ordinary businesses are to be transacted at the meeting or at least 21 days before the meeting if special businesses are to be transacted at the meeting. The notices of general meetings are also released as announcements via SGXNET and advertised in the newspapers.

General meetings of the Company will be chaired by the Executive Chairman or his representatives and are also attended by other Directors, the Management, the Company Secretary and if necessary, Mazars LLP (the external auditor). In the event that a Shareholder has any queries and/or concerns with regards to the Group, its businesses and operations, the Shareholder may raise his queries and/or concerns at such general meetings so that the Company can better understand the views of the Shareholders. The Board (assisted by the Management, the Company Secretary or her representative, as well as the external auditor) will address any relevant queries and/or concerns raised by the Shareholders.

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The Company's Bye-Laws allow any Shareholder to appoint one or two proxies to attend the general meetings held and vote in his/her place. However, the Board is of the view that voting in absentia can only be possible if there is absolute certainty that the integrity of the information and authentication of the identity of such Shareholder is not compromised. In addition to the above, the results of all general meetings are also released as announcements via SGXNET.

(E) DEALING IN SECURITIES

The Company has issued an internal compliance code on securities transactions to Directors and key employees (including employees with access to price-sensitive information on the Company's shares) of the Group which sets out the code of conduct on transactions in the Company's shares by these persons, the implications of insider trading and general guidance on the prohibition against such dealings.

In line with Listing Rule 1207(19) issued by the SGX-ST, the Company issues a notification to all officers of the Company informing them that they should not deal in the securities of the Company during the periods commencing one month before the announcement of the Company's full-year results and two weeks before the Company's quarterly or half-year results until after the announcement. They are also discouraged from dealing in the Company's shares on short term considerations.

The Board confirms that for FY2012, the Company has complied with Listing Rule 1207(19).

(F) MATERIAL CONTRACTS

Save as disclosed under "Material Contracts" in the announcements made on SGXNET, Director's Report and these financial statements, there were no material contracts of the Company or its subsidiary involving the interest of any director or controlling shareholders subsisting at the end of FY2012.

(G) INTERESTED PERSON TRANSACTIONS

The Company has established procedures to ensure that all transactions with interested persons are reported in a timely manner to the Audit Committee and that the transactions are carried out on normal commercial terms and will not be prejudicial to the interests of the Company and its shareholders.

The Board will meet to review if the Company will be entering into any interested person transaction. If the Company intends to enter into an interested person transaction, the Board of Directors will ensure that the Company complies with the requisite rules under Chapter 9 of the SGX-ST's Listing Manual.

The Audit Committee has met and will meet regularly to review if the Company will be entering into an interested person transaction, and if so, the Audit Committee ensures that the relevant rules under Chapter 9 of the SGX-ST's Listing Manual are complied with.

The Group and the Company confirm that there were no other interested person transactions during the period under review.

(H) RISK MANAGEMENT

The Management regularly reviews the Company's business and operational activities to identify areas of significant business risks as well as appropriate measures to control and mitigate these risks. The management reviews all the significant control policies and procedures and highlight all significant findings to the Directors and the Audit Committee.

REPORT OF THE DIRECTORS

The directors of the Company present their report to the members together with the audited financial statements of the Group for the financial year ended 31 December 2012 and the statement of financial position and statement of changes in equity of the Company as at 31 December 2012.

1. Directors

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

Ye Jianming (Executive Director/Chairman)	(Appointed on 4 January 2012)
Zang Jianjun (Executive Director/Chief Executive Officer)	(Appointed on 4 January 2012)
Ooi Hoe Seong (Independent Director)	
Toh Hock Ghim (Independent Director)	
Ling Chi (Independent Director)	(Appointed on 7 February 2013)
Ju Jia (Executive Director/Chief Financial Officer)	(Appointed on 7 February 2013)

2. Arrangements to enable directors to acquire shares or debentures

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

3. Directors' interests in shares or debentures

According to the Register of Directors' Shareholdings kept by the Company, the directors of the Company holding office at the end of the financial year had no interest in the shares or debenture of the Company and its related corporations except as stated below:

Name of director and company which interest is held	Number of ordinary shares with par value of HK\$0.001					
	Holdings registered in name of director			Holdings in which a director is deemed to have an interest		
	At beginning of the year or date of appointment, if later	At end of the year	At 21 January 2013	At beginning of the year or date of appointment, if later	At end of the year	At 21 January 2013
CEFC International Limited						
Ye Jian Ming	—	—	—	2,701,614,695	2,701,614,695	2,701,614,695

Except as disclosed in this report, no director who held office at the end of the financial year had interests in shares or debentures of the Company, or of related corporations, either at the beginning of the financial year, or date of appointment, if later, or at the end of the financial year.

4. Directors' contractual benefits

Since the end of the previous financial period, no director has received or become entitled to receive a benefit which is required to be disclosed 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.

REPORT OF THE DIRECTORS

5. Share options

There were no share options granted by the Company or its subsidiaries during the financial year.

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

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

6. Audit committee

The Audit Committee of the Company comprises three Non-Executive Directors during the year and at the date of this report are:-

Ooi Hoe Seong (Chairman)
Toh Hock Ghim
Ling Chi

(Appointed on 7 February 2013)

The Audit Committee convened three meetings during the year with key management and external auditors of the Company. The Audit Committee carries out its functions which include the following:-

- a) review of the audit plans of the external auditors and ensures the adequacy of the Group's system of accounting controls and the co-operation and assistance given by the management and officer to the external auditors;
- b) review of the financial statements of the Group before their submission to the Board, and before their announcement;
- c) review of legal and regulatory matters that may have a material impact on the financial statements, related compliance policies and programs and any reports received from regulators;
- d) review of the independence and objectiveness of the external auditors;
- e) review of quarterly, half year and annual announcements as well as the related press releases on the results of the Group and financial position of the Group and of the Company;
- f) nominate external auditors for re-appointment;
- g) review of the Group's compliance with such functions and duties as may be required under the relevant statutes or the SGX-ST Listing Manual and by such amendments made thereto from time to time;
- h) review of the interested person transactions in accordance with the requirements of the Listing Rules of the SGX-ST; and
- i) review of the adequacy of the Group's risk management processes.

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

The Audit Committee has recommended to the directors the nomination of Mazars LLP for re-appointment as the external auditors of the Group at the forthcoming Annual General Meeting.

REPORT OF THE DIRECTORS

7. Independent auditors

Mazars LLP, Public Accountants and Certified Public Accountants, have expressed their willingness to accept re-appointment.

On behalf of the Board of Directors

Ye Jian Ming
Chairman

Ju Jia
Director

Date: 18 March 2013

STATEMENT BY THE DIRECTORS

In the opinion of the directors,

- (a) the financial statements of the Group and the statement of financial position and statement of changes in equity of the Company are drawn up 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 2012, and of the results, changes in equity and cash flows of the Group and the changes in equity of the Company 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 Board of Directors

Ye Jian Ming
Chairman

Ju Jia
Director

Date: 18 March 2013

INDEPENDENT AUDITORS' REPORT

to the Members of CEFC International Limited
(Formerly known as Sun East Group Limited)

Report on the Financial Statements

We have audited the accompanying financial statements of CEFC International Limited (formerly known as Sun East Group Limited) (the "Company") and its subsidiaries (the "Group") which comprise the statements of financial position of the Group and of the Company as at 31 December 2012, the statement of comprehensive income, changes in equity and cash flows of the Group and the changes in equity of the Company for the financial year then ended, 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 International Financial Reporting Standards, and for devising and maintaining a system of internal accounting controls sufficient to provide 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.

Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International 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 auditors' judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk of assessments, the auditors consider internal controls relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements of the Group and the statement of financial position of the Company are properly drawn up in accordance with International 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 2012 and the results, changes in equity and cash flows of the Group and the changes in equity of the Company 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 subsidiary incorporated in Singapore of which we are the auditors, have been properly kept in accordance with the provisions of the Act.

