SUSTAINING WITH STRENGTH

CHINA TAISAN TECHNOLOGY GROUP HOLDINGS LIMITED
ANNUAL REPORT 2012

CHINA TAISAN
www.china-taisan.com

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CORPORATE **PROFILE**

China Taisan Technology Group Holdings Limited is one of the leading producers of knitted performance fabrics in the PRC. It is engaged in the knitting, dyeing and finishing of fabrics under its own "Lianjie" (连捷) brand as well as the provision of fabric-processing services.

It is one of the few approved suppliers of performance fabrics used in the manufacture of sportswear and casual wear for reputable international and domestic brands including the likes of Nike, Adidas, Umbro, Calvin Klein, Li-Ning (李宁), Anta (安踏), Metersbonwe (美特斯邦威), 361°, Qiaodan China (乔丹(中国)) and Semir (森马).

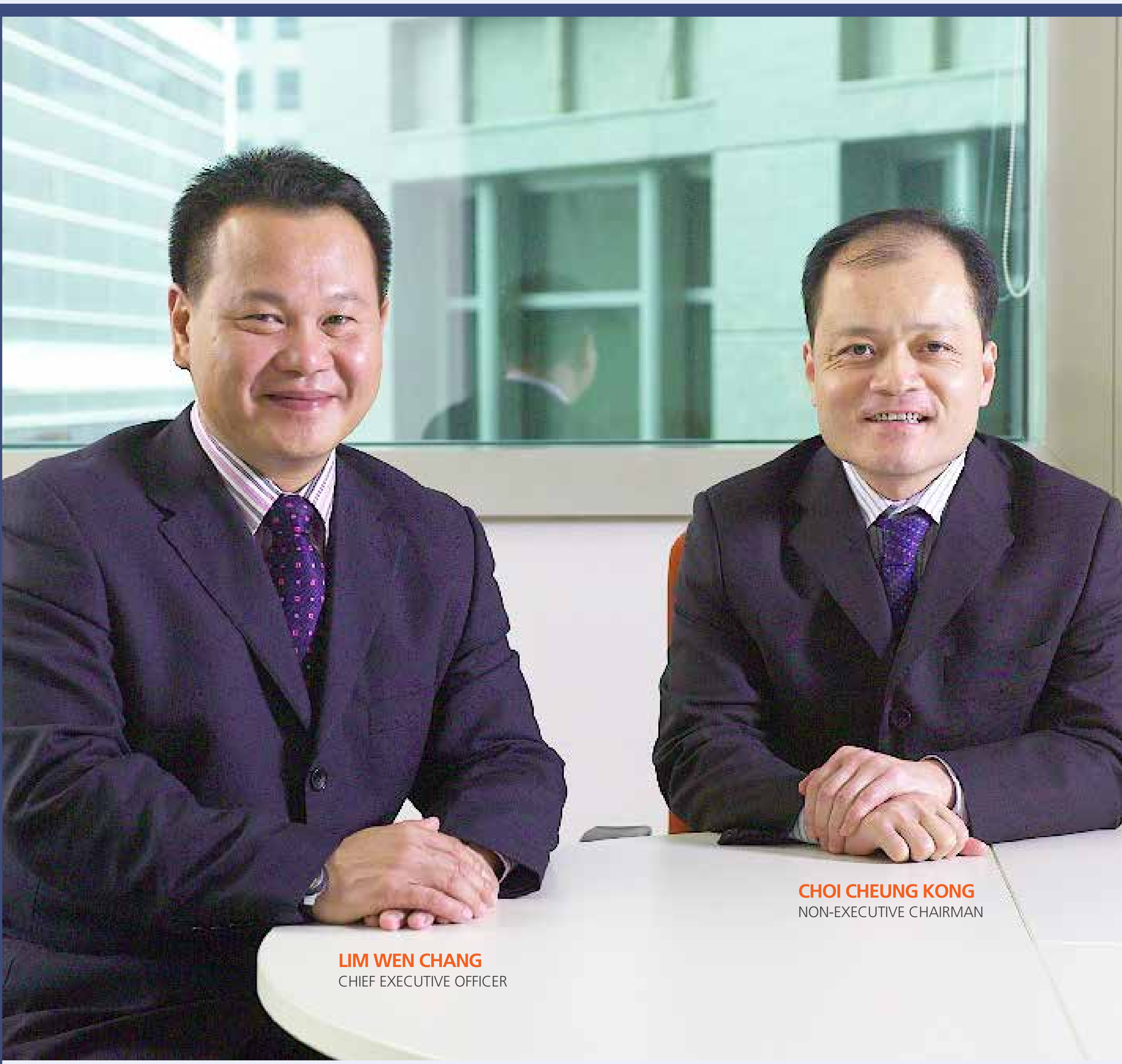
Our Chief Executive Officer and co-founder, Mr. Lin Wen Chang, is a Taiwanese and has more than 20 years' experience in the textile industry. Key positions in factory management and sales & marketing are also mostly occupied by Taiwanese. Our product R&D is staffed by a strong team of 12 R&D personnel, who are mostly Taiwanese with more than 10 over years of experience in textile industry. As Taiwan is a global leader in textile-manufacturing technology using synthetic fibre, China Taisan is able to leverage on this strong Taiwanese connection to maintain its technological edge over other PRC competitors.

The Group's production facility is strategically located in Jinjiang City, Fujian Province, otherwise known as the Sports Hub of the PRC – giving us access to the entire production chain for sports and leisure apparel in the PRC. It is therefore able to respond more quickly to customers' demands and develop long lasting relationships with many of its local customers such as Anta and 361°.

The facility has a built-up area of about 37,586 sqm and is installed with equipment incorporating advanced technologies from France, Germany, Japan and Taiwan. The facility is fully integrated and is able to support the whole fabric production process from knitting and dyeing to finishing. With an annual production capacity of about 27,650 tonnes, China Taisan is one of the largest producers of performance fabrics in the PRC.

As a testament to our product quality, our products are able to conform to international standards such as AATTC, ASTM, DIN, BSI and JIS. We are also one of the few to become certified as Öko-Tex Standard 100 compliant since 2005. We are accredited by the CICC Conformity Assessment Services Co., Ltd (中国检验认证集团质量认证有限公司) with ISO9001:2000 and ISO14001:2004. In September 2008, our subsidiary, Jinjiang Lianjie, has been awarded the title of "Fabrics China Sportswear Fabrics Pioneer Plant"("国家运动服装面料开发基地") under The Fabrics China Project, which was initiated by China Textiles Development Center(中国纺织工业协会) and China Textile Information Center(国家纺织产品开发中心) in 1999.

CHAIRMAN & CEO **STATEMENT**



CHOI CHEUNG KONG
NON-EXECUTIVE CHAIRMAN

LIM WEN CHANG
CHIEF EXECUTIVE OFFICER

The Group would continue to develop and launch several new products and re-integrate the production line so as to further differentiate ourselves from our peers.

CHAIRMAN & CEO STATEMENT (CONT'D)

Dear Shareholders,

On behalf of the Board, we are pleased to present to you the annual report of the Group for the financial year ended 31 December 2012 ("FY2012").

Year in Review

During FY2012, the global economic downturn, European debt crisis and slow economy recovery have affected the consumers' consumption behaviors and the price competition among the manufacturing industries in the PRC. Therefore, the Group's sales volumes, average selling price and margins have been impacted.

Revenue slipped 27.1% to RMB592.4 million in FY2012 from RMB812.6 million a year ago. Gross profit declined from RMB117.1 million in FY2011 to negative RMB51.9 million in FY2012 which is mainly due to the declining average selling prices by 26.1% for our performance fabrics as a result of keen competition among the fabric producers. Overall, the Group recorded a loss attributable to shareholders of RMB91.0 million (FY2011:73.3 million). Basic and diluted loss per share is RMB8.13 cents (FY2011: RMB6.57 cents).

Forging Ahead

The Group's business performance for FY2012 showed an unsatisfactory result in the face of the economy downturn in the PRC and the intensified price competition among competitors. As one of the largest performance fabric manufacturers in China, we have enhanced our communication with our customers and continued to develop new and differentiated products. The newly delivered machineries would help us to improve our efficiency and quality in production as well as to produce newer type of products to meet the ever-changing demands of our clients.

For FY2013, the Group's operating environment will remain challenging. Notwithstanding the challenges faced, the Group would continue to develop and launch several new products and re-integrate the production line so as to further differentiate ourselves from our peers.

Appreciation

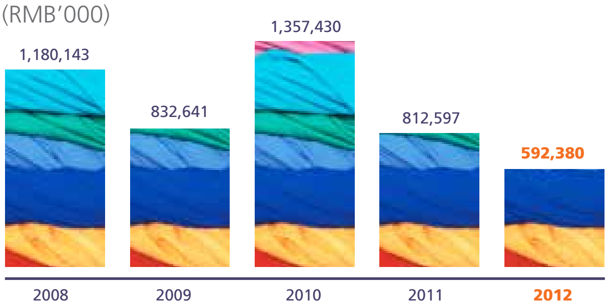
On behalf of the Board, we would like to extend our utmost appreciation to our management and staff, shareholders, business partners and customers for their dedication and commitment. We will continue to put in our best efforts to deliver value to all our stakeholders.

Choi Cheung Kong
Non-executive Chairman

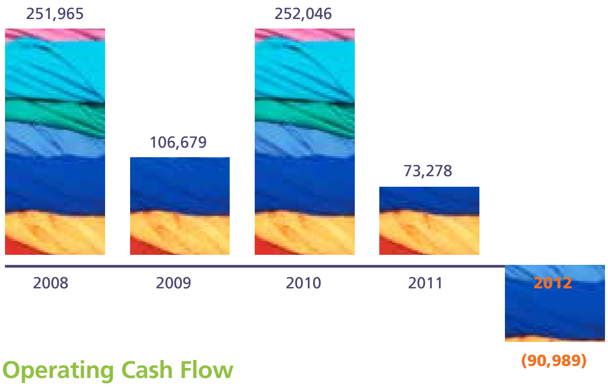
Lin Wen Chang
Chief Executive Officer

OPERATIONS & **FINANCIAL REVIEW**

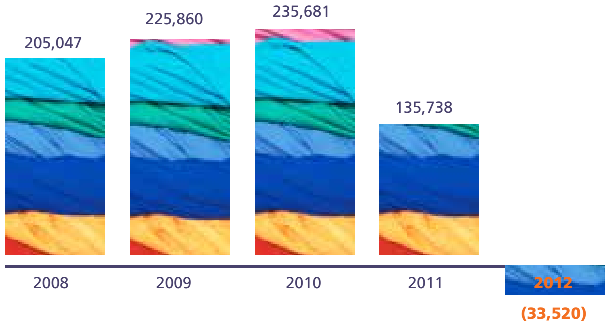
Revenue
(RMB'000)



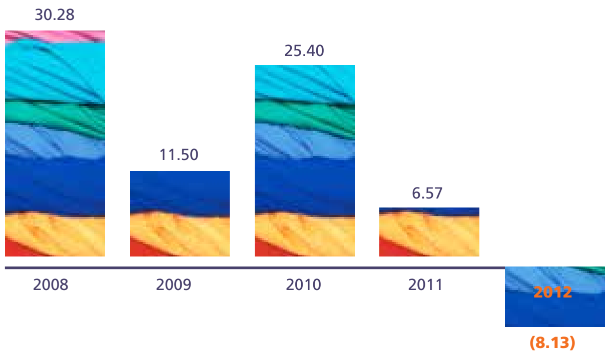
Net Profit/(Loss) attributable to shareholders
(RMB'000)



Operating Cash Flow
(RMB'000)



Earnings per Share
(RMB cents)



Financial Performance

For the full year ended 31 December 2012 ("FY2012"), the Group recorded revenue of about RMB592.4 million, down by 27.1% from RMB812.6 million in FY2011. The decrease in revenue is mainly attributed to the declining average selling prices for our performance fabrics as a result of industry competition.