MAZARS LLP

Public Accountants and
Certified Public Accountants

Singapore

Date: 18 March 2013

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the financial year ended 31 December 2012

	Note	Group	
		01/01/2012 to 31/12/2012	01/07/2011 to 31/12/2011
		US\$'000	US\$'000
Revenue	5	159,258	1
Cost of sales		(157,560)	(0)
Gross profit		1,698	1
Other income	6	14	12,725
Administrative expenses		(1,333)	(344)
Other expenses		(51)	—
Finance costs		(2)	—
Profit before tax	7	326	12,382
Income tax expense	9	(125)	—
Profit for the year/period		201	12,382
Other Comprehensive Income		—	43
Exchange difference on translating foreign operations			
Total comprehensive income for the year/period		201	12,425
Earnings per share for profit attributable to equity holders of the Company			
- Basic and diluted (cents)	10	0.0057	0.35

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

STATEMENTS OF FINANCIAL POSITION

As at 31 December 2012

	Note	Group		Company	
		31/12/2012	31/12/2011	31/12/2012	31/12/2011
		US\$'000	US\$'000	US\$'000	US\$'000
Assets					
Non-current assets					
Plant and equipment	11	276	1	—	—
Intangible assets	12	10	—	10	—
Investment in subsidiaries	13	—	—	160	—
		<u>286</u>	<u>1</u>	<u>170</u>	<u>—</u>
Current assets					
Other receivables	14	246	—	17	—
Amount due from a subsidiary	15	—	—	1,362	—
Cash and cash equivalents	16	7,268	17	423	15
		<u>7,514</u>	<u>17</u>	<u>1,802</u>	<u>15</u>
Total assets		<u>7,800</u>	<u>18</u>	<u>1,972</u>	<u>15</u>
Equity attributable to equity holders of the Company					
Share capital	17	454	454	454	454
Share premium	18	18,116	18,116	18,116	18,116
Foreign currency exchange translation reserves		43	43	49	49
Accumulated losses		(18,632)	(18,833)	(19,404)	(18,820)
Total equity		<u>(19)</u>	<u>(220)</u>	<u>(785)</u>	<u>(201)</u>
Liabilities					
Non-current liability					
Provision	19	31	—	—	—
		<u>31</u>	<u>—</u>	<u>—</u>	<u>—</u>
Current liabilities					
Other payables	20	301	200	212	178
Amount due to holding company	21	7,362	38	2,545	38
Income tax payables		125	—	—	—
		<u>7,788</u>	<u>238</u>	<u>2,757</u>	<u>216</u>
Total liabilities		<u>7,819</u>	<u>238</u>	<u>2,757</u>	<u>216</u>
Total equity and liabilities		<u>7,800</u>	<u>18</u>	<u>1,972</u>	<u>15</u>

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

STATEMENTS OF CHANGES IN EQUITY

For the financial year ended 31 December 2012

Group	Attributable to Equity Holders of the Company				
	Share capital	Share premium	Foreign currency translation reserves	Accumulated losses	Total equity
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
Balance at 1 January 2012	454	18,116	43	(18,833)	(220)
Total comprehensive income for the year	—	—	—	201	201
Balance at 31 December 2012	454	18,116	43	(18,632)	(19)
Balance at 1 July 2011	346	12,696	—	(31,215)	(18,173)
Profit for the period	—	—	—	12,382	12,382
Exchange differences on translating foreign operations	—	—	43	—	43
Total comprehensive income for the period	—	—	43	12,382	12,425
Issue of shares (Note 17)	108	5,420	—	—	5,528
Balance at 31 December 2011	454	18,116	43	(18,833)	(220)

Company	Attributable to Equity Holders of the Company				
	Share capital	Share premium	Foreign currency translation reserves	Accumulated losses	Total equity
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
Balance at 1 January 2012	454	18,116	49	(18,820)	(201)
Total comprehensive loss for the year	—	—	—	(584)	(584)
Balance at 31 December 2012	454	18,116	49	(19,404)	(785)
Balance at 1 July 2011	346	12,696	—	(34,607)	(21,565)
Profit for the period	—	—	—	15,787	15,787
Exchange differences on translating foreign operations	—	—	49	—	49
Total comprehensive income for the period	—	—	49	15,787	15,836
Issue of shares (Note 17)	108	5,420	—	—	5,528
Balance at 31 December 2011	454	18,116	49	(18,820)	(201)

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

CONSOLIDATED STATEMENT OF CASH FLOWS

For the financial year ended 31 December 2012

Note	Group	
	01/01/2012 to 31/12/2012 US\$'000	01/07/2011 to 31/12/2011 US\$'000
Operating activities		
Profit before tax	326	12,382
Adjustments for:		
Depreciation of plant and equipment	49	—
Amortisation of intangible asset	4	—
Waiver of debts from directors	—	(80)
Interest income	(14)	—
Provision for reinstatement cost	31	—
Unrealised exchange differences	39	64
Change in derivative financial instruments fair value	—	(12,645)
Operating cash flows before movements in working capital	435	(279)
Other receivables	(246)	—
Other payables	101	(96)
Interest income	14	—
Net cash generated from/(used in) operating activities	304	(375)
Investing activities		
Acquisition of plant and equipment	11 (324)	—
Acquisition of intangible assets	(14)	—
Net cash used in investing activities	(338)	—
Financing activities		
Advance from directors	—	327
Advance from holding company	13,524	38
Repayment to holding company	(6,239)	—
Net cash generated from financing activities	7,285	365
Net increase/(decrease) in cash and cash equivalents	7,251	(10)
Cash and cash equivalents at the beginning of the financial year/period	17	27
Cash and cash equivalents at the end of the financial year/period	16 7,268	17

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2012

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

1. Domicile and activities

CEFC International Limited (formerly known as Sun East Group Limited) (the "Company") is incorporated in Bermuda as an exempted company with limited liability on 24 August 2004. The Company is listed on the Main Board of the Singapore Exchange Securities Trading Limited (SGX-ST). The Company's registered office is located at Clarendon House, 2 Church Street, Hamilton HM11, Bermuda and its principal place of business is at 80 Raffles Place #12-20 UOB Plaza 2, Singapore 048624.

On 31 May 2012, the shareholders approved to diversify a new business of trading in petroleum and petrochemical products to generate new revenue streams. The Group will through its wholly owned subsidiary, Singapore CEFC Petrochemical and Energy Pte. Ltd. (formerly known as Singapore Petro Pte. Ltd.), undertake the new business of trading in petroleum and petrochemical products.

The principal activity of the Company is that of investment holding. The principal activities of its subsidiaries are disclosed in Note 13. The immediate and ultimate holding company is Singapore Petrochemical & Energy Development Pte. Ltd. (formerly known as Singapore Petrol Development Co. Pte. Ltd.), a company incorporated in Singapore which is wholly owned by the Chairman of the Company.

2. Going concern

The financial statements of the Group and the Company have been prepared on a going concern basis notwithstanding the net capital deficiency of approximately US\$19,000 and US\$785,000 of the Group and the Company respectively as at 31 December 2012, net current liabilities of approximately US\$274,000 and US\$955,000 of the Group and the Company respectively as of 31 December 2012. Management is of the view that the Group and the Company will be able to operate as a going concern as its holding company, which is also the major creditor, has given a letter of undertaking to provide continuing financial support to enable the Group and the Company to meet their liabilities as and when they fall due.

3. Summary of significant accounting policies

3.1 Basis of preparation

The consolidated financial statements have been drawn up in accordance with International Financial Reporting Standards ("IFRSs") issued by International Accounting Standards Board ("IASB") and the Interpretations to IFRS ("INT IFRSs") issued by International Financial Reporting Interpretations Committee ("IFRIC").

The consolidated financial statements are prepared on the historical cost basis except as disclosed in the significant accounting policies set out below.

The individual financial statements of each Group entity are measured and presented in the currency of the primary economic environment in which the entity operates (its functional currency). The financial statements of the Group and the statement of financial position and the statement of changes in equity of the Company are presented in United States dollar ("USD" or "US\$") which is also the functional currency of the Company, and all values presented are rounded to the nearest thousand ("US\$'000"), unless otherwise indicated.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2012

3. Summary of significant accounting policies (Continued)

3.1 Basis of preparation (Continued)

Prior to 1 July 2012, management had considered the Renminbi ("RMB") as the currency of the primary economic environment in which the entity operates and the presentation was Hong Kong dollars ("HK\$"). On 1 July 2012, management has reassessed and decided in accordance with IAS 21 ("The Effect of Changes in Foreign Exchange Rates") to change the functional currency of the Company from Renminbi ("RMB") to United States dollars ("US\$") as this is the currency of the primary economic environment in which the entity operates. Following the change in functional currency, the Company has elected to change its presentation currency to US\$. The Company applied the translation procedures applicable to the new functional currency prospectively with effect from 1 July 2012, the date of change. The change of the functional currency did not materially affect the presentation and financial results of the Group in the current and prior year's financial statements.

During the year, the Group has adopted the new and revised IFRS, and INT IFRS that are relevant to its operations and effective for the current financial year. The adoption of these new/revised IFRS and INT IFRS does not result in changes to the Group's and Company's accounting policies and has no material effect on the amounts reported for the current or prior years.

The Group has not adopted the following IFRSs and INT IFRSs that have been issued but not yet effective which are as follows:-

		Effective date (annual periods beginning on or after)
IAS 1	Presentation of items of other comprehensive income	1 July 2012
IAS 19	Amendments to IAS 19 - Employee benefits	1 January 2013
IAS 27	Separate financial statements	1 January 2013
IAS 28	Investments in associates and joint ventures	1 January 2013
IAS 32	Financial Instruments: Presentation: Amendments to application guidance on offsetting of financial assets and financial liabilities	1 January 2014
IFRS 7	Financial Instruments: Disclosure: Amendments to enhancing disclosure on offsetting financial assets and financial liabilities	1 January 2013
IFRS 9	Financial Instruments-Classification, measurement and recognition of financial assets and financial liabilities	1 January 2015
IFRS 10	Consolidated financial statements	1 January 2013
IFRS 11	Joint arrangements	1 January 2013
IFRS 12	Disclosure of interests in other entities	1 January 2013
IFRS 13	Fair value measurements	1 January 2013

Consequential amendments were also made to various standards as a result of these new/revised standards.

With the exception of the Amendments to IAS 1, IFRS 10, Revised IAS 27 and IFRS 12, the directors expect that the adoption of the other standards and interpretations above will have no material impact of the financial statements in the period of their initial application. The nature of the impending changes in accounting policies on adoption the Amendments to IAS 1, IFRS 10, Revised IAS 27 and IFRS 12 are described below.

Amendments to IAS 1 Presentation of Items of Other Comprehensive Income

The Amendments to IAS 1 Presentation of Items of Other Comprehensive Income (OCI) is effective for financial periods beginning on or after 1 July 2012.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2012

3. Summary of significant accounting policies (Continued)

3.1 Basis of preparation (Continued)

The Amendments to IAS 1 changes the grouping of items in OCI. Items that could be reclassified to profit or loss at a future point in time would be presented separately from items which will never be reclassified. As the Amendments only affect the presentations of items that are already recognised in OCI, the Group does not expect any impact in its financial position or performance upon adoption of this standard.

IFRS 10 Consolidated Financial Statements and Revised IAS 27 Separate Financial Statements

The IFRS 10 *Consolidated Financial Statements and Revised IAS 27 Separate Financial Statements* are effective for financial periods beginning on or after 1 January 2013.

IFRS 10 establishes a single control model that applies to all entities including special purpose entities. The changes introduced by IFRS 10 require management to exercise significant judgement to determine which entities are controlled, and therefore are required to be consolidated by the Group, compared with the requirements that were in IAS 27. Therefore, IFRS 10 may change which entities are consolidated with a group. The revised IAS 27 was amended to address accounting for subsidiaries, jointly control entities and associates in separate financial statements.

At the date of this financial statement, the management expect the adoption of IFRS 10 and Revised IAS 27 have no any impact to the financial position and financial performance of the Group when implemented in 2013.

IFRS 12 Disclosure of Interest in Other Entities

IFRS 12 *Disclosure of Interest in Other Entities* is effective for financial periods beginning on or after 1 January 2013.

IFRS 12 is a new and comprehensive standard on disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles. IFRS 12 requires an entity to disclose information that helps users of its financial statements to evaluate the nature and risks associated with its interests in other entities and the effects of those interests on its financial statements. As this a disclosure standard, it will have no impact to the financial position and financial performance of the Group when implemented in 2013.

The preparation of financial statements in conformity with FRS requires management to make judgements, estimates and assumptions that affect the Group's application of accounting policies and reported amounts of assets, liabilities, revenue and expenses. Although these estimates are based on management's best knowledge of current events and actions, actual results may differ from those estimates.

3.2 Basis of consolidation

The financial statements of the Group comprise the financial statements of the Company and its subsidiaries. Subsidiaries are entities (including special purposes entities) over which the Group has the power to govern the financial and operating policies, generally accompanied by a shareholding of more than one half of the voting rights.

Subsidiaries are consolidated from the date on which control is transferred to the Group up to the effective date on which control ceases, as appropriate.

Intra-group balances, transactions, income and expenses are eliminated on consolidation.

The financial statements of the subsidiaries used in the preparation of the financial statements are prepared for the same reporting date as that of the Company. Where necessary, accounting policies of subsidiaries have been changed to ensure consistency with the policies adopted by the Group.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2012

3. Summary of significant accounting policies (Continued)

3.2 Basis of consolidation (Continued)

Non-controlling interests are identified separately from the Group's equity therein. On an acquisition-by-acquisition basis, non-controlling interests may be initially measured either at fair value or at their proportionate share of the fair value of the acquiree's identifiable net assets. Subsequent to acquisition, the carrying amount of non-controlling interests is the amount of those interests at initial recognition plus the non-controlling interests' share of subsequent changes in equity. Losses in the subsidiary are attributed to non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. Any differences between the amount by which the non-controlling interests are adjusted to reflect the changes in the relative interests in the subsidiary and the fair value of the consideration paid or received is recognised directly in equity and attributed to the owners of the Company.

When the Group loses control over a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. Amounts previously recognised in other comprehensive income in relation to the subsidiary are accounted for (i.e. reclassified to profit or loss or transferred directly to retained earnings) in the same manner as would be required if the relevant assets or liabilities were disposed of. The fair value of any investments retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IAS 39 Financial Instruments: Recognition and Measurement or, when applicable, the cost on initial recognition of an investment in an associate or jointly controlled entity.

Investments in subsidiaries and associates are carried at cost less any impairment loss that has been recognised in profit or loss.

3.3 Business combinations

Business combinations from 1 January 2010

The acquisition of subsidiaries is accounted for using the acquisition method. The cost of the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred.

The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3 are recognised at their fair values at the acquisition date, except for non-current assets (or disposal groups) that are classified as held-for-sale in accordance with IFRS 5 Non-Current Assets Held for Sale and Discontinued Operations, which are recognised and measured at the lower of cost and fair value less costs to sell.

Where a business combination is achieved in stages, the Group's previously held interests in the acquired entity are remeasured to fair value at the acquisition date (i.e. the date the Group attains control) and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss, where such treatment would be appropriate if that interest were disposed of.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2012

3. Summary of significant accounting policies (Continued)

3.3 Business combinations (Continued)

The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3 are recognised at their fair value at the acquisition date, except that:

- deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with IAS 12 Income Taxes and IAS 19 Employee Benefits respectively;
- liabilities or equity instruments related to the replacement by the Group of an acquiree's share-based payment awards are measured in accordance with IFRS 2 Share-based Payment; and
- assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations are measured in accordance with that Standard.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see below), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised as of that date.

The measurement period is the period from the date of acquisition to the date the Group obtains complete information about facts and circumstances that existed as of the acquisition date, and is subject to a maximum of one year.

Goodwill arising on acquisition is recognised as an asset at the acquisition date and is initially measured at cost, being the excess of the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the acquirer previously held equity interest (if any) in the entity over net acquisition-date fair value amounts of the identifiable assets acquired and the liabilities assumed.

If, after reassessment, the Group's interest in the net fair value of the acquiree's identifiable net assets exceeds the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the acquirer's previously held equity interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Business combinations before 1 January 2010

In comparison to the above mentioned requirements, the following differences applied:

Business combinations are accounted for by applying the purchase method. Transaction costs directly attributable to the acquisition formed part of the acquisition costs. The non-controlling interest (formerly known as minority interest) was measured at the proportionate share of the acquiree's identifiable net assets.

Business combinations achieved in stages were accounted for as separate steps acquisition. Adjustments to those fair values relating to previously held interests are treated as a revaluation and recognised in equity. When the group acquired a business, embedded derivatives separated from the host contract by the acquiree are not reassessed on acquisition unless the business combination results in a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required under the contract. Contingent consideration was recognised if, and only if, the Group had a present obligation, the economic outflow was probable and a reliable estimate was determinable. Subsequent measurements to the contingent consideration affected goodwill.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2012

3. Summary of significant accounting policies (Continued)

3.4 Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue and costs can be measured reliably. Revenue is measured at the fair value of consideration received or receivable.

(a) *Distribution of beauty and skin care products*

Revenue is recognised when goods are delivered at the customers' premises which are taken to be the point in time when the customer has accepted the goods and the related risks and rewards of ownership.

(b) *Sale of goods*

Revenue from the sale of goods is recognised when the Group has transferred to the buyer the significant risks and rewards of ownership of the goods and retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold, the amount of revenue can be measured reliably, it is probable that the economic benefits associated with the transaction will flow to the entity and the costs incurred or to be incurred in respect of the transaction can be measured reliably.

(c) *Interest income*

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable.

3.5 Employee benefits

(i) *Retirement benefit costs*

Payment to defined contribution retirement benefits plans are charged as an expense as they fall due. Payment made to state-managed retirement benefit schemes, such as the Singapore Central Provident Fund, are dealt with as payments to defined contribution plans where the Group's obligations under the plans are equivalent to those arising in a defined contribution retirement benefit plan.

(ii) *Employee leave entitlements*

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 end of the financial year.

3.6 Income tax

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

The tax currently payable is based on taxable profit for the financial period. Taxable profit differs from profit as reported in the statement of comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are not taxable or tax deductible. The Group's liability for current tax is calculated using tax rates (and tax laws) that have been enacted or substantively enacted in countries where the company and subsidiaries operate by the end of the reporting period.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2012

3. Summary of significant accounting policies (Continued)

3.6 Income tax (Continued)

Deferred tax is recognised on the differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

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

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

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised based on the tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax is charged or credited to profit or loss, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

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

Current and deferred tax are recognised as an expense or income in profit or loss, except when they relate to items credited or debited outside profit or loss (either in other comprehensive income or directly in equity), in which case the tax is also recognised outside profit or loss (either in other comprehensive income or directly in equity, respectively), or where they arise from the initial accounting for a business combination. In the case of a business combination, the tax effect is taken into account in calculating goodwill or determining the excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over cost.