On a full year basis, gross profit margin decreased by 23.2 percentage point to negative 8.8% in FY2012 from 14.4% in FY2011. FY2012 experienced a pricing pressure on the Group's products due to industry competition.

The other operating income decreased by 19.5% to RMB7.3 million from RMB9.1 million in FY2011 which was attributed to lower interest income from lower cash reserves.

The distribution cost decreased by 9.9% to RMB1.7 million from RMB1.9 million in FY2011 mainly due to lower entertainment expenses incurred in FY2012.

The administrative expenses increased by 3.2% from RMB15.0 million in FY2011 to RMB 15.5 million in FY2012. The increase is mainly due to accrual variable performance bonus during the last quarter of 2012.

The Group's other operating expenses for FY2012 increased by 290.4% compared with FY2011, which mainly due to the unallocated fixed overheads pertaining to the deprecation of plant and equipments of RMB19 million*.

The finance costs decreased by 2.2% from RMB2.5 million in FY2011 to RMB2.4 million in FY2012 due to lower average borrowing amount.

As a result of the industry downturn in FY2012, the Group recorded a loss attributable to shareholder of RMB91.0 million. Nevertheless, we were able to react decisively during the downturn to continue to roll out new products and lower our costs.

The Group's performance ratios were affected as a result of loss. The Group's Return on Equity (ROE) fell from 5.8% to negative 7.4% and Return on Capital Employed (ROCE) declined from 5.6% to negative 7.2% though the Group pared down certain amount of its borrowings in FY2012. Return on Assets (ROA) declined from 5.0% to negative 6.4%.

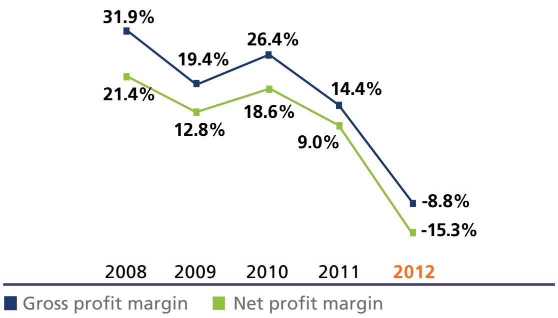
*: *The unallocated fixed overheads of plant and machinery from production cost is according to FRS 2 Inventories note 13 on "Cost of conversion".*

OPERATIONS & FINANCIAL REVIEW (CONT'D)

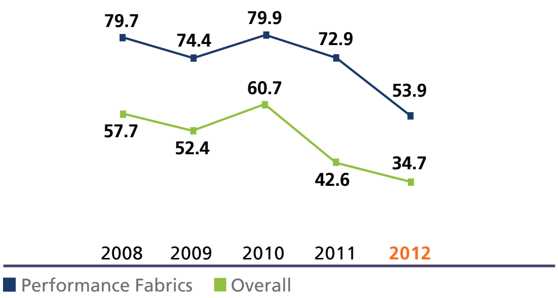
Financial Results Highlight

RMB'000	2008	2009	2010	2011	**2012**
(i) Revenue	1,180,143	832,641	1,357,430	812,597	**592,380**
(ii) Gross profit/(loss)	376,646	161,667	358,891	117,146	**(51,869)**
(iii) Profit/(loss) before income tax	343,127	144,780	340,196	99,974	**(90,988)**
(iv) Net profit/(loss) attributable to equity holders	251,965	106,679	252,046	73,278	**(90,988)**
(v) Dividend per share (RMB cents)	8.15	3.45	2.27	-	**-**

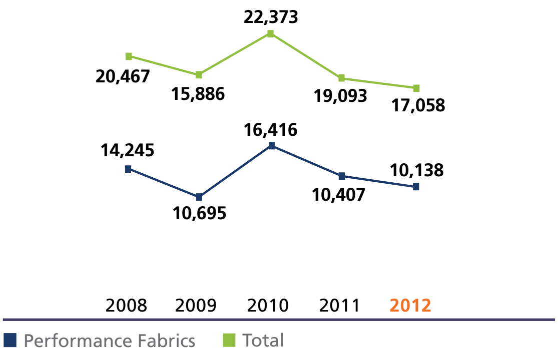
Overall Profit Margin
(%)



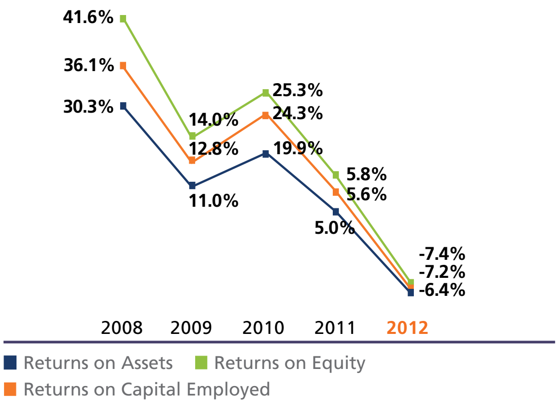
Average Selling Price per Tonne
(RMB'000)



Sales Quantity
(tonnes)



Measurement of Returns
(%)



OPERATIONS & FINANCIAL REVIEW (CONT'D)

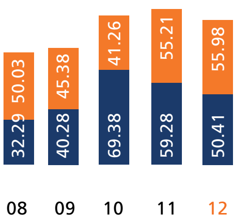
Stable Liquidity & Cash Flows

	2008	2009	2010	2011	**2012**
(i) Current Ratio (times)	3.14	3.18	4.03	5.47	**3.16**
(ii) Quick Ratio (times)	2.95	2.94	3.79	5.13	**2.95**
(iii) Cash Conversion Cycle (Days)*	41	54	27	62	**78**
(iv) Average Inventory Turnover Days*	21	29	24	36	**33**
(v) Average Trade Payables Days*	60	77	66	91	**99**
(vi) Average Trade Debtors Days*	80	103	69	118	**143**
(vii) Operating Cash Flow / Sales (%)	17.4%	25.9%	17.4%	16.7%	**-5.7%**

** Using average of relevant year-end balances for the calculation.*

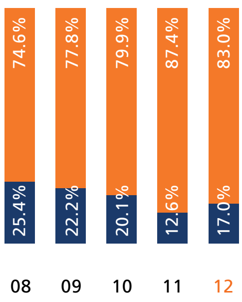
Healthy Financial Position

Net Asset/Net Cash per Share



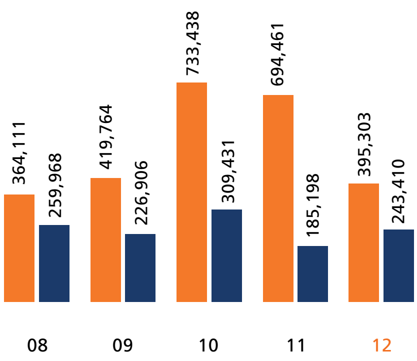
Net Asset per Share
Net Cash per Share

Total Liabilities as % of Total Assets



Total Assets
Total Liabilities

(RMB'000)



Cash and Cash Equivalent
Total Liabilities

OPERATIONS & FINANCIAL REVIEW (CONT'D)

Cash Flow Management

During FY2012, cash and bank balances decreased by 43.1% to RMB395.3 million as at 31 December2012 from RMB694.5 million as at 31 December 2011. The Group's cash outflows were mainly due to investing activities as a result of purchase of property, plant and equipment; and making loss in operating activities.

The Group recorded a cash outflow from operating activities of RMB33.5 million in FY2012, versus approximately RMB135.7 million of cash inflow for FY2011. That is mainly due to the negative margin in selling of performance fabrics.

Net cash used in investing activities of RMB260.5 million in FY2012 mainly comprised the purchase of RMB260.5 million on new production equipment during FY2012.

The Group experienced a net cash outflow of RMB5.1 million from financing activities in FY2012 mainly due to the cash repayment of bank loan amounting to RMB2.5 million (net) and payment of interest cost amounting to RMB2.4 million.

Financial Position

The Group's financial position affected by the comprehensive loss in FY2012. Our shareholders' equity decreased by 7.1% to RMB1,190.6 million as at 31 December 2012 from RMB1,281.8 million as at 31 December 2011.

Net asset value per share and net cash per share decreased to RMB106.48 cents and RMB 50.41 cents as at 31 December 2012 as a result of loss making in FY2012.

The Group's total liabilities are kept as low as 17% of our total assets as at 31 December 2012. Our cash and cash equivalents have also exceeded our total liabilities since FY2008. We believed that our healthy financial position would be advantageous in pursuing further opportunity.

PRODUCTION **PROCESS**

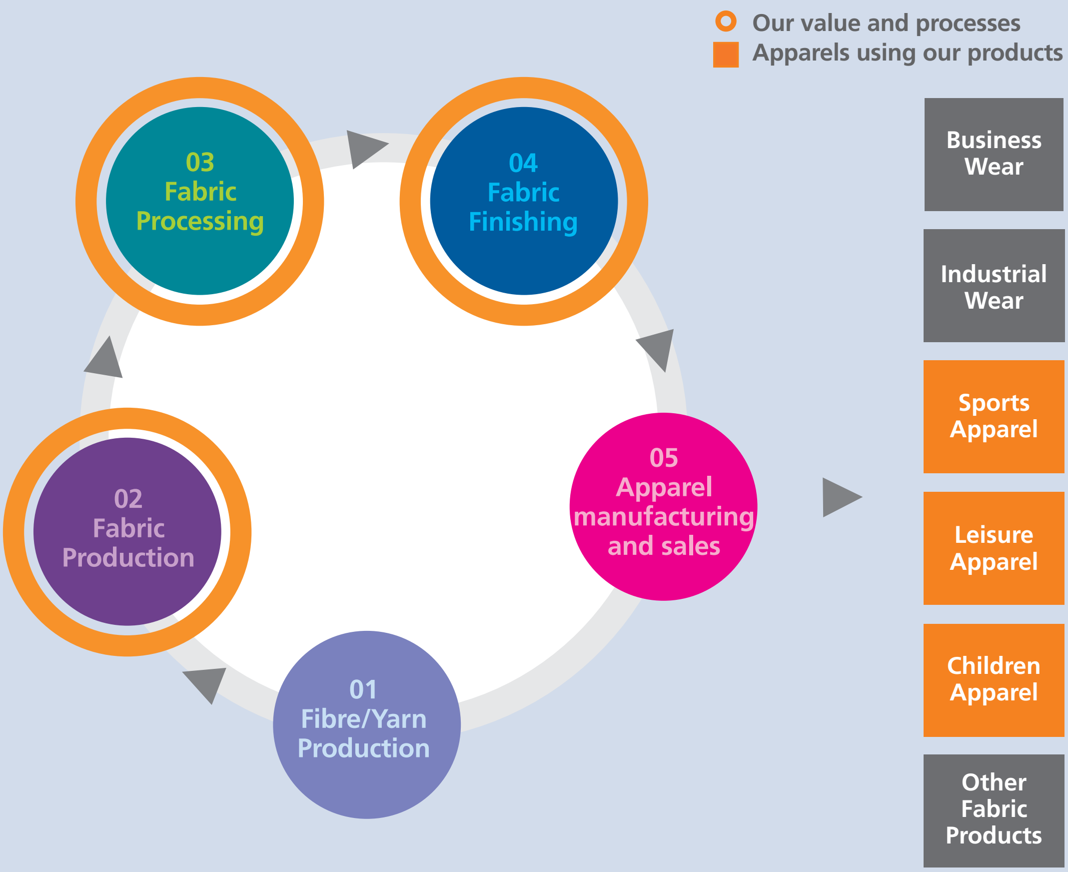
Through its fully integrated facilities, China Taisan engages in the knitting, dyeing and finishing of performance fabrics with multi-functionalities.

Fabric Production

Polyester yarns are combined with spandex yarns and knitted into premium performance fabrics, which are more elastic, using computerized multi-track electronic tubular knitting machines. The process of producing Spandex Performance Fabrics is generally more delicate and requires more advanced machines. Common unfinished fabrics that do not incorporate spandex are typically outsourced to third-party suppliers.

Fabric Processing

The fabric processing stage involves dyeing and incorporation of functionalities into knitted fabrics. Fabric passes through a dye solution and is then processed through overflow dye machines containing dye in coil form rotated at a constant speed. Using our proprietary know-how, the dye solution is blended with certain formulated chemicals and additives under specified timing, temperature, pressure, sequence and duration to produce performance fabrics with the desired characteristics or functionalities. Close monitoring is required using automated and computerized systems to ensure material uniformity in the end-desired fabrics.



PRODUCTION **PROCESS** (CONT'D)

Fabric Finishing

The fabric finishing stage enhances and sets the physical characteristics of the fabrics after dyeing by going through the following processes:

- Heat-setting
- Brushing and Napping
  (applicable to polar fleece performance fabrics only)
- Shearing (applicable to polar fleece performance fabrics only)
- Tumbling (applicable to polar fleece performance fabrics only)

PRODUCTS **HIGHLIGHT**

CHARACTERISTIC/ FUNCTION		DESCRIPTION
Integrated Breathable & Wind-Breaking		This fabric is made up of 2 layers of different fabrics with a "breathable" membrance in between. It has the function of shielding the body against wind and water, while allowing evaporation of sweat through the fabric, hence, keeping you warm in cold weather yet dry and comfortable.
Cooling Effect		This fabric provides cooling sensation upon contact and enables the skin covered by the fabric to feel at least 2° to 3° lower than the surrounding temperature.
Bamboo-Charcoal Negative Ion		This fabric has bamboo charcoal fibre which has natural anti-bacterial properties and is able to neutralize bad odour. At the same time, it emits negative ions that are beneficial to our body by improving blood circulation and body immunity.
UV-Protection		This fabric prevents penetration of harmful UV rays due to prolonged sun exposure.
Anti-Bacterial/ Anti-Odour		This fabric is resistant to or inhibits the growth of microorganisms.
Moisture Management/ Quick-Dry		This fabric allows the quick absorption of sweat and moisture from the skin surface and gives you an excellent dry touch with cool effect.
Anti-Static		This fabric inhibits the buildup of static electricity.

PRODUCTS HIGHLIGHT (CONT'D)

CHARACTERISTIC/ FUNCTION	DESCRIPTION
Anti-Wrinkle/ Crease-Resistant	This fabric is resistant to wrinkling and creasing and thus retains its original shape.
Far Infra-red	This fabric emits far infra-red rays which cause capillaries to dilate and increase blood flow and this increased flow is believed to flush away toxins and lactic acids which can cause stiffness and discomfort.
Anti-Mosquito	This fabric keeps away mosquitos and other insects.
Dust, Oil and Stain Resistant	This fabrics acts against or opposes the absorption of dust, oil and stain thus allowing for such fabric to be cleaned easily.
Recycled	This environmentally-friendly fabric is made from recycled materials and paves the way for a cleaner and better environment.
Stretchable	This fabric has strong elasticity and non-shrinking properties to allow greater ease of movement and to produce tight-fitting effect.

RISK MANAGEMENT POLICIES AND PROCESSES

Management regularly reviews the Group's business and operational activities to identify areas of significant business risks as well as appropriate measures to control and mitigate these risks. The following sets out an overview of China Taisan's approach to risk management and business control with a brief discussion of the nature and the extent of its exposure to these risks. The risk overview, however, is not exhaustive:

Market Risk

The Group's principal business is focused in a single geographical market which is the People's Republic of China. All our direct customers, the apparel manufacturers and/or fabric traders, are distributed in various regions of the mainland China, mainly in Fujian Province, Guangdong Province and Jiangsu Province. Though we supply to our direct customers within mainland China, our products could be indirectly exported out of China in the forms of their finished products, i.e. the apparels, as instructed by respective end customers, the apparel brands. Such indirect diversification implies that our market risk may not necessarily be concentrated in mainland China.

However, majority of our products are still consumed in the mainland China, which is in line with the China Taisan's strategy. The management is of the view that the presence of political stability, government's policies in broad terms and strong economic growth are favourable factors to the market development. The Group also carries its business with a well diversified group of direct customers and end customers in this market.

Nevertheless, the Group will be susceptible to any unforeseen changes in the government policies, industry regulations and market conditions. The management consistently keeps themselves updated in order to anticipate or respond to any adverse changes in an efficient and timely manner.

Business Risk

The manufacture of textile products would result in water pollution by nature. Therefore, the Group has to consistently keep up with industry regulations on environmental protection. Our factory is equipped with a reliable waste water treatment system which is constantly monitored and upgraded in accordance with local authority's requirement.

Our main raw materials are synthetic yarns like polyester and spandex which are by-products from crude oils. The costs of the raw materials are therefore indirectly affected by the fluctuation in crude oil prices. However, we manufacture our products on an "order-to-produce" business model, where our products pricing accepted by customers has taken into account of the current raw material costs. Most of our raw materials are acquired only when orders are received, at the prices incorporated in our costings for agreed selling prices.

Operational Risk

Operational risk is the potential loss caused by a breakdown in internal process, deficiencies in people and management, or operational failure arising from external events. The operational risk management process is to mitigate unexpected losses and manage expected loss.

The Group is presently operating in a single principal business location at Jinjiang City of Fujian Province, where almost all of the Group's assets are located. While the Group is growing organically, its operational processes are constantly reviewed through ISO audits and internal audit exercises so as to ensure proper internal controls are in place and business is operated efficiently. The Group also develops its people constantly to ensure that the right people are in place for the operation.

Product Risk

Our Group's success is dependent on the acceptability of its products by its customers. The management is of the view that apparel products are part of the necessity for living and commonly demanded products regardless of the economic conditions. China Taisan sells more than 20 types of broadly-categorised performance fabrics, branded under "Lianjie" (连捷) and is not reliant on the sale of any particular type of performance fabrics.

One of our key strategies is to develop new products continuously to meet the ever-changing market demands. China Taisan emphasises and invests adequately in its product R&D. We have tie up with Wuhan Textile University recently to co-develop new products to strengthen our product development capabilities. The Group targets to launch at least 3 to 5 new products each year as one of the key drivers for our growth and competitiveness.

RISK MANAGEMENT POLICIES AND PROCESSES (CONT'D)

Investment Risk

The Group grows its businesses through organic growth of its existing activities, development of new products and capabilities. Investment activities are evaluated through performing due diligence exercise and are supported by external professional advices. All business proposals are reviewed by the Company's Board of Directors and its senior management before obtaining final Board approval.

Foreign Exchange Risk

The foreign exchange risk of the Group arises from the Company's transactions and the translation of cash deposits denominated in currencies other than Chinese Renminbi. The currencies giving rise to this risk are primarily Singapore dollars, U.S. dollars and New Taiwan dollars.

The Group does not have any formal hedging policy against foreign exchange fluctuations. However, it continuously monitors the exchange rates of major currencies and enters into currency hedging contracts with banks from time to time whenever the management detects any movements in the respective exchange rates which may impact the Group's profitability.

The Group's exposure to foreign exchange risk is minimal as the cash and bank balances kept in foreign currencies accounts are insignificant as at 31 December 2012. These cash and bank balances are converted to the respective presentation currencies of the Group's companies on a need-to basis only.

Credit Risk

Credit risk is the potential financial loss resulting from the failure of a customer or counterparty to settle its financial and contractual obligations to the Group as and when they fall due.

Credit risk is managed through the application of credit approvals, setting credit limits, background search and monitoring procedures. Cash terms and advance payments are required for customers with lower credit standing. For customers exceeding their credit terms, we would meet these customers to resolve the payment in deciding whether an extension in credit terms would be granted. The management takes into consideration of factors such as long-term relationships, payment history, creditworthiness and financial position of the customers. As we practice strict credit control policies, the Group does not expect to incur material credit losses on its receivables or other financial instrument, if any.

Interest Rate Risk

The Group aims to manage the extent to which the Group's results could be affected by the movement in interest rate.

As at 31 December 2012, the Group's cash and cash equivalents stood at RMB395.3 million. The Group's cash balances are placed with reputable banks and financial institutions. Additional financing, required, can be obtained through banking facilities and finance lease arrangements. The Group's policy is to obtain the most favourable interest rates available without increasing its foreign currency exposure.

Liquidity Risk

The Group manages its liquidity of funds available in order to meet the contractual and financial obligations as and when they fall due.

The Group monitors its net operating cash flow and maintains a level of cash and cash equivalents deemed adequate by management for working capital purposes so as to mitigate the effect of fluctuations in cash flows. The Group has minimal liquidity risk as it maintains adequate working capital to meet its obligations as and when they fall due.

Derivative Financial Instrument Risk

The Group does not hold or issue derivative financial instruments for trading purposes.

BOARD OF DIRECTORS

Choi Cheung Kong (蔡长江) is our co-founder and Non-Executive Chairman and was appointed to our Board on 8 October 2007. Since the establishment of our subsidiary, Jinjiang Lianjie Textile Printing & Dyeing Industrial Co., Ltd ("Lianjie"), he only acted in a non-executive role within Lianjie and is not involved in the daily operations of Lianjie. Prior to the founding of our Group, Mr. Choi was involved in various businesses, including the manufacturing of umbrella, property development and running of restaurants, for which he founded several companies and assumed an executive role. Since 2003 to date, Mr. Choi has been engaged in the business of granite quarrying through Ganzhou Leijie Stone Co., Ltd, a company founded by him. Mr. Choi is the vice chairman of Hong Kong Dong Shi Town Fraternal Association Ltd (香港东石镇同乡联谊会) and the Honorary Chairman of the Dongshi Chamber of Commerce (晋江东石商会).

Lin Wen Chang (林文章) is our co-founder and CEO, overseeing the daily operations of Lianjie as well as helming the production, R&D, procurement, administration and HR departments. He was appointed to our Board on 14 January 2008. Mr. Lin has more than 20 years of experience in the textile industry. He graduated from Oriental Academy of Industry, Taiwan (亚东工业专科学校)(presently known as Oriental Institute of Technology, Taiwan (亚东技术学院)) in 1983 with a certificate in dyeing and finishing for fabrics. Prior to the founding, Mr. Lin had worked in various fabric manufacturing and dyeing companies in Taiwan: from 1992 to 1996, he served as a senior engineer in Jiewen Dyeing Company (捷稳染整公司); from 1988 to 1991, he served as a senior engineer in Nan Yang Dyeing & Finishing Co., Ltd (南洋染整公司); and from 1986 to 1988, he was the team leader of the technical department of Far East Textile Co., Ltd (远东纺织印染公司). Mr. Lin is the Chairman of Taiwan Fund Enterprises Institution, Jinjiang City, Fujian Province (福建省晋江市台资企业协会) and the vice chairman of Taiwan Fund Enterprises Institution, Quanzhou City, Fujian Province (福建省泉州市台资企业协会).