3.7 Foreign currency transactions and translation

Foreign currency transactions are translated into the individual entities' respective functional currencies at the exchange rates prevailing on the dates of the transactions. At the end of each financial year, monetary items denominated in foreign currencies are retranslated at the rates prevailing as of the end of the financial year. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on retranslation of monetary items are included in profit or loss for the year. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the year except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in equity. For such non-monetary items, any exchange component of that gain or loss is also recognised directly in equity.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2012

3. Summary of significant accounting policies (Continued)

3.7 Foreign currency transactions and translation (Continued)

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations (including comparatives) are expressed in United States dollars using exchange rates prevailing at the end of the financial year. Income and expense items (including comparatives) are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are classified as equity and transferred to the Group's translation reserve. Such translation differences are recognised in profit or loss in the period in which the foreign operation is disposed of.

3.8 Plant and equipment

Plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses. The cost of plant and equipment includes its purchase price and any costs 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. Dismantlement, removal or restoration costs are included as part of the cost of plant and equipment if the obligation for dismantlement, removal or restoration is incurred as a consequence of acquiring or using the plant and equipment.

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

Depreciation is charged on straight-line basis so as to write off items of plant and equipment over their estimated useful lives.

The estimated useful life of plant and equipment is as follows:-

Office equipment	-	5 years
Motor vehicles	-	5 years
Computers	-	3 years

The residual values, depreciation method and useful lives of plant and equipment are reviewed, and adjusted as appropriate, at each reporting date.

Fully depreciated assets are retained in the financial statement until they are no longer in use.

The gain or loss, being the difference between the sales proceeds and the carrying amount of the asset, arising on disposal or retirement of an item of plant and equipment is recognised in profit or loss. Any amount in the revaluation reserve relating to that asset is transferred to retained earnings directly.

3.9 Intangible assets

Intangible assets acquired separately are measured initially at cost. The cost of intangible assets acquired in a business combination is their fair value as at the date of acquisition. Following initial acquisition, intangible assets are measured at cost less any accumulated amortisation and accumulated impairment losses.

Intangible assets with finite useful lives are amortised over the estimated useful lives and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method are reviewed at least at each reporting date.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2012

3. Summary of significant accounting policies (Continued)

3.9 Intangible assets (Continued)

Intangible assets with indefinite useful lives or not yet available for use are tested for impairment annually, or more frequently if the events and circumstances indicate that the carrying value may be impaired either individually or at the cash-generating unit level. Such intangible assets are not amortised. The useful life of an intangible asset with an indefinite useful life is reviewed annually to determine whether the useful life assessment continues to be supportable.

Trademarks

Trademarks are considered by management of the Group as having indefinite useful lives. The trademarks are not amortised until their useful lives are determined to be finite. Instead, the trademarks are tested for impairment annually and whenever there is an indication that they may be impaired.

Computer software

Acquired computer software licences are initially capitalised on the basis of the costs incurred to acquire and prepare the software for its intended use. Direct expenditure which enhances or extends the performance of computer software beyond its specifications and which can be reliably measured is added to the original cost of the software. Costs associated with maintaining computer software are recognised as an expense as incurred.

Computer software licences are subsequently carried at cost less accumulated amortisation and accumulated impairment losses. These costs are amortised over their estimated useful lives of 3 years.

3.10 Impairment of tangible and intangible assets excluding goodwill

The Group reviews the carrying amounts of its tangible and intangible assets as at each reporting date to assess for any indication of impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Irrespective of whether there is any indication of impairment, the Group also tests its intangible assets with indefinite useful lives and intangible assets not yet available for use for impairment annually by comparing their respective carrying amounts with their corresponding recoverable amounts.

The recoverable amount of an asset or cash-generating unit is the higher of its fair value less costs to sell and its value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

An impairment loss for the amount by which the asset's carrying amount exceeds the recoverable amount is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2012

3. Summary of significant accounting policies (Continued)

3.11 Financial instruments

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the instrument.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial instrument and allocating the interest income or expense over the relevant period. The effective interest is the rate that exactly discounts estimated future cash receipts or payments (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial instrument, or where appropriate, a shorter period, to the net carrying amount of the financial instrument. Income and expense are recognised on an effective interest basis for debt instruments other than those financial instruments at fair value through profit or loss.

Financial assets

All financial assets are recognised on a trade date - the date on which the Group commits to purchase or sell the asset. They are initially measured at fair value, plus transaction costs, except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value.

Financial assets are classified into loans and receivables. The classification of financial assets depends on the nature and purpose for which these financial assets were acquired and is determined at the time of initial recognition.

Loans and receivables

The Group's loans and receivables comprise other receivables, amounts due from a subsidiary and cash and cash equivalent.

Such loans and receivables are non-derivatives with fixed or determinable payments that are not quoted in an active market. They are measured at amortised cost, using the effective interest method less impairment. Interest is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

Impairment of financial assets

Financial assets are assessed for indicators of impairment at the end of each financial year. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted.

For financial assets carried at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

The carrying amounts of all financial assets are reduced by the impairment loss directly with the exception of trade receivables where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2012

3. Summary of significant accounting policies (Continued)

3.11 Financial instruments (Continued)

Impairment of financial assets (Continued)

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds receivables.

Financial liabilities and equity instruments

Classification as debt or equity

Financial liabilities and equity instruments issued by Group are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments are recorded at the proceeds received, net of direct issue costs.

Share premium

Share premium represents the amount by which the fair value of the consideration received exceeds the nominal value of shares issued. The Company may from time to time by special resolution, subject to any confirmation or consent required by law, reduce its share premium account in any manner permitted by law.

Financial liabilities

Financial liabilities are classified as either financial liabilities at fair value through profit or loss or other financial liabilities.

Financial liabilities are classified as at fair value through profit or loss if the financial liability is either held for trading or it is designated as such upon initial recognition.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2012

3. Summary of significant accounting policies (Continued)

3.11 Financial instruments (Continued)

Other financial liabilities

Other payables and amount due to holding company

Other payables and amount due to holding company are initially measured at fair value, net of transaction costs, and are subsequently measured at amortised cost, where applicable, using the effective interest method, with interest expense recognised on an effective yield basis.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire.

3.12 Cash and cash equivalents

Cash and cash equivalents represent cash on hand and deposits with financial institutions which are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value.

3.13 Operating Leases

Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the term of the relevant lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

3.14 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the financial year, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2012

3. Summary of significant accounting policies (Continued)

3.15 Contingencies

A contingent liability is:

- (a) a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group; or
- (b) a present obligation that arises from past events but is not recognised because:
 - (i) It is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or
 - (ii) The amount of the obligation cannot be measured with sufficient reliability.

Contingent liabilities are not recognised on the statements of financial position of the Group, except for contingent liabilities assumed in a business combination that are present obligations and which the fair values can be reliably determined.

3.16 Related parties

A related party is defined as follows:

- (a) A person or a close member of that person's family is related to the Company if that person:
 - (i) Has control or joint control over the Company;
 - (ii) Has significant influence over the Company; or
 - (iii) Is a member of the key management personnel of the Company or of a parent of the Company.
- (b) An entity is related to the Company if any of the following conditions applies:
 - (i) The entity and the Company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others);
 - (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member);
 - (iii) Both entities are joint ventures of the same third party;
 - (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity;
 - (v) The entity is a post-employment benefit plan for the benefit of employees of either the Company or an entity related to the Company. If the Company is itself such a plan, the sponsoring employers are also related to the Company;
 - (vi) The entity is controlled or jointly controlled by a person identified in (a);
 - (vii) A person identified in (a) (i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

Key management personnel

Key management personnel are those persons having the authority and responsibility for planning, directing and controlling the activities of the Group.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2012

3. Summary of significant accounting policies (Continued)

3.17 Segment reporting

For management purposes, the Group is organised into operating segments based on their products and services which are independently managed by the respective segment managers responsible for the performance of the respective segments under their charge. The segment managers report directly to the management of the Group who regularly review the segment results in order to allocate resources to the segments and to assess the segment performance. Additional disclosures on each of these segments are shown in the Notes to financial statements, including the factors used to identify the reportable segments and the measurement basis of segment information.

3.18 Derivative financial instruments

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship. The Options granted under the Proposed Debt Restructuring exercise of the Company on 10 February 2011 were considered derivative financial instruments as the Options were not granted pari-passu to all shareholders of the Company. Accordingly, the Options are fair valued at each reporting date and the changes in fair value are recognised in profit or loss. The outstanding options were cancelled as at November 2011 and the income recognised in profit or loss.