Chen Jia Ji (陈家籍) is our executive director and was appointed to our Board on 17 August 2011. He has been with us since the establishment of Lianjie in 1996. He is the Vice General Manager of our subsidiary, Jinjiang Lianjie Textile & Printing Dyeing Industrial Co., Ltd and is responsible for assisting our CEO and General Manager in the daily operations. Mr Chen is also a director of Liangjie.

BOARD OF DIRECTORS (CONT'D)

Tsang Siu For Thomas (曾兆科) is our Independent Director and was appointed to our Board on 14 April 2008. He is also the Chairman of our Audit Committee. He has more than 15 years of audit experience with professional accounting firms such as KPMG, Ernst & Young, PricewaterhouseCoopers in Hong Kong, Beijing and Singapore. He has managed various portfolios of clients comprising multinational corporations and was responsible for the entire management of audit of clients from planning, directing and complete handling of administrative matters. He is currently a partner in charge of initial public offering assignments, audit of listed companies and financial due diligence with LTC LLP in Singapore. Mr Tsang is currently a practicing member of the Institute of Certified Public Accountants of Singapore, and a fellow member of Association of Chartered Certified Accountants (ACCA). He has also been an associate member of Hong Kong Institute of Certified Public Accountants since 1997. Mr Tsang graduated with a Diploma in Accountancy from Chai Wan Technical Institute in Hong Kong in 1990 and thereafter, in 2003, he completed his MBA degree from the University of Warwick, England. Mr Tsang also obtained a Diploma in International Financial reporting from ACCA in 2005.

Dr. Fu Xiao Bin (傅小斌博士) is our Independent Director and was appointed to our Board on 14 April 2008. He is also the Chairman of our Nominating Committee. He is currently the assistant general manager of China Potevio Shanghai Industrial Park Development Company (中国普天信息产业上海工业园发展公司). Between 2004 and 2005, Dr Fu was the assistant general manager of China Marketing Media Holdings, Inc where he was tasked with managing investing and overseas financing. Between 2003 and 2004, he was the assistant general manager of Shenzhen Youyi Co. (深圳友谊有限公司) and was responsible for the implementation of a management and employee buy-out. Dr Fu graduated from Xi'an Jiaotong University (西安交通大学) with a Bachelor of Technology Economy Degree in 1994 before obtaining his Master Degree for System Engineering from Xi'an Jiaotong University (西安交通大学) in 1997. In 2003, he completed his Ph.D. in Management in the aforesaid university.

John Ngan See Juan (严世远) is our Independent Director and was appointed to our Board on 29 February 2012. He is also the member of Audit and Nominating Committees. He is currently the Audit Director of Audit Alliance. From 2010 to 2011, Mr Ngan worked as the Chief Financial Officer in several international companies. He has more than 10 years of audit experience with professional accounting firms such as Foo Kon Tan Grant Thornton, KPMG and PricewaterhouseCoopers in Singapore. He is currently a member of the Institute of Certified Public Accountants of Singapore and a fellow member of Association of Chartered Certified Accountants (ACCA).

KEY MANAGEMENT

Cai Bing Huang (蔡炳煌)
is our General Manager and has been with us since the establishment of Lianjie in 1996. He is responsible to oversee the operations of administration, human resources and procurement departments. Prior to August 2010, he was the sales and marketing manager and assisted in the running of the sales & marketing department.

Cai Jin Ding (蔡金頂)
is our Sales & Marketing Manager and has been with us since the establishment of Lianjie in 1996. He currently runs the sales & marketing department. He is responsible for developing sales and marketing strategies, recommending products to existing customers, maintaining customer relationships and providing our customers with after sales services, securing new customers and monitoring and analysing market and industry trends.

Yang Shun Fu (杨顺福)
is our Senior Accounting Manager and has been with us since October 2004, overseeing our accounting & finance departments of our subsidary. Mr. Yang graduated with a diploma in 1993 from Quanzhou City Li-ming Vocational College (泉州市黎明职业大学). From 1997 to 2004, he worked as an accounting manager in Jinjiang City Jin-fang Spinning and Dyeing Co., Ltd (晋江市晋纺印染织造有限公司). From 1993 to 1997, Mr. Yang provided freelance accounting services.

Liu Yi (刘毅)
is our Group Financial Controller and has been with our Group since September 2011. He is responsible for the financial and accounting, corporate finance and investor relations functions of our Group. Prior to joining our Group, Mr. Liu was the Audit Supervisor in Mazars LLP, where he managed various portfolios of clients, comprising international corporations and was responsible for the entire supervision of audit of clients, from planning to finalisation. Mr. Liu has obtained his qualification from Association of Chartered Certified Accountants and graduated with a Bachelor of Applied Accounting Degree from Oxford Brookes University in 2006. Mr. Liu is presently a member of the Association of Chartered Certified Accountants (ACCA) and the Institute of Certified Public Accountants of Singapore (ICPAS).

CORPORATE **GOVERNANCE**

The Board of Directors and management of China Taisan Technology Group Holdings Limited (the "**Company**") are committed to maintaining a high standard of corporate governance by complying with the principles and guidelines of the new Code of Corporate Governance 2012 (the "**Code**") issued by the Corporate Governance Committee. Good corporate governance is an integral element of a sound corporation as it promotes corporate transparency and protects and enhances shareholders' interest. This statement outlines the main corporate governance practices and processes that were in place since the financial year beginning on 1 January 2012.

(A) BOARD MATTERS

Board's Conduct of its Affairs

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

For FY2012, the Board of Directors (the "**Board**") comprises two executive directors, a non-executive director, and three independent directors, all having the right core competencies and diversity of experience which enable them to effectively contribute to the Company. On 29 February 2012, Mr Ngan See Juan was appointed as an independent director and Mr Ng Weng Wei ceased to be a director with effect from 27 April 2012. Pursuant to the aforesaid appointment and resignation, the Board now comprises six directors as at the date of this Annual Report.

The Board's primary role is to provide entrepreneurial leadership, set strategic aims and ensure that the necessary financial and human resources are in place for the Group to meet its objectives, to conduct periodic reviews of the Group's internal controls, financial performance, compliance practices and resource allocation as well as to protect and enhance long-term shareholder value. It sets the overall strategy for the Group and review management performance. To fulfill this role, the Board is responsible for the overall corporate governance of the Group including establishing a framework of prudent and effective controls which enables risks to be identified, assessed and managed, safeguarding shareholders' interests and the Group's assets, setting its strategic direction, establishing goals for management and monitoring the achievement of these goals.

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 also constantly monitored. The Board has also established a framework for the management of the Group including a system of internal control.

The Board currently holds at least four scheduled meetings each year. In addition, it holds additional meetings at such other times as may be necessary to address any specific significant matters that may arise.

The agenda for meetings is prepared in consultation with the Chief Executive Officer ("**CEO**"). Standing items include the management report, financial reports, strategic matters, governance, business risk issues and compliance. Executives are regularly invited to attend Board meetings to provide updates on operational matters.

CORPORATE **GOVERNANCE (CONT'D)**

Board and Board Committee Meetings

From 1 January 2012 to the date of this report, the Board held five meetings and the attendance of each Director at every Board and Board Committee meeting is as follows:

Name	Board		Audit Committee		Nominating Committee		Remuneration Committee	
	No. of meetings held	No. of meetings attended	No. of meetings held	No. of meetings attended	No. of meetings held	No. of meetings attended	No. of meetings held	No. of meetings attended
Mr Choi Cheung Kong (Non-executive Director & Chairman)	5	5	5	5*	2	2	2	2
Mr Lin Wen Chang (Executive Director & CEO)	5	5	5	5*	2	2*	2	2*
Mr Chen Jia Ji (Executive Director)	5	5	5	5*	2	2*	2	2*
Mr Tsang Siu For Thomas (Independent Director)	5	5	5	5	2	2*	2	2*
Mr Ng Weng Wei[1] (Independent Director)	5	1	5	2	2	1*	2	1
Dr Fu Xiao Bin (Independent Director)	5	5	5	5	2	2	2	2
Mr Ngan See Juan[2] (Independent Director)	5	5*	5	3*	2	1*	2	1*

Notes:

(1) Mr Ng Weng Wei has ceased to be a director with effect from 27 April 2012.

(2) Mr Ngan See Juan was appointed as an independent director with effect on and from 29 February 2012; however, he was invited to attend the Board meeting held on 24 February 2012.

* Attendance by invitation.

Matters Requiring Board Approval

The Board's approval is required for matters such as corporate restructuring, mergers and acquisitions, major investments, material acquisitions and disposals of assets, major corporate policies on key areas of operations, the release of the Group's quarterly and annual results, interested person transactions of a material nature, and declaration of interim dividends and proposal of final dividends. All other matters are delegated to committees whose actions are reported to and monitored by the Board.

Training of Directors

Directors receive appropriate induction training and coaching to develop individual skills as required. 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; and they also have the opportunity to visit the Group's operational facilities and meet with management to gain a better understanding of business operations.

CORPORATE **GOVERNANCE (CONT'D)**

The Company does not have a formal training program for new directors. However, to assist the Board in discharging its duties, a newly appointed director will be briefed on the business operations and regulatory issues relating to the Group. Directors are also informed of regulatory changes affecting the Group. In addition, the Board encourages its members to participate in seminars and receive training to improve themselves in the discharge of their duties as directors.

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

For FY2012, the Board comprises six directors of which three are independent directors. The independent directors are Mr Tsang Siu For Thomas, Mr Ngan See Juan and Dr Fu Xiao Bin. 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, its 10% shareholders 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. As at the date of this Annual Report, there are no independent directors of the Company who sit on the board of the Company's principal subsidiaries.

The composition of the Board is determined in accordance with the following principles:

- The Board should comprise a sufficient number of directors to fulfill 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.

- There should be a strong and independent element on the Board, with at least one-third of the Board made up of independent directors.

- At least half of the Board should be comprised of independent directors where:

  (i) the chairman of the Board ("**Chairman**") and the CEO (or equivalent) is the same person;

  (ii) the Chairman and the CEO are immediate family members;

  (iii) the Chairman is part of the management team; or

  (iv) the Chairman is not an independent director.

- 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.

With three out of six directors deemed to be independent, the Board is able to exercise independent judgment on corporate affairs and provide management with a diverse and objective perspective on issues. Furthermore, the Board will be able to interact and work with the management team through a robust exchange of ideas and views to help shaping the Company's strategic direction.

The composition of the Board is reviewed on an annual basis by a Nominating Committee to ensure that the Board has the appropriate mix of expertise and experience, and collectively possess the necessary core competencies for effective functioning and informed decision-making. When 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 Committee, in consultation with the Board, determines the selection criteria and selects candidates with the appropriate expertise and experience for the position.

CORPORATE **GOVERNANCE (CONT'D)**

The role of the non-executive and 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 executive 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 Board considers its non-executive and independent directors to be of sufficient calibre and number and their views to be of sufficient weight that no individual or small group can dominate the Board's decision-making processes. The non-executive and independent directors have no financial or contractual interests in the Group other than by way of their fees and shareholdings as set out in the Report of the Directors.

The Board is of the view that its current composition of six directors is appropriate taking into account the scope and nature of the operations of the Company and of the Group.

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

Mr Choi Cheung Kong, who is the Non-executive Chairman and Mr Lin Wen Chang the CEO of the Company are not related to each other. Mr Lin is responsible for the day-to-day management of the affairs of the Company and the Group. He leads in business development and expansion of the Group and ensures that the Board is kept updated and informed of the Group's business.

The Chairman's responsibilities include:

- leading the Board to ensure its effectiveness on all aspects of its role;
- setting the agenda and ensuring that adequate time is available for discussion of all agenda items, in particular strategic issues;
- promoting a culture of openness and debate at the Board;
- ensuring that the Directors receive complete, adequate and timely information;
- ensuring effective communication with shareholders;
- encouraging constructive relations within the Board and between the Board and Management;
- facilitating the effective contribution of non-executive Directors in particular; and
- promoting high standards of corporate governance.

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

The Nominating Committee ("NC") as at the date of this Annual Report comprises Dr Fu Xiao Bin as the chairman, and Mr Ngan See Juan and Mr Choi Cheung Kong as members, the majority of whom are independent.

The Board has approved the written terms of reference of the NC. The NC performs the following functions:

(a) reviewing of Board succession plans for directors, in particular, the Chairman and for the CEO;

CORPORATE **GOVERNANCE (CONT'D)**

(b) developing a process for evaluation of the performance of the Board, its committee and directors;

(c) reviewing training programs for the Board;

(d) making recommendations to the Board on the appointment of new executive and non-executive directors, including making recommendations on the composition of the Board generally and the balance between executive and non-executive Directors appointed to the Board;

(e) regularly reviewing the Board structure, size and composition and make recommendations to the Board with regards to any adjustments that are deemed necessary;

(f) determining the process for search, nomination, selection and appointment of new board members and be responsible for assessing nominees or candidates for appointment or election to the Board, determining whether or not such nominee has the requisite qualifications and whether or not he/she is independent;

(g) making plans for succession, in particular for the Chairman and Chief Executive;

(h) determining, on an annual basis, if a Director is independent. If the NC determines that a Director, who has one or more of the relationships mentioned under the Code is in fact independent, the Company should disclose in full, the nature of the Director's relationship and bear responsibility for explaining why he should be considered independent. The NC may at its discretion determine a Director as non-independent even if he has no business or, other relationships with the Company, its related companies or its officers;

(i) making recommendations to the Board for the continuation (or not) in services of any Director who has reached the age of seventy (70) years, where appropriate;

(j) recommending Directors who are retiring by rotation to be put forward for re-election;

(k) deciding whether or not a Director is able to and has been adequately carrying out his/her duties as a Director of the Company, particularly when he/she has multiple board representations (the NC shall, inter alia, recommend to the Board internal guidelines to address the competing time commitments faced by directors who serve on multiple boards); and

(l) assessing the effectiveness of the Board as a whole and assessing the effective contribution and commitment of each individual Director to the effectiveness of the Board. The results of the performance evaluation will be reviewed by the Chairman and the assessment shall be disclosed annually.

The directors submit themselves for re-nomination and re-election at regular intervals of at least once every three years. The Company's Articles and Association provides that one third of the Board[(1)], or the number nearest to one third is to retire by rotation at every Annual General Meeting ("AGM"). In addition, the Company's Articles of Association also provides that newly appointed directors are required to submit themselves for re-nomination and re-election at the next AGM of the Company.

CORPORATE **GOVERNANCE (CONT'D)**

The dates of appointment and last re-election of each director are set out below:

Name of Director	Date of Appointment	Date of Last Re-election	Directorship in Listed Company	
			Present	Past Preceding 3 years
Choi Cheung Kong	8 Oct 2007	29 Apr 2011	China Taisan Technology Group Holdings Limited	NIL
Lin Wen Chang	14 Jan 2008	Not Applicable (1)	China Taisan Technology Group Holdings Limited	NIL
Chen Jia Ji	17 Aug 2011	27 Apr 2012	China TaisanTechnology Group Holdings Limited	NIL
Tsang Siu For Thomas	14 Apr 2008	27 Apr 2012	China Taisan Technology Group Holdings Limited Contel Corporation Limited Yong Xin International Holdings Ltd	NIL
Dr Fu Xiao Bin	14 Apr 2008	29 Apr 2011	China Taisan Technology Group Holdings Limited Greater China Precision Components Limited	NIL
Ngan See Juan	29 Feb 2012	27 Apr 2012	China Taisan Technology Group Holdings Limited	NIL

(1) In accordance with the Company's Articles of Association, our Chief Executive Officer, Mr Lin Wen Chang, is not subject to retirement by rotation while he is the managing director of the Company and continues to hold that position, and he shall not be taken into account in determining the rotation of retirement of directors.

Other key information on the individual directors of the Company is set out in pages 14 to 15 of this Annual Report. Their shareholdings in the Company are also disclosed in the Report of the Directors. None of the directors hold shares in the subsidiary of the Company.

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

The NC has established a process for assessing the effectiveness of the Board as a whole and its committees and for assessing the contribution by Chairman and each individual director to the effectiveness of the Board. At the end of each financial year, a Board evaluation is conducted. The performance criteria for the Board evaluation includes an evaluation of the size and composition of the Board, the Board's access to information, accountability, Board processes, Board performance in relation to discharging its principal responsibilities.

The Board and the NC have endeavoured to ensure that directors appointed to the Board possess the experience, knowledge and skills critical to the Group's business, so as to enable the Board to make sound and well-considered decisions.

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

Directors receive a regular supply of information from management about the Group so that they are equipped to play as full a part as possible in Board meetings. Detailed Board papers are prepared for each meeting of the Board. The Board papers include sufficient information from management on financial, business and corporate issues to enable the directors to be properly briefed on issues to be considered at Board meetings. Information provided includes background or explanatory information relating to matters to be brought before the Board, copies of disclosure documents, budgets, forecasts and internal financial statements.

CORPORATE **GOVERNANCE (CONT'D)**

All directors have unrestricted access to the Company's records and information and receive detailed financial and operational reports from senior management during the year to enable them to carry out their duties. Directors also liaise with senior management as required, and may consult with other employees and seek additional information on request.

All directors have separate and independent access to the company secretary. The company secretary administers, attends and prepares minutes of all Board meetings, and assists the Chairman in ensuring that Board procedures are followed and reviewed so that the Board functions effectively, and the Company's memorandum and articles and relevant rules and regulations, including requirements of the Companies Act and the Singapore Exchange Securities Trading Limited (SGX-ST), are complied with.

The Company does not have a formal training program for new directors. However, to assist the Board in discharging its duties, a newly appointed director will be briefed on the business operations and regulatory issues relating to the Group. Directors are also informed of regulatory changes affecting the Group. In addition, the Board encourages its members to participate in seminars and receive training to improve themselves in the discharge of their duties as directors. Should directors, whether as a group or individually, need independent professional advice in the furtherance of their duties the cost of such professional advice will be borne by the Company.

(B) REMUNERATION MATTERS

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

The Remuneration Committee ("**RC**") comprises non-executive directors. Pursuant to the cessation of Mr Ng Weng Wei, the NC and the Board appointed Mr Ngan See Juan as the Chairman of the Remuneration Committee and Dr Fu Xiao Bin and Mr Choi Cheung Kong as members, the majority of whom, including the chairman, are independent.

The Board has approved the written terms of reference of the RC. The RC performs the following functions:

(a) reviewing and recommending to the Board, a framework of remuneration and to determine the specific remuneration packages and terms of employment for:

- each Director;
- the CEO (or executive of equivalent rank) if the CEO is not a Director;
- senior management of the Group; and
- employees related to directors or substantial shareholders of the Group.

(b) Convening RC meetings as the RC deems appropriate. The RC should meet at least once a year and meetings should be organized such that attendance is maximised. A meeting may be called, at any other time, by the Chairman or any member of the RC. Director or Management may be invited to the meetings.

(c) The Secretary of the RC shall be the Company Secretary for the time being or, such other person as may be nominated by the RC.

(d) The Secretary shall attend all meetings and minute the proceedings thereof.

(e) Minutes of all meetings shall be confirmed by the Chairman of the meeting and circulated to all members of the RC.

CORPORATE **GOVERNANCE (CONT'D)**

(f) If the Chairman of the RC so decides, the minutes shall be circulated to other members of the Board. Any Director may obtain copies of the minutes of RC meetings, provided there is no conflict of interest and with the agreement of the Chairman.

(g) The notice of each meeting of the RC, confirming the venue, date and time and enclosing an agenda of items to be discussed, shall other than under exceptional circumstances, be forwarded to each member of the RC at least three (3) working days prior to the date of the meeting.

(h) Recommending to the Board, the Share Option Schemes or any other performance bonus schemes which may be set up from time to time and to do all acts necessary in connection therewith.

(i) Carrying out its duties in the manner that it deems expedient, subject always to any regulations or restrictions that may be imposed upon the RC by the Board of Directors from time to time.

(j) As part of its review, the RC shall ensure that:

i. all aspects of remuneration including directors' fees, salaries, allowances, bonuses, options and benefits-in-kind should be covered;

ii. the remuneration packages should be comparable within the industry and comparable companies and shall include a performance-related element; and

iii. 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 RC do not participate in any decision concerning their own remuneration.

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

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.

The remuneration of the Chief Executive Officer Lin Wen Chang, is based on the service agreement entered into between Mr Lin Wen Chang and the Company on 1 January 2008. The service agreement has been renewed on the same terms for a period of 3 years, effective from 1 January 2011 and renewable thereafter.

In determining the remuneration of the non-executive Directors, the RC ensures 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 non-executive Directors.

The RC ensures that non-executive 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 non-executive Directors. The Board will recommend the remuneration of the non-executive Directors for approval at the AGM.

CORPORATE **GOVERNANCE (CONT'D)**

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

Details of remuneration paid to the Directors and top 5 key management personnels are set out below:

Remuneration band and Name	Fees	Salary	Bonus	Others	Total
Directors					
Between S$200,000-250,000					
Mr Lin Wen Chang	–	100%	–	–	100%
Between S$50,000-S$100,000					
Mr Chen Jia Ji	–	99%	–	1%	100%
Below S$ 50,000					
Mr Choi Cheung Kong	–	–	–	–	–
Mr Tsang Siu For Thomas	100%	–	–	–	100%
Mr Ng Weng Wei[2]	100%	–	–	–	100%
Dr Fu Xiao Bin	100%	–	–	–	100%
Mr Ngan See Juan[1]	100%	–	–	–	100%
Key Management Personnels					
Between S$50,000-S$100,000					
Mr Cai Bing Huang	–	99%	–	1%	100%
Mr Liu Yi	–	82%	7%	11%	100%
Below S$ 50,000					
Mr Yang Shun Fu	–	99%	–	1%	100%
Mr Cai Jin Ding	–	98%	–	2%	100%

The Company does not have any employees who are immediate family members of a Director or the CEO, whose remuneration exceeded S$150,000 during the financial year ended 31 December 2012.

The Company does not have any employee share schemes.

Notes:

(1) Mr Ngan See Juan was appointed as a Director with effect from 29 February 2012.
(2) Mr Ng Weng Wei ceased to be a Director on 27 April 2012.

The breakdown of the remuneration of the top executives of the Group is not disclosed in the Annual Report due to the confidentially and avoidance of poaching of the Company's staff.