4. Critical accounting judgements and key sources of estimation uncertainty

The Group made judgements, estimates and assumptions about the carrying amounts of assets and liabilities that were not readily apparent from other sources in the application of the Group's accounting policies. Estimates and judgements are continually evaluated and are based on historical experience and other factors that are considered to be reasonable under the circumstances. Actual results may differ from the estimates.

4.1 Critical judgements made in applying the Group's accounting policies

In the process of applying the Group's accounting policies, the management is of the opinion that there are no critical judgements involved that had any significant effect on the amount recognised in the financial statements.

4.2 Key sources of estimation uncertainty

The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Provision for income taxes

The Group has exposure to income taxes in several jurisdictions of which a portion of these taxes arose from certain transactions and computations for which ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities of expected tax issues based on their best estimates of the likely taxes due. Where the final tax outcome of these matters is different from the amounts that were initially recognised, such differences will impact the income tax and deferred tax positions in the period in which such determination is made. The carrying amounts of the Group's and Company's current tax payable as at 31 December 2012 was US\$125,000 (2011: US\$ Nil) and US\$ Nil (2011: US\$ Nil) respectively.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2012

4. Critical accounting judgements and key sources of estimation uncertainty (Continued)

4.2 Key sources of estimation uncertainty (Continued)

Depreciation of property, plant and equipment

The Group depreciates the plant and equipment over their estimated useful lives after taking into account of their estimated residual values. The estimated useful life reflects management's estimate of the period that the Group intends to derive future economic benefits from the use of the Group's property, plant and equipment. The residual value reflects management's estimated amount that the Group would currently obtain from the disposal of the asset, after deducting the estimated costs of disposal, as if the asset were already of the age and in the condition expected at the end of its useful life. Changes in the expected level of usage and technological developments could affect the economics, useful lives and the residual values of these assets which could then consequentially impact future depreciation charges. The carrying amounts of the Group's plant and equipment at 31 December 2012 were US\$276,000 (2011: US\$1,000).

Impairment of amount due from a subsidiary

The provision policy for doubtful debts of the Group is based on the ageing analysis and management's continuous evaluation of the recoverability of the outstanding amount due from a subsidiary. In assessing the ultimate realisation of the subsidiary, management considers, among other factors, the creditworthiness and the past collection history of the subsidiary. If the financial condition of the subsidiary was to deteriorate, resulting in an impairment of their ability to make payments, allowances may be required. The Company's carrying amount of amount due from a subsidiary as at 31 December 2012 was US\$1,362,000(2011: Nil).

5. Revenue

	Group	
	01/01/2012 to 31/12/2012	01/07/2011 to 31/12/2011
	US\$'000	US\$'000
Revenue		
- distribution of beauty and skin care products	—	1
- trading petroleum and petrochemical products	159,258	—

6. Other income

	Group	
	01/01/2012 to 31/12/2012	01/07/2011 to 31/12/2011
	US\$'000	US\$'000
Waiver of debts by directors	—	80
Cancellation of derivative financial instrument	—	12,645
Interest income	14	—
	14	12,725

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2012

6. Other income (Continued)

Under the Proposed Debt Restructuring exercise effective 10 February 2011, the Company granted the secured and unsecured creditors options (the "Options") to subscribe for new shares of the Company. The Options carries a strike price of S\$0.008 each and could be exercised within 3 years effective 10 February 2011. The fair value of the Options which amounted to US\$12,645,000 (HK\$98,408,000) as at 30 June 2011 has been recognised in profit or loss with the corresponding entry reflected in the statements of financial position as a derivative financial instrument of the Company and the Group. The fair value of the Options has been arrived at based on the valuation carried out by Ascent Partners Transaction Service Limited, an independent qualified professional valuers not connected to the Group (Note 17).

7. Profit before tax

The following items have been charged in arriving at profit before tax:-

Note	Group	
	01/01/2012 to 31/12/2012	01/07/2011 to 31/12/2011
	US\$'000	US\$'000
Depreciation of plant and equipment	49	—
Amortisation of intangible asset	4	—
Operating lease expenses	251	—
Staff costs (excluding directors' remuneration)	8 255	—
Directors' fees	140	—
Directors' remuneration	8 144	77
Foreign exchange loss	47	70
Auditors' remuneration	64	29
Professional fees	140	—

Key management personnel consist of the Directors of the Company and its subsidiaries and their remuneration is as disclosed below.

8. Staff costs

	Group	
	01/01/2012 to 31/12/2012	01/07/2011 to 31/12/2011
	US\$'000	US\$'000
Salaries and bonuses	228	—
Contribution to defined contribution plan	21	—
Allowance	6	—
	255	—

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2012

8. Staff costs (Continued)

Directors' remuneration

	Group	
	01/01/2012 to 31/12/2012	01/07/2011 to 31/12/2011
	US\$'000	US\$'000
Salaries and bonuses	129	77
Contribution to defined contribution plan	10	—
Allowance	5	—
	<u>144</u>	<u>77</u>

9. Income tax expense

	Group	
	01/01/2012 to 31/12/2012	01/07/2011 to 31/12/2011
	US\$'000	US\$'000
Current tax		
Current year	125	—
	<u>125</u>	<u>—</u>

The tax expense on the results for the financial year differs from the amount of income tax determined by applying the Singapore tax rate of 17% (2011: Based on Hong Kong profit tax rate of 16.5%) to profit before taxation due to the following factors:

	Group	
	01/01/2012 to 31/12/2012	01/07/2011 to 31/12/2011
	US\$'000	US\$'000
Profit before income tax	326	12,382
Tax at the domestic income tax rate of 17% / 16.5%	55	2,043
Income not subject to tax	—	(2,100)
Expenses not deductible	7	57
Tax incentive	(28)	—
Tax losses disallowed for carry forward	91	—
Total tax expense	<u>125</u>	<u>—</u>

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2012

10. Earnings per share

Basic and diluted earnings per share is calculated based on the profit attributable to shareholders for the year/period divided by the number of the Company's ordinary shares as follows:

	Group	
	01/01/2012 to 31/12/2012 US\$'000	01/07/2011 to 31/12/2011 US\$'000
Basic and diluted earnings per share is based on:-		
Profit for the year/period attributable to ordinary shareholders	201	12,382
	No. of shares '000	No. of shares '000
Weighted average number of ordinary shares for the purpose of basic and diluted earnings per share	3,527,655	3,527,655
Earnings per share (USD cents)	0.0057	0.35

The effects of anti-dilutive potential ordinary shares (the Options granted under the Proposed Debt Restructuring exercise) are ignored in calculating diluted EPS in prior year. The Group does not have any dilutive options for the financial year.

11. Plant and equipment

Group 2012	Office equipment US\$'000	Motor vehicles US\$'000	Computers US\$'000	Total US\$'000
Cost				
Balance at 1 January 2012	2	—	—	2
Additions	87	216	21	324
Balance at 31 December 2012	89	216	21	326
Accumulated depreciation				
Balance at 1 January 2012	1	—	—	1
Depreciation	12	33	4	49
Balance at 31 December 2012	13	33	4	50
Carrying amounts				
At 31 December 2012	76	183	17	276

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2012

11. Plant and equipment (Continued)

Group 2011	Office equipment US\$'000	Motor vehicles US\$'000	Computers US\$'000	Total US\$'000
Cost				
Balance at 1 July 2011	2	—	—	2
Additions	—	—	—	—
Balance at 31 December 2011	2	—	—	2
Accumulated depreciation				
Balance at 1 July 2011	1	—	—	1
Depreciation	—	—	—	—
Balance at 31 December 2011	1	—	—	1
Carrying amounts				
At 31 December 2011	1	—	—	1

At the reporting date, the carrying amount of office equipment amounted to US\$27,000 (2011: Nil) was provided for reinstatement costs of office.

12. Intangible asset

Group 2012	Computer Software US\$'000	Trademarks US\$'000	Total US\$'000
Cost			
Balance at 1 January 2012	—	4,630	4,630
Additions	14	—	14
Balance at 31 December 2012	14	4,630	4,644
Accumulated impairment loss			
Balance at 1 January 2012/31 December 2012	—	4,630	4,630
Accumulated amortisation			
Balance at 1 January 2012	—	—	—
Amortisation for the year	4	—	4
Balance at 31 December 2012	4	—	4
Carrying amounts			
At 31 December 2012	10	—	10

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2012

12. Intangible asset (continued)

Group 2011	Computer Software	Trademarks	Total
	US\$'000	US\$'000	US\$'000
Cost			
Balance at 1 July 2011	—	4,630	4,630
Additions	—	—	—
Balance at 31 December 2011	—	4,630	4,630
Accumulated impairment loss			
Balance at 1 July 2011/31 December 2011	—	4,630	4,630
Carrying amounts			
At 31 December 2011	—	—	—

Company	2012	2011
	US\$'000	US\$'000
Computer software		
Balance at 1 January 2012/1 July 2011	—	—
Additions	14	—
Balance at 31 December	14	—
Accumulated amortisation		
Balance at 1 January 2012/1 July 2011	—	—
Amortisation for the year/period	4	—
Balance at 31 December	4	—
Carrying amounts		
At 31 December	10	—

The Group's trademarks are considered by management of the Group as having indefinite useful lives. The trademarks are not amortised until their useful lives are determined to be finite. Instead, the trademarks are tested for impairment annually and whenever there is an indication that they may be impaired.