The Company is not disclosing the remuneration of the Directors and the top executives of the Group to the nearest thousand but in bands of S$50,000 as it believes that such detailed disclosure is not necessary for good corporate governance and wishes to keep it confidential for commercial reasons.

CORPORATE **GOVERNANCE (CONT'D)**

(C) ACCOUNTABILITY AND AUDIT

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

Our Company announces its financial results on a quarterly basis and other information via SGXNET in accordance with the requirement of SGX-ST. The Company aims to provide the shareholders with a detailed analysis, explanation and assessment of the Group's financial position and prospects.

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

The Board 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 Board reviews regularly the adequacy and effectiveness of the Company's risk management and internal control systems, including financial, operational, compliance and information technology controls. The Board is of the opinion that the internal controls, including financial, operational, compliance and information technology controls and risk management systems are adequate and effective.

Mr Liu Yi, as the Financial Controller of the Group, is responsible for the accounting and financial function as well as the financial reporting of the Group.

The Board has also received assurance from the CEO and the Finance Controller:

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

(b) regarding the effectiveness of the Company's risk management and internal controls system.

The AC reviews the Group's system of internal controls, including financial, operational and compliance controls, and risk management policies and systems established by management. This ensures that such system is sound and adequate to provide reasonable assurance of the adequacy and effectiveness of the internal controls, addressing financial, operational and compliance risks. The Audit Committee has commissioned an internal audit department, led by Mr Stanley Lee, to review the Company and its subsidiary's internal controls function for its assurance and receive periodic internal audit reports on the same.

As required by the relevant laws applicable to the Company and/or any of its principal subsidiaries, the following legal representatives have been appointed with sole powers to represent, exercise rights on behalf of, and enter into binding obligations on behalf of the Company or the relevant subsidiary.

Name of subsidiary of the Company	Name of legal representative
Jinjiang Lianjie Textile & Printing Dyeing Industrial Co., Ltd ("**Jinjiang Lianjie**")	Lin Wen Chang

CORPORATE **GOVERNANCE (CONT'D)**

Generally, the powers and responsibilities of Mr Lin Wen Chang includes, inter alia, the authority to enter into contracts and/or agreements in the ordinary course of business on behalf of Jinjiang Lianjie and the general power to bind Jinjiang Lianjie to business transactions which he enters into on behalf of Jinjiang Lianjie.

In the opinion of the Board, the Audit Committee and Group's management, the possible risks in relation to the abovementioned appointment of Jinjiang Lianjie's legal representative includes, inter alia, the concentration of authority in the hands of Mr Lin and impediments to his removal.

The following are the processes and procedures put in place to mitigate the risks in relation to the appointment of the abovementioned legal representative:

(a) Mr Lin is required to provide periodic updates on the Group's business plan and inform the Board of any impending large capital outlay by Jinjiang Lianjie and he is required to obtain the Board's prior approval before he can enter into any transaction amounting to more than RMB30 million on Jinjiang Lianjie's behalf;

(b) the Group's internal audit department, led by Mr Stanley Lee, conducts ongoing review of Jinjiang Lianjie's internal controls function and presents its findings to the Audit Committee on a regular basis; and

(c) the Company will have the power to unilaterally change the legal representative of Jinjiang Lianjie at any point in time.

In the opinion of the Board, processes and procedures put in place to mitigate the risks in relation to the appointment of the legal representative are reasonably adequate.

The Board and management recognise the need for a robust and effective system of internal controls, addressing financial, operational and compliance risks in relation to the Company and the Group. The Audit Committee may commission an independent audit on internal controls for its assurance, or where it is not satisfied with the systems of internal control.

Based on the internal controls established and maintained by the Group, work performed by the internal and external auditors and reviews performed by management, Audit Committee and the Board, the Board with the concurrence of the Audit Committee, is of the opinion that the Group's internal controls, addressing financial, operational and compliance risks, were adequate as at 31 December 2012.

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

The Audit Committee ("AC") as at the date of this Annual Report comprises non-executive directors, Mr Tsang Siu For Thomas as the chairman, and Mr Ngan See Juan and Dr Fu Xiao Bin as members, all of them whom, including the chairman, are independent. The AC will assist the Board of Directors in discharging their responsibility to safeguard the assets, maintain adequate accounting records, and develop and maintain effective systems of internal control, with the overall objective of ensuring that management creates and maintains an effective control environment in the Company. The AC will provide a channel of communication between the Board of Directors, the management, the internal and external auditors of the Company on matters relating to audit.

The Board has approved the written terms of reference of the AC. The AC's duties include, inter alia, the following:

(a) reviewing the audit plans of the external auditors and our internal auditors, including the results of external and our internal auditors' review and evaluation of our system of internal controls;

(b) reviewing the annual consolidated financial statements and the external auditors' report on those financial statements, and discuss any significant adjustments, major risk areas, changes in accounting policies, compliance with Singapore Financial Reporting Standards, concerns and issues arising from their audits including any matters which the auditors may wish to discuss in the absence of management, where necessary, before submission to our Board of Directors for approval;

CORPORATE **GOVERNANCE (CONT'D)**

(c) reviewing the periodic consolidated financial statements comprising the income statement and the balance sheets and such other information required by the Listing Manual, before submission to our Board of Directors for approval;

(d) reviewing and discussing with external and internal auditors (if any), any suspected fraud, irregularity or infringement of any relevant laws, rules or regulations, which has or is likely to have a material impact on our Group's operating results or financial position and our management's response;

(e) reviewing the co-operation given by our Company's management and officers to the external auditors;

(f) undertaking such other reviews and projects as may be requested by our Board of Directors, and reporting to our Board its findings from time to time on matters arising and requiring the attention of our AC;

(g) reviewing and evaluating our administrative, operating and internal accounting controls and procedures;

(h) reviewing the procedures by which employees of our Group may, in confidence, report to the Chairman of the AC, possible improprieties in matters of financial reporting or other matters and ensure that there are arrangements in place for independent investigation and follow-up actions in relation thereto;

(i) reviewing and establishing procedures for receipt, retention and treatment of complaints received by our Group regarding inter alia, criminal offences involving our Group or our employees, questionable accounting, auditing, business, safety or other matters that may impact negatively on our Group;

(j) reviewing and ratifying any interested person transactions falling within the scope of Chapter 9 of the Listing Manual;

(k) reviewing any potential conflicts of interests;

(l) considering and recommending the appointment and re-appointment of the external auditors and matters relating to the resignation or dismissal of auditors;

(m) (On an annual basis) reviewing the terms of the consultancy agreement between Mr Cai Chang Jing and our Group;

(n) reviewing the appointments of and (on an annual basis) review the remuneration of persons occupying managerial positions who are related to a director, CEO or a substantial shareholder of our Company;

(o) generally undertaking such other functions and duties which may be required by statute or the rules of the SGX-ST Listing Manual, and by such amendments made thereto from time to time;

(p) reviewing all transactions (if any) between our Group and Mr Cai Chang Jing and/or his associate;

(q) (On a regular basis) reviewing the adequacy and quality of the Company's financial reporting function, internal controls and processes; the aforesaid review shall cover, inter alia, the adequacy of the Company's accounts and financial reporting resources and the performance of the Financial Controller and other senior management in the Finance Department and the results of such review shall be disclosed in the Company's annual report;

(r) ensuring that all material internal control weaknesses are satisfactorily and properly rectified;

(s) evaluating the independence of the external auditors; and

(t) reviewing the adequacy of the internal audit function and ensuring that a clear reporting structure is in place between the AC and the internal auditors.

CORPORATE **GOVERNANCE (CONT'D)**

The AC 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.

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

The AC 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. The Group has put in place the Whistle-blowing Policy for this purpose.

The Group's existing auditors, Mazars LLP, have been the auditors of the Group since 17 December 2007 and Mr Choo Chai Leong is the current audit partner in charge for the year ended 31 December 2012. During FY2012, non-audit related work was carried out by the external auditors amounted to a fees of S$2,140 (inclusive of GST) and the AC is satisfied that their independence has not been impaired.

Having regard to the adequacy of the resources and experience of the auditing firm and the audit engagement partner assigned to the audit, the firm's other audit engagements, the size and complexity of the Group being audited, and the number and experience of supervisory and professional staff assigned to the particular audit, the Board and the AC are of the opinion that a suitable auditing firm has been appointed to meet the Company's auditing obligations.

The AC recommends to the Board the nomination of Mazars LLP as external auditors at the forthcoming AGM of the Company.

Internal Audit

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

From 1 March 2011, the Company has set up its own internal audit department, which would report directly to AC and would provide reports to AC on a timely basis. The AC is of the view that the Company has an adequate internal audit function.

(D) SHAREHOLDER RIGHTS AND RESPONSIBILITIES

Shareholder Rights

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

The Company facilitates the exercise of ownership rights by all shareholders. Shareholders are sufficiently informed of changes in the Company or the Company's business which may materially affect the value of the Company's shares.

The Company ensures that shareholders have the opportunity to participate effectively in and vote at general meetings of shareholders. Shareholders are informed of the rules, including voting procedures that govern general meetings of shareholders.

CORPORATE **GOVERNANCE (CONT'D)**

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

In line with continuous disclosure obligations of the Company, pursuant to the SGX-ST's Listing Rules and the Singapore Companies Act, the Board has devised an effective investor relations policy to regularly convey pertinent information to shareholders in a timely manner, of material events and all major developments that impact the Group.

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 report includes all relevant information about the Group, including future developments and other disclosures required by the Companies Act 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 extraordinary general meetings;
- analyst briefings for the Group's quarterly and annual results as well as other briefings, as appropriate;
- press releases on major developments of the Group;
- disclosures to the SGX-ST; and
- the Group's websites at http://www.china-taisan.com at which shareholders can access information on the Group. The website provides, inter alia, products information and profile of the Group.

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

Shareholders have the opportunity to participate effectively in and to vote at general meetings of shareholders. All Directors will attend general meetings of shareholders and the chairman of the Board and the respective chairman of the AC, NC and RC are required to be present and available to address shareholders 'queries at these meetings.

The Company's external auditors will be present at the AGMs to assist the Directors in addressing queries by shareholders.

(E) DEALING IN SECURITIES

The Company adopts the following policies in relation to dealings in its securities:

- Officers are not to deal in its securities during the period commencing two weeks before the announcement of the Company's financial statements for each of the first three quarters of the year and one month before the announcement of the Company's financial statements for the full year, and ending on the date of the announcement of the relevant results;

CORPORATE **GOVERNANCE (CONT'D)**

- The Company's internal compliance code requires that its officers should not deal in his company's securities on short term considerations; and
- In addition, the Company reminds its officers to observe the laws on insider trading at all times, even during the window periods for them to deal in its securities.

(F) MATERIAL CONTRACTS

Save for the service agreements between the executive directors and the Company, 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 the financial year ended 31 December 2012.

(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 AC 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. In order to achieve this objective, the Board and AC meets quarterly to review whether the Company or the member in the Group is entering or intended to enter into any potential interested person transactions so as to ensure the Company complies with Chapter 9 of the Singapore Exchange Listing Manual on interested person transactions.