As at 31 December 2011, the trademark contributed from the activity of a wholly-owned subsidiary, Bonrich - 3源 and Miele – skin care products of which has been fully impaired during the previous financial year.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2012

13. Investment in subsidiaries

	Company	
	31/12/2012	31/12/2011
	US\$'000	US\$'000
Unquoted equity shares, at cost	160	—

Particulars of the subsidiaries are as follows:-

Name of subsidiaries	Principal activities	Country of incorporation and place of business	Percentage of equity held	
			31/12/2012	31/12/2011
			%	%
<u>Held by the Company directly:</u>				
Singapore CEFC Petrochemical & Energy Pte. Ltd. ^a	Trading	Singapore	100	—
Top Dynasty Holdings Limited ("Top Dynasty") [#]	Investment holding	British Virgin Islands	100	100
<u>Held by a wholly-owned subsidiary:</u>				
<u>Top Dynasty</u>				
Bonrich Assets Limited ("Bonrich") [#]	Investment holding and management of intellectual property rights	British Virgin Islands	100	100
Top Grace Management Limited ("Top Grace") [#]	Inactive	Hong Kong	100	100
<u>Held by a wholly-owned subsidiary:</u>				
<u>Bonrich</u>				
Miellé Cosmétique Paris Limited ("Miellé") [#]	Management of intellectual property rights	British Virgin Islands	100	100

[#] Audited by Mazars LLP for consolidation purposes.

^a Audited by Mazars LLP for statutory and consolidation purposes

^{*} The cost of these investments in subsidiaries has been fully written off in prior years.

14. Other receivables

	Group		Company	
	31/12/2012	31/12/2011	31/12/2012	31/12/2011
	US\$'000	US\$'000	US\$'000	US\$'000
Deposits	162	—	—	—
Prepayment	75	—	17	—
GST receivable	9	—	—	—
	246	—	17	—

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2012

14. Other receivables (continued)

The currency profiles of the Group's and the Company's other receivables at reporting date is as follows:

	Group		Company	
	31/12/2012	31/12/2011	31/12/2012	31/12/2011
	US\$'000	US\$'000	US\$'000	US\$'000
United States dollar	14	—	14	—
Singapore dollar	232	—	3	—
	246	—	17	—

15. Amount due from a subsidiary

The amount due from a subsidiary is unsecured, non-interest bearing and repayable on demand.

Amount due from a subsidiary are denominated in the following currencies at reporting date:

	Company	
	31/12/2012	31/12/2011
	US\$'000	US\$'000
United States dollar	300	—
Singapore dollar	1,062	—
	1,362	—

16. Cash and cash equivalents

	Group		Company	
	31/12/2012	31/12/2011	31/12/2012	31/12/2011
	US\$'000	US\$'000	US\$'000	US\$'000
Cash and bank balances	7,268	17	423	15

The currency profiles of Group's and Company's cash and cash equivalents at the reporting date are as follows:

	Group		Company	
	31/12/2012	31/12/2011	31/12/2012	31/12/2011
	US\$'000	US\$'000	US\$'000	US\$'000
United States dollar	6,026	—	14	—
Euro	2	—	—	—
Singapore dollar	1,240	15	409	15
Hong Kong dollar	—	2	—	—
	7,268	17	423	15

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2012

17. Share capital

	Group and Company			
	31/12/2012		31/12/2011	
	No. of shares	US\$'000	No. of shares	US\$'000
Authorised				
Ordinary shares of HK\$0.001 each	15,000,000,000	1,931	15,000,000,000	1,931
Issued and fully paid up				
Ordinary shares of HK\$0.001 each				
At beginning of year/period	3,527,654,875	454	2,690,154,875	346
Effect of issuance share to cancel debts	—	—	837,500,000	108
At end of year/period	3,527,654,875	454	3,527,654,875	454

The Company Share Options (the "Options") were approved and adopted by its members at the Special General Meeting held on 31 January 2011 based on the terms and conditions stipulated in the Proposed Debt Restructuring exercise carried out on 10 February 2011. The option could be exercised at any time within 3 years from the grant date i.e. 10 February 2014.

On 11 August 2011, Ma Ong Kee and Sam Kok Yin had exercised their options and subscribed for a total of 837,500,000 (for 418,750,000 each of Ma Ong Kee and Sam Kok Yin) ordinary shares of the Company at S\$0.008 each. The consideration for exercising the options amounting to approximately HK\$42 million (S\$6.7 million) has been set-off against the new loan and advances from directors of approximately HK\$42 million (S\$6.7 million) outstanding on that date.

On 15 November 2011, the remaining options of 1,207,196,688 shares have been surrendered for cancellation by Ma Ong Kee and Sam Kok Yin.

18. Share premium

	Group and Company	
	31/12/2012	31/12/2011
	US\$'000	US\$'000
At beginning of year/period	18,116	12,696
Increase during the year/period	—	5,420
At end of year/period	18,116	18,116

Exercise of share option:

On 11 August 2011, the option holders, Ma Ong Kee and Sam Yok Yin had exercised their options and subscribed for a total of 837,500,000 (for 418,750,000 each of Ma Ong Kee and Sam Yok Yin) ordinary shares of the Company at S\$0.008 each. The share premium increased by US\$5.42 million (HK\$42.11 million) from US\$12.696 million (HK\$98.649 million) to US\$18.116 million (HK\$140.760 million) due to the above shares being issued at a premium of HK\$0.050282.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2012

19. Provision

Reinstatement costs of office

In accordance with lease agreement, the office premise in Singapore must be restored to its original condition at end of leasing period which will be in 2015. During the year, the Group has provided US\$31,000 for this purpose.

	2012 US\$'000	2011 US\$'000
Group		
At 1 January 2012 and 1 July 2011	—	—
Provision made during the year/period	31	—
At 31 December	31	—

20. Other payables

	Group		Company	
	31/12/2012	31/12/2011	31/12/2012	31/12/2011
	US\$'000	US\$'000	US\$'000	US\$'000
Other payables	7	200	—	178
Accrued expenses	294	—	212	—
	301	200	212	178

Other payables are denominated in the following currencies at the reporting date:-

	Group		Company	
	31/12/2012	31/12/2011	31/12/2012	31/12/2011
	US\$'000	US\$'000	US\$'000	US\$'000
United States dollar	—	18	—	18
Hong Kong dollar	3	22	—	—
Singapore dollar	298	160	212	160
	301	200	212	178

21. Amount due to holding company

The amount due to holding company is non-trade in nature, unsecured, interest-free and repayable on demand.

The amount due to holding company is denominated in the following currencies at the reporting date.

	Group		Company	
	31/12/2012	31/12/2011	31/12/2012	31/12/2011
	US\$'000	US\$'000	US\$'000	US\$'000
Hong Kong dollar	—	38	—	38
United States dollar	4,339	—	339	—
Singapore dollar	3,023	—	2,206	—
	7,362	38	2,545	38

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2012

22. Related party transactions

In addition to the transactions/information disclosed elsewhere in these financial statements, the Group had the following transactions with related parties during the year/period:

Related party transactions	Group	
	01/01/2012 to 31/12/2012	01/07/2011 to 31/12/2011
	US\$'000	US\$'000
Management fee paid by a subsidiary	—	2
Expenses paid on behalf by holding company	243	—

23. Operating lease commitments

At the reporting date, commitments in respect of non-cancellable operating leases in respect of office premises and other operating facilities are as follows:

	Group	
	31/12/2012	31/12/2011
	US\$'000	US\$'000
Future minimum lease payments payable:		
Within one year	623	—
After one year but within five years	1,012	—
Total	1,635	—

Operating lease payments represent rents payable by the Group and Company for office premises and other operating facilities. Leases are negotiated for an average term of 1 to 3 years and rentals are fixed for an average of 1 to 3 years.

24. Segment information

Management has determined the operating segments based on the reports reviewed by the chief operating decision maker.

Management considers the business from both a geographic and business segment perspective. Geographically, management manages and monitors the business in these primary geographic areas: Singapore, Hong Kong and others which are engaged in the trading of petro chemical, fuel oil and beauty products.

The Group has three reportable segments being trading of petrochemical products, fuel oil and distribution of beauty products segments.

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 operation profit or loss which is similar to the accounting profit or loss.

The accounting policies of the operating segments are the same of those described in the summary of significant accounting policies. There is no asymmetrical allocation to reportable segments. 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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2012

24. Segment information (Continued)

	Petrochemical US\$'000	Fuel oil US\$'000	Others US\$'000	Group US\$'000
01/01/2012 to 31/12/2012				
Revenue				
External customers	9,749	149,509	—	159,258
Results				
Segment profit/(loss) before tax	134	1,562	(1,370)	326
Income tax expense	(22)	(266)	163	(125)
Interest income from bank	—	—	14	14
Depreciation and amortisation	—	—	(53)	(53)
Finance cost	(1)	(1)	—	(2)
01/07/2011 to 31/12/2011				
Revenue				
External customers	—	—	1	1
Results				
Segment profit before tax	—	—	12,382	12,382

In presenting information on the basis of geographical segments, segment revenue is based on the geographical location of customers.

	Group	
	01/01/2012 to 31/12/2012	01/07/2011 to 31/12/2011
	US\$'000	US\$'000
Segment revenue by location of customers		
-Hong Kong	9,749	—
-Singapore	149,509	—
-Others	—	1
	159,258	1

Segment assets based on the geographical location of the assets. The majority of the assets of the Group are employed in Singapore of US\$285,430 (2011: Nil) at reporting date.

25. Financial risk management

Risk management is integral to the whole business of the Group. The Group has a system of controls in place to create an acceptable balance between the cost of risks occurring and the cost of managing the risks. The management continually monitors the Group's risk management process to ensure that an appropriate balance between risk and control is achieved.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2012

25. Financial risk management (continued)

Credit risks

Credit risk refers to the risk that the counterparty will default on its contractual obligations resulting in a loss to the Group. The Group has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral where appropriate, as a means of mitigating the risk of financial loss from defaults. The Group performs ongoing credit evaluation of its counterparties' financial condition and generally do not require a collateral.

The Group does not have any significant credit exposure to any single counterparty or any group of counterparties having similar characteristics at the end of each reporting date.

The Group's financial assets comprise cash and cash equivalents and other receivables.

Cash is placed with banks with high credit-ratings assigned by international credit rating agencies.

Market rate risk

Market risk is the risk that changes in market prices, such as interest rates, foreign exchange rates and equity prices will affect the Group's and the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return on risk.

Foreign currency risk

The Group incur foreign currency risk on cash and cash equivalents and various receivables and payables that are denominated in foreign currencies. The foreign currencies giving rise to this risk are primarily the Singapore dollar ("SGD"), Hong Kong dollar ("HKD") and Euro.

At present, the Group does not have any formal policies for hedging against exchange exposure.

The Group's and Company's exposure to foreign currencies at reporting date are as follows:

31/12/2012

	SGD	Group Euro	HKD
	US\$'000	US\$'000	US\$'000
Other receivables	232	—	—
Cash and cash equivalents	1,240	2	—
Other payables	(298)	—	(3)
Amount due to holding company	(3,023)	—	—
	(1,849)	2	(3)

31/12/2011

	SGD	Group Euro	HKD
	US\$'000	US\$'000	US\$'000
Cash and cash equivalents	15	—	2
Other payables	(160)	—	(22)
Amount due to holding company	—	—	(38)
	(145)	—	(58)

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2012

25. Financial risk management (Continued)

Foreign currency risk (Continued)

Foreign currency sensitivity analysis

The Group is mainly exposed to Singapore dollar (SGD).

The following table details the Group's sensitivity to a 5% change in SGD against the respective functional currencies of the Group entities. The sensitivity analysis assumes an instantaneous 5% change in the foreign currency exchange rates from the end of the financial year, with all variables held constant. The results of the model are also constrained by the fact that only monetary items, which are denominated in SGD are included in the analysis.

	Statement of comprehensive income gain/(loss)	
	Group	
	31/12/2012	31/12/2011
	US\$'000	US\$'000
USD against SGD		
- strengthened	92	7
- weakened	(92)	(7)

Liquidity risk

Liquidity risk is the risk that the Group or the Company will encounter difficulty in meeting financial obligations due to shortage of funds. The Group's and the Company's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities. The Group's and the Company's objective is to maintain a balance between continuity of funding and flexibility through the use of credit facilities.

The Group 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 fluctuations in cash flows.

The major liability is amount due from holding company of US\$7,362,000 as at the reporting date. The holding company has agreed to provide financial support to the Group and the Company to enable it to meet its liabilities as and when they fall due. The holding company further undertakes not to demand repayment of the amount due by the Company and the Group until the resources permit.

The table below summarises the maturity profile of the Group's and the Company's financial assets and liabilities at the balance sheet date based on contractual undiscounted repayment obligations.

Group	On demand or within one year US\$'000
31/12/2012	
Financial assets	
Other receivables	246
Cash and cash equivalents	7,268
Total undiscounted financial assets	7,514
Financial liabilities	
Other payables	301
Amount due to holding company	7,362
Total undiscounted financial liabilities	7,663

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2012

25. Financial risk management (Continued)

Liquidity risk (Continued)

	On demand or within one year US\$'000
31/12/2011	
Financial assets	
Other receivables	—
Cash and cash equivalents	17
Total undiscounted financial assets	17
Financial liabilities	
Other payables	200
Amount due to holding company	38
Total undiscounted financial liabilities	238

Interest rate risk

The Group is exposed to interest rate risk through the impact of rate changes on interest-bearing liabilities and assets. Interest-bearing financial assets are mainly cash and cash equivalents. Management considers that the Group was not exposed to significant interest rate risk at reporting date. The Group currently does not have a formal interest rate hedging policy.

Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern and maintain an optimal capital structure so as to maximize shareholder value.

The Company is dependent on the holding company on financial management as the Company's borrowings mainly arise from the holding company. The holding company has undertaken to provide financial support to the Company to meet its liabilities as and when it falls due. There has been no change in such policy. The Company has no significant external bank borrowings which are drawn down as and when required by management to meet the short-term fundings requirements as and when required.

The Company and the Group are not subject to any externally imposed capital requirements. The Group's overall strategy remains unchanged from 2011.

Fair value

The carrying amounts of cash and cash equivalents, other current receivables and payables, approximate their respective fair values due to the relative short term maturity of these financial instruments. The fair values of other classes of financial assets and liabilities are disclosed in the respective notes to the financial statements

26. Comparative figures

The financial year-end of the Group and of the Company was changed from 30 June to 31 December in financial year 2011. Accordingly, the comparative figures for the income statements, changes in equity, cash flows and the related notes are for 6 months from 1 July 2011 to 31 December 2011. The current financial statements were for the twelve months period from 1 January 2012 to 31 December 2012.

STATISTICS OF SHAREHOLDINGS

As at 6 March 2013

Authorised Share Capital	:	HK\$15,000,000
Issued and fully paid-up capital	:	HK\$3,527,655
Class of Shares	:	Ordinary Shares of HK\$0.001 each
Voting rights	:	One Vote per share

SIZE OF SHAREHOLDINGS	NO. OF SHAREHOLDERS	%	NO. OF SHARES	%
1 - 999	7	0.38	846	0.00
1,000 - 10,000	474	26.03	3,169,000	0.09
10,001 - 1,000,000	1,277	70.13	144,318,056	4.09
1,000,001 AND ABOVE	63	3.46	3,380,166,973	95.82
TOTAL	1,821	100.00	3,527,654,875	100.00

TWENTY LARGEST SHAREHOLDERS

NO.	NAME	NO. OF SHARES	%
1	SINGAPORE PETROCHEMICAL & ENERGY DEVELOPMENT PTE. LTD. (FORMERLY KNOWN AS SINGAPORE PETROL DEVELOPMENT CO PTE. LTD.)	2,701,614,695	76.58
2	MA ONG KEE	176,057,045	4.99
3	UOB KAY HIAN PTE LTD	140,422,999	3.98
4	TAN HUI HAR	82,522,125	2.34
5	PHILLIP SECURITIES PTE LTD	40,404,000	1.15
6	HSBC (SINGAPORE) NOMINEES PTE LTD	36,680,000	1.04
7	OCBC SECURITIES PRIVATE LTD	27,758,998	0.79
8	LAJAS FINANCIAL LTD.	20,000,000	0.57
9	CIMB SECURITIES (SINGAPORE) PTE LTD	14,807,000	0.42
10	ONG AH WHATT	10,000,000	0.28
11	MAYBANK KIM ENG SECURITIES PTE LTD	7,782,000	0.22
12	SEOH LEE MAY VIVIEN LETITIA	6,134,000	0.17
13	CHAU NYOOT FONG	6,034,111	0.17
14	WONG SIONG SWEE RONSON	5,000,000	0.14
15	CHIN KEE TONG JEFFREY	4,840,000	0.14
16	HL BANK NOMINEES (S) PTE LTD	4,434,000	0.13
17	YUEN YEW SEN	4,351,000	0.12
18	CHIEW SIEW MENG	4,250,000	0.12
19	TAN KIUK HEE (CHEN KEXI)	4,000,000	0.11
20	DBS VICKERS SECURITIES (S) PTE LTD	3,607,000	0.10
TOTAL		3,300,698,973	93.56

STATISTICS OF SHAREHOLDINGS

As at 6 March 2013

Substantial Shareholders

(as recorded in the Register of Substantial Shareholders as at 6 March 2013)

Name of Substantial Shareholder	Direct Interest	Number of Shares		Deemed Interest	%
		%			
Singapore Petrochemical & Energy Development Pte. Ltd.	2,701,614,695	76.58	—	—	
Ye Jianming ⁽¹⁾	—	—	2,701,614,695	76.58	

Notes:

- (1) Mr Ye is the sole shareholder of Singapore Petrochemical & Energy Development Pte. Ltd. He is deemed to be interested in the shares held by Singapore Petrochemical & Energy Development Pte. Ltd.