Save as the on-going interested person transactions disclosed below, no interested person transaction was entered into during the financial year under review:

Name of interested person and nature of transactions	**Aggregate value of all interested person transaction during the financial year under review (in RMB)**
Corporate guarantee provided by Jinjiang Suisheng Spinning Industrial Co., Ltd in favour of China Construction Bank,Jinjiang Sub-Branch to secure bank loans provided to subsidiary, Jinjiang Lianjie Textile & Printing Dyeing Industrial Co., Ltd	Nil (1)
Personal guarantee provided by Mr Lin Wen Chang in favour of China Construction Bank, Jinjiang Sub-Branch to secure bank loans provided to subsidiary, Jinjiang Lianjie Textile & Printing Dyeing Industrial Co., Ltd	Nil (2)
Payment of management consultancy fee to Mr Cai Chang Jing	180,000

Notes:

(1) The value of the amount at risk to the Company is nil as the corporate guarantee provided by Jinjiang Suisheng Spinning Industrial Co., Ltd is free of charge and the value of the bank loans guaranteed by this corporate guarantee is RMB 17.0 million.

(2) The value of the amount at risk to the Company is nil as the personal guarantee provided by Mr Lin Wen Chang is free of charge and the value of the bank loans guaranteed by this personal guarantee is RMB 30.0 million. The bank loans of RMB17.0 million secured by the corporate guarantee provided by Jinjiang Suisheng Spinning Industrial Co., Ltd are also secured by the personal guarantee provided by Mr Lin Wen Chang.

CONTENTS

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 of the Company as at 31 December 2012.

1. DIRECTORS

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

Choi Cheung Kong
Lin Wen Chang
Tsang Siu For Thomas
Dr. Fu Xiao Bin
Chen Jia Ji
Ngan See Juan (Appointed on 29 February 2012)
Ng Weng Wei (Resigned on 27 April 2012)

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 under Section 164 of the Singapore Companies Act, Cap. 50 (the "Act"), the directors of the Company holding office at the end of the financial year had no interests in the shares or debentures of the Company and its related corporations except as stated below:

Name of directors and respective companies in which interests are held	**Direct interest**		**Deemed interest**	
	At beginning of year or date of appointment, if later	**At end of year**	**At beginning of year or date of appointment, if later**	**At end of year**
China Taisan Technology Group Holdings Limited				
(No. of ordinary shares)				
Choi Cheung Kong	-	-	385,452,765	385,452,765
Lin Wen Chang	-	-	105,388,605	105,388,605

By virtue of Section 7 of the Act, Choi Cheung Kong and Lin Wen Chang are deemed to have interests in the wholly-own subsidiary of the Company. The directors' interests as at 21 January 2013 in the shares or debentures of the Company have not changed from those disclosed as at 31 December 2012.

REPORT OF THE DIRECTORS (CONT'D)

4. DIRECTORS' CONTRACTUAL BENEFITS

Since the end of the previous financial year, no director of the Company has received or become entitled to receive a benefit which is required to be disclosed under Section 201(8) of the Act, 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 for salaries, bonuses and other benefits as disclosed in the financial statements. Certain directors have received remuneration from related corporations in their capacity as directors and/or executives of those related corporations.

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 and at the date of this report are:

Tsang Siu For Thomas	
Fu Xiao Bin	
Ngan See Juan	(Appointed on 29 February 2012)
Ng Weng Wei	(Resigned on 27 April 2012)

The audit committee has convened four meetings during the year with key management and the internal and external auditors of the Company.

The audit committee carried out its duties which included the following:

(i) Review of the audit plan and results of the external audit, including the evaluation of internal accounting controls and its cost effectiveness, and the independence and objectivity of the external auditors, including the review of the extent of non-audit services provided by the external auditors to the Group;
(ii) Review of the audit plans of the internal auditors of the Group and their evaluation of the adequacy of the Group's system of internal accounting controls;
(iii) Review of the Group's quarterly and annual financial statements and the external auditors' report on the annual financial statements of the Group and of the Company before their submission to the board of directors;
(iv) Review of the quarterly, half-yearly 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;
(v) Review of the adequacy of the Group's risk management processes;
(vi) Review of the Group's compliance with legal requirements and regulations, including the related compliance policies and programmes and reports received from regulators, if any;
(vii) Review of interested person transactions in accordance with SGX listing rules;
(viii) Nomination of external auditors and approval of their compensation; and
(ix) Submission of report of actions and minutes of the audit committee to the board of directors with any recommendations as the audit committee deems appropriate.

REPORT OF THE DIRECTORS (CONT'D)

6. AUDIT COMMITTEE (CONT'D)

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 function properly. It also 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 external auditors of the Group at the forthcoming AGM of the Company.

7. AUDITORS

Mazars LLP, have expressed their willingness to accept re-appointment as auditors.

On behalf of the board of directors

Choi Cheung Kong
Director

Lin Wen Chang
Director

Singapore
1 April 2013

STATEMENT **BY DIRECTORS**

In the opinion of the directors,

(a) the financial statements of the Group and the statement of financial position of the Company are drawn up so as to give a true and fair view of the 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 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.

On behalf of the board of directors

Choi Cheung Kong	**Lin Wen Chang**
Director	Director

Singapore
1 April 2013

INDEPENDENT
AUDITORS' REPORT

TO THE MEMBERS OF CHINA TAISAN TECHNOLOGY GROUP HOLDINGS LIMITED

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of **CHINA TAISAN TECHNOLOGY GROUP HOLDINGS LIMITED** (the "Company") and its subsidiary (the "Group") which comprise the statements of financial position of the Group and of the Company as at 31 December 2012, and the statements of comprehensive income, changes in equity and cash flows of the Group for the financial year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Singapore Companies Act, Chapter 50 (the "Act") and Singapore 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 Singapore Standards on Auditing. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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 assessments, the auditors consider internal controls relevant to the entity's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

INDEPENDENT AUDITORS' REPORT (CONT'D)

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 the provisions of the Act and Singapore Financial Reporting Standards so as to give a true and fair view of the state of affairs of the Group and of the Company as at 31 December 2012 and the results, changes in equity and cash flows of the Group for the financial year ended on that date.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In our opinion, the accounting and other records required by the Act to be kept by the Company have been properly kept in accordance with the provisions of the Act.

MAZARS LLP
Public Accountants and
Certified Public Accountants

Choo Chai Leong
Partner-in-charge

Singapore
1 April 2013

CONSOLIDATED STATEMENT OF **COMPREHENSIVE INCOME**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012

	Note	Group 2012 RMB'000	Group 2011 RMB'000
Revenue	4	592,380	812,597
Cost of sales		(644,249)	(695,451)
Gross (loss)/profit		(51,869)	117,146
Other income	5	7,326	9,099
Distribution costs		(1,715)	(1,903)
Administrative expenses		(15,526)	(15,040)
Other operating expenses		(26,795)	(6,864)
Finance costs	6	(2,409)	(2,464)
(Loss)/Profit before income tax	7	(90,988)	99,974
Income tax expense	9	(1)	(26,696)
(Loss)/Profit for the year representing total comprehensive (loss)/income attributable to equity holders of the Company		(90,989)	73,278
(Loss)/Earnings per share from continuing operations attributable to owners of the parent (RMB cents)			
- Basic and diluted	10	(8.13)	6.57

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

		Group		Company	
	Note	2012 RMB'000	2011 RMB'000	2012 RMB'000	2011 RMB'000 (reclassified)
Assets					
Non-current assets					
Property, plant and equipment	11	656,376	442,390	3	9
Intangible assets	12	107	109	–	–
Investment in a subsidiary	13	–	–	88,268	88,268
Other asset	14	7,200	12,000	–	–
Total non-current assets		663,683	454,499	88,271	88,277
Current assets					
Inventories	15	54,768	63,042	–	–
Trade and other receivables	16	320,244	255,004	617	5,386
Amounts due from a subsidiary	17	–	–	473,785	307,998
Cash and cash equivalents	18	395,303	694,461	2,959	166,453
Total current assets		770,315	1,012,507	477,361	479,837
Total assets		1,433,998	1,467,006	565,632	568,114
Equity and liabilities					
Equity					
Share capital	19	562,103	562,103	562,103	562,103
Treasury shares	20	(4,709)	(4,478)	(4,709)	(4,478)
Merger reserve	21	11,491	11,491	–	–
Statutory reserve	22	97,012	97,012	–	
Retained earnings		524,691	615,680	6,716	9,028
Equity attributable to owners of the Company		1,190,588	1,281,808	564,110	566,653
Current liabilities					
Trade and other payables	23	208,596	142,124	1,522	1,461
Amount due to a related party	24	1,081	1,081	–	–
Bank borrowings	25	30,000	32,500	–	–
Provision for income taxes		3,733	9,493	–	–
Total current liabilities		243,410	185,198	1,522	1,461
Total liabilities		243,410	185,198	1,522	1,461
Total equity and liabilities		1,433,998	1,467,006	565,632	568,114

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

CONSOLIDATED STATEMENT OF **CHANGES IN EQUITY**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012

		Attributable to owners of the Company					
Group	**Note**	**Share capital RMB'000**	**Treasury shares RMB'000**	**Merger reserve RMB'000**	**Statutory reserve RMB'000**	**Retained earnings RMB'000**	**Total equity RMB'000**
Balance at 1 January 2011		551,535	(1,028)	11,491	93,174	571,405	1,226,577
Total comprehensive income representing profit for the year		–	–	–		73,278	73,278
Scrip issued in lieu of dividends	19,29	10,568	–	–	–	(10,568)	–
Dividends	29	–	–	–	–	(14,597)	(14,597)
Purchase of treasury shares	20	–	(3,450)	–	–	–	(3,450)
Transfer from retained earnings to statutory reserve	22	–	–	–	3,838	(3,838)	–
Balance at 31 December 2011		562,103	(4,478)	11,491	97,012	615,680	1,281,808
Balance at 1 January 2012		562,103	(4,478)	11,491	97,012	615,680	1,281,808
Total comprehensive loss representing loss for the year		–	–	–	–	(90,989)	(90,989)
Purchase of treasury shares	20	–	(231)	–	–	–	(231)
Balance at 31 December 2012		562,103	(4,709)	11,491	97,012	524,691	1,190,588

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

STATEMENT OF **CHANGES IN EQUITY**

Company	Note	Share capital RMB'000	Treasury shares RMB'000	Retained earnings RMB'000	Total equity RMB'000
Balance at 1 January 2011		551,535	(1,028)	34,952	585,459
Total comprehensive loss representing loss for the year		–	–	(759)	(759)
Scrip issued in lieu of dividends	19,29	10,568	–	(10,568)	–
Dividends	29	–	–	(14,597)	(14,597)
Purchase of treasury shares	20	–	(3,450)	–	(3,450)
Balance at 31 December 2011		562,103	(4,478)	9,028	566,653
Balance at 1 January 2012		562,103	(4,478)	9,028	566,653
Total comprehensive loss representing loss for the year		–	–	(2,312)	(2,312)
Purchase of treasury shares	20	–	(231)	–	(231)
Balance at 31 December 2012		562,103	(4,709)	6,716	564,110

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

		Group	
	Note	**2012 RMB'000**	**2011 RMB'000**
Operating activities			
(Loss)/profit before income tax		(90,988)	99,974
Adjustments for:			
Depreciation of property, plant and equipment	11	46,512	34,697
Amortisation of land use rights	12	2	2
Amortisation of other asset	14	4,800	4,000
Impairment of property, plant and equipment	11	–	2,584
Impairment of inventories		2,600	–
Bad debts written off	7	317	247
Loss from disposal of property, plant and equipment	7	–	15
Interest expense	6	2,409	2,464
Interest income	5	(7,128)	(9,006)
Operating (loss)/profit before working capital changes		(41,476)	134,977
Changes in working capital:			
Inventories		5,674	11,416
Trade and other receivables		(71,810)	123,754
Trade and other payables		66,472	(91,515)
Cash (used in)/generated from operations		(41,140)	178,632
Interest received		13,381	5,100
Income taxes paid		(5,761)	(47,994)
Net cash flows (used in)/generated from operating activities		(33,520)	135,738
Investing activities			
Purchases of property, plant and equipment		(260,498)	(142,819)
Proceeds from disposal of property, plant and equipment		–	34
Net cash flows used in investing activities		(260,498)	(142,785)
Financing activities			
Repayment of bank loans		(2,500)	(45,000)
Proceeds from bank loans		–	32,500
Receipt of amount owing to a related party		–	1,081
Purchase of treasury shares		(231)	(3,450)
Dividend paid	29	–	(14,597)
Interest paid		(2,409)	(2,464)
Net cash flows used in financing activities		(5,140)	(31,930)

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

CONSOLIDATED STATEMENT OF **CASH FLOWS** (CONT'D)

	Note	2012 RMB'000	2011 RMB'000
Net decrease in cash and cash equivalents		(299,158)	(38,977)
Cash and cash equivalents at beginning of year		694,461	733,438
Cash and cash equivalents at end of year	18	395,303	694,461

During the financial year ended 31 December 2011, the Group acquired plant and equipment with an aggregate cost of approximately RMB 206,167,000 by utilising the deposits of RMB 63,348,000 paid in the previous financial year and with cash payment of RMB 142,819,000.