Percentage of shareholding held in the hands of public

Based on the information available to the Company as at 6 March 2013, the percentage of shareholding in the Company held in the hands of public is approximately 23.42%. At least 10% of the Company's issued ordinary shares are held by the public at all times and the Company is in compliance with Rule 723 of the SGX-ST Listing Manual.

NOTICE OF ANNUAL GENERAL MEETING 2013

NOTICE IS HEREBY GIVEN that the Annual General Meeting 2013 of CEFC International Limited (the "Company") will be held at 168 Robinson Road, FTSE Room Level 9, Capital Tower, Singapore 068912 on 18 April 2013 at 10.00 a.m. for the following purposes:

ORDINARY BUSINESS

1. To receive and adopt the Directors' Report and the Audited Accounts of the Company for the financial period ended 31 December 2012 together with the Auditor's Report thereon. **(Resolution 1)**
2. To re-elect as a director, Ms. Ju Jia who is retiring pursuant to Bye-Law 85(6) of the Company's Bye-Laws.

Ms. Ju Jia will, upon re-election as a Director of the Company, remain as the Executive Director of the Company. **(Resolution 2)**
3. To re-elect as a director, Ms. Ling Chi who is retiring pursuant to Bye-Law 85(6) of the Company's Bye-Laws.

Ms. Ling Chi will, upon re-election as a Director of the Company, remain as an Independent Director, the Chairman of the Remuneration Committee, a member of the Audit Committee and a member of the Nominating Committee. **(Resolution 3)**
4. To re-appoint Mazars LLP as the Company's Auditors and to authorise the Directors to fix their remuneration. **(Resolution 4)**
5. To approve the payment of Directors' fees of \$164,250 for the financial year ended 31 December 2012. **(Resolution 5)**
6. To approve the payment of Directors' fees of S\$270,000 for the financial year ending 31 December 2013, to be paid quarterly in arrears. **(Resolution 6)**
7. To transact any other ordinary business which may properly be transacted at an Annual General Meeting.

SPECIAL BUSINESS

8. To consider and, if thought fit, to pass the following resolution as an Ordinary Resolution, with or without modifications:

"Resolved that:

- (a) pursuant to Rule 806 of the listing rules of the Singapore Exchange Securities Trading Limited ("SGX-ST"), authority be and is hereby given to the Directors of the Company to:
 - (i) issue shares in the capital of the Company (the "Shares") (whether by way of rights, bonus or otherwise); and/or
 - (ii) make or grant offers, agreements or options that may or would require Shares to be issued, including but not limited to the creation and issue of (as well as adjustments to) warrants, debentures or other instruments convertible into Shares (collectively, the "Instruments")

NOTICE OF ANNUAL GENERAL MEETING 2013

- (b) (notwithstanding that the authority conferred by paragraph (a) of this Resolution may have ceased to be in force) the Directors be authorised to issue Shares in pursuance of any Instrument made or granted by the Directors while this Resolution was in force, at any time and from time to time upon such terms and conditions, whether for cash or otherwise, and for such purposes and to such persons as the Directors may think fit for the benefit of the Company, 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 50% 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 offered other than on a pro rata basis to shareholders of the Company (including Shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution) does not exceed 20% of the total number of issued Shares excluding treasury shares of the Company (as calculated in accordance with sub-paragraph (ii) below);
 - (ii) (subject to such calculation as may be prescribed by the SGX-ST) for the purpose of determining the aggregate number of Shares that may be issued under sub-paragraph (i) above, the percentage of the total number of issued Shares excluding treasury shares 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:
 - (aa) new Shares arising from the conversion or exercise of any convertible securities;
 - (bb) 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 Listing Manual of the SGX-ST; and
 - (cc) any subsequent bonus issue, consolidation or subdivision of Shares;
 - (iii) in exercising the authority conferred by this Resolution, the Company shall comply with the provisions of the Listing Manual of the SGX-ST for the time being in force (unless such compliance has been waived by the SGX-ST) and the Memorandum of Association and the Bye-Laws for the time being of the Company; and
 - (iv) unless revoked or varied by the Company in a general meeting, such authority shall continue to be 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 (I)]

(Resolution 7)

By Order of the Board

Ye Jianming
Executive Chairman
3 April 2013

NOTICE OF ANNUAL GENERAL MEETING 2013

Explanatory Notes:

- (1) The Ordinary Resolution 7 proposed in item 8 above, if passed, is to empower the Directors to issue Shares (as defined above) and/or Instruments (as defined above). The aggregate number of Shares to be issued pursuant to this Ordinary Resolution 7 (including shares to be issued in pursuance of instruments made or granted) shall not exceed 50% of the total number of issued shares (excluding treasury shares) of the Company, with a sub-limit of 20% 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 Ordinary Resolution 7) to shareholders. 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) will be calculated based on the total number of issued shares excluding treasury shares of the Company at the time of the passing of this Ordinary Resolution 7, after adjusting for (a) new Shares arising from the conversion or exercise of any convertible securities; (b) new Shares arising from exercise of share options or vesting of share awards outstanding or subsisting at the time of the passing of this Ordinary Resolution 7, provided the options or awards were granted in compliance with Part VIII of Chapter 8 of the Listing Manual of the SGX-ST; and (c) any subsequent bonus issue, consolidation or subdivision of Shares.

Notes:

1. Any person who holds Shares through The Central Depository (Pte) Limited and whose name appears in the Depository Register (as defined in Section 130A of the Companies Act (Chapter 50) of Singapore) shall be referred herein as the **"Depositor"**.
2. For a Depositor who is a corporation and whose name appears in the Depository Register as at a time not earlier than 48 hours prior to the time of the Annual General Meeting 2013, if it wishes to attend and vote at the Annual General Meeting 2013, such Depositor must nominate a proxy or two proxies to attend and vote at the Annual General Meeting 2013 for and on its behalf by completing the Depositor Proxy Form (in accordance with the instructions thereto) and depositing the duly completed Depositor Proxy Form at the office of the Company's Singapore Share Transfer Agent, Boardroom Corporate & Advisory Services Pte. Ltd. at 50 Raffles Place, Singapore Land Tower, #32-01, Singapore 048623, at least 48 hours before the time of the Annual General Meeting 2013. Each proxy appointed must be natural person but need not be a member of the Company.
3. For a Depositor who is a natural person and whose his name appears in the Depository Register as at a time not earlier than 48 hours prior to the time of the Annual General Meeting 2013, he need not complete and submit the Depositor Proxy Form if he is attending the Annual General Meeting 2013 in person. However, if he is unable to attend the Annual General Meeting 2013 in person but wishes to be represented at the Annual General Meeting 2013, he must complete the Depositor Proxy Form (in accordance with the instructions thereto) and deposit the duly completed Depositor Proxy Form at the office of the Company's Singapore Share Transfer Agent, Boardroom Corporate & Advisory Services Pte. Ltd. at 50 Raffles Place, Singapore Land Tower, #32-01, Singapore 048623, at least 48 hours before the time of the Annual General Meeting 2013. Each proxy appointed must be natural person but need not be a member of the Company.
4. If a Shareholder (who or which holds Shares in his/its own name) wishes to appoint a proxy/proxies, then the Shareholder Proxy Form must be completed (in accordance with the instructions thereto) and deposited at the office of the Company's Singapore Share Transfer Agent, Boardroom Corporate & Advisory Services Pte. Ltd. at 50 Raffles Place, Singapore Land Tower, #32-01, Singapore 048623, at least 48 hours before the time of the Annual General Meeting 2013.
5. The Company shall be entitled to reject any Depositor Proxy Form or Shareholder Proxy Form if it is incomplete, improperly completed, illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified on the Depositor Proxy Form or Shareholder Proxy Form, as the case may be. In addition, in the case of shares entered into the Depository Register, the Company may reject a Depositor Proxy Form if the Depositor (being the appointor) is not shown to have Shares entered against his/its name in the Depository Register as at 48 hours before the time appointed for holding the Annual General Meeting 2013 as certified by The Central Depository (Pte) Limited to the Company.

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