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

1. GENERAL

China Taisan Technology Group Holdings Limited (the "Company") (Registration Number 200711863D), is incorporated and domiciled in Singapore with its principal place of business and registered office at 80 Robinson Road, #17-02, Singapore 068898.

The principal activity of the Company is that of investment holding. The principal activity of its subsidiary, Jinjiang Lianjie Textile & Printing Dyeing Industrial Co., Ltd (晋江连捷纺织印染实业有限公司), is disclosed in Note 13 to the financial statements. The principal place of business of the subsidiary is at Zhendong Development Area, Dongcheng, Dongshi Town, Jinjiang City, Fujian Province, People's Republic of China ("PRC") (福建省晋江市东石镇东埕振东开发区).

The financial statements of the Group and the statement of financial position of the Company for the financial year ended 31 December 2012 were authorised for issue by the Board of Directors on 1 April 2013.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

The financial statements have been drawn up in accordance with the provisions of the Singapore Companies Act, Chapter 50 (the "Act") and Singapore Financial Reporting Standards ("FRS") including related Interpretations of FRS ("INT FRS") and are prepared on the historical cost basis, except as disclosed in the accounting policies 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 consolidated financial statements of the Group and the statement of financial position of the Company are presented in Renminbi ("RMB") which is also the functional currency of the Company, and all values presented are rounded to the nearest thousand ("RMB'000"), unless otherwise indicated.

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

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.1 Basis of preparation (cont'd)

FRS and INT FRS issued but not yet effective

At the date of authorisation of these statements, the following FRS and INT FRS that are relevant to the Group were issued but not yet effective:

		Effective date (annual periods beginning on or after)
FRS 1	Amendments to FRS 1 – Presentation of item of other comprehensive income	1 July 2012
FRS 19	Employee benefits	1 January 2013
FRS 27	Separate financial statements	1 January 2014
FRS 28	Investments in associates and joint ventures	1 January 2014
FRS 32	Amendments to FRS 32 – Offsetting of financial assets and financial liabilities	1 January 2014
FRS 107	Amendments to FRS 107 – Offsetting financial assets and financial liabilities	1 January 2013*
FRS 110	Consolidated financial statements	1 January 2014
FRS 110, FRS 111, FRS 112, FRS 27 & FRS 28	Amendments to FRS 110, FRS 111, FRS 112, FRS 27 (2011) and FRS 28 (2001): Mandatory effective date	1 January 2014
FRS 110, FRS 111 & FRS 112	Amendments to FRS 110, FRS 111 and FRS 112: Transition guidance	1 January 2014
FRS 111	Joint arrangements	1 January 2014
FRS 112	Disclosure of interests in other entities	1 January 2014
FRS 113	Fair value measurements	1 January 2013
INT FRS 120	Stripping costs in the production phase of a surface mine	1 January 2013
	Improvements to FRS 2012	

*and for interim periods within these annual periods

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

The management anticipates that the adoption of the above FRS and INT FRS in future periods will not have a material impact on the financial statements, and in particular, to the financial position and financial performance, of the Group in the period of their initial adoption except as disclosed below:

FRS 112 Disclosure of interests in other entities

FRS 112 is a new standard on disclosure requirements for all forms of interests in entities, including joint arranges, associates, special purpose vehicles and other off-balance sheet vehicles. Under FRS 112, the Group is required to disclose information to enable the users of its financial statements to better evaluate the nature and risks associated with its interests in other entities and the effects of such interests on its financial statements. The adoption of FRS 112 will not have any impact to the financial position and financial performance of the Group.

NOTES TO THE **FINANCIAL STATEMENTS** (CONT'D)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.1 Basis of preparation (cont'd)

FRS 113 Fair value measurements

FRS 113 provides a single source of guidance for all fair value measurements when fair value is required or permitted by FRS and does not change when an entity is required to use fair value. The adoption of FRS 113 will not have any impact to the financial position and financial performance of the Group.

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.

2.2 Basis of consolidation

The financial statements of the Group comprise the financial statements of the Company and its subsidiary. The subsidiary is entity 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.

The subsidiary is 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 subsidiary 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 subsidiary have been changed to ensure consistency with the policies adopted by the Group.

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. 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 FRS 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 subsidiary is carried at cost less any impairment loss that has been recognised in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.3 Business combinations

Business combinations are accounted for by applying the acquisition method. Identifiable assets acquired and liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. Acquisition-related costs are recognised as expenses in the periods in which the costs are incurred and the services are received.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability, will be recognised in accordance with FRS 39 - *Financial Instruments – Recognition and Measuremen-* either in profit or loss or as change to other comprehensive income. If the contingent consideration is classified as equity, it is not to be remeasured until it is finally settled within equity.

In business combinations achieved in stages, previously held equity interests in the acquiree are remeasured to fair value at the acquisition date and any corresponding gain or loss is recognised in profit or loss.

The Group elects for each individual business combination, whether non-controlling interest in the acquiree (if any) is recognised on the acquisition date at fair value, or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets.

Any excess of the sum of the fair value of the consideration transferred in the business combination, the amount of non-controlling interest in the acquiree (if any), and the fair value of the Group's previously held equity interest in the acquiree (if any), over the net fair value of the acquiree's identifiable assets and liabilities is recorded as goodwill (if any). In instances where the latter amount exceeds the former, the excess is recognized as gain on bargain purchase in profit or loss on the acquisition date.

Common Control Business Combination Outside the Scope of FRS 103

A business combination involving entities under common control is a business combination in which all the combining entities or businesses are ultimately controlled by the same party or parties both before and after the business combination, and that control is not transitory. A business combination involving common control entities, is outside the scope of FRS 103. For such common control business combinations, the merger accounting principles are used to include the assets, liabilities, results, equity changes and cash flows of the combining entities in the consolidated financial statements.

In applying merger accounting, financial statement items of the combining entities or businesses for the reporting period in which the common control combination occurs, and for any comparative periods disclosed, are included in the consolidated financial statements of the combined entity as if the combination had occurred from the date when the combining entities or businesses first came under the control of the controlling party or parties.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.3 Business combinations (cont'd)

Common Control Business Combination Outside the Scope of FRS 103 (cont'd)

A single uniform set of accounting policies is adopted by the combined entity. Therefore, the combined entity recognises the assets, liabilities and equity of the combining entities or businesses at the carrying amounts in the consolidated financial statements of the controlling party or parties prior to the common control combination. The carrying amounts are included as if such combined entity's accounting policies and applying those policies to all periods presented. There is no recognition of any goodwill or excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over cost at the time of the common control combination. The effects of all transactions between the combining entities or businesses, whether occurring before or after the combination, are eliminated in preparing the consolidated financial statements of the combined entity.

The consolidated financial statements were prepared based on the audited financial statements of subsidiary which were prepared in accordance with FRS for the purpose of consolidation. The PRC subsidiary maintains its accounting records and prepares the relevant statutory financial statement in accordance with the accounting standards and legislations of the PRC Generally Accepted Accounting Principle ("GAAP").

Business combinations for the acquisition of Jinjiang Lianjie Textile & Printing Dyeing Industrial Co., Ltd was accounted for using the merger accounting as described above.

2.4 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group's activities. Revenue is shown net of estimated customer returns, rebates and other similar allowances.

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; retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold; is able to reliably measure the amount of revenue and the costs incurred or to be incurred in respect of the transaction; and assesses that it is probable for the economic benefits associated with the transaction to flow to the entity.

Rendering of services

Revenue is recognised when services rendered, by reference to completion of the specific transaction assessed on the basis of the actual services provided as a proportion of the total services to be performed.

Interest income

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

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.5 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Borrowing costs on general borrowings are capitalised by applying a capitalisation rate to construction or development expenditures that are financed by general borrowings.

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

2.6 Retirement benefit costs

Payments to defined contribution retirement benefit plans are charged as an expense as they fall due. Payments 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.

2.7 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 year. Taxable profit differs from profit as reported profit or loss 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 subsidiary operate by the end of the financial year.

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 are 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 subsidiary.

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 financial year and based on the tax consequence that will follow from the manner in which the Group expects, at the end of the financial year, to recover or settle the carrying amounts 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 tax 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.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.7 Income tax (cont'd)

Current and deferred tax are recognised as an expense or income in profit or loss, except when they relate to items credited or debited directly to equity, in which case the tax is also recognised directly in equity, 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.

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

- when the sales tax that is incurred on purchases is not recoverable from the tax authorities, in which case the sales tax is recognised as part of cost of acquisition of the asset or as part of the expense item as applicable; and

- receivables and payables that are stated with the amount of sales tax included.

2.8 Dividends

Equity dividends are recognised when they become legally payable. Interim dividends are recorded in the financial year in which they are declared payable. Final dividends are recorded in the financial year in which dividends are approved by shareholders.

2.9 Foreign currency transactions and translation

Foreign currency transactions are translated into the individual entities' respective functional currencies at the exchange rates prevailing on the date of the transaction. 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.

Exchange differences relating to assets under construction for future productive use, are included in the cost of those assets where they are regarded as an adjustment to interest costs on foreign currency borrowings.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.10 Property, plant and equipment

Land and buildings held for use in the production or supply of goods or services, or for administrative purposes, are shown at their costs less accumulated depreciation, and where applicable, accumulated impairment losses.

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.

Depreciation is charged so as to write off the cost or valuation of assets, other than leasehold buildings and properties under construction, over their estimated useful lives, using the straight-line method, on the following bases:

• Leasehold buildings	20 years
• Plant and machinery	5 -10 years
• Office equipment	5 years
• Motor vehicles	10 years

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

The estimated useful lives, residual values and depreciation methods are reviewed, and adjusted as appropriate, at the end of each financial year.

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 property, plant and equipment is recognised in profit or loss.

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

2.11 Intangible assets

Research and development

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

An internally-generated intangible asset arising from development (or from the development phase of an internal project) is recognised, if and only if, all the following have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible assets; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.11 Intangible assets (cont'd)

The amount initially recognised for internally-generated intangible assets is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognised, development expenditure is charged to profit or loss in the period in which it is incurred.

Subsequent to initial recognition, internally-generated intangible assets are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets acquired separately.

Land use right

Land use rights are initially measured at cost. Following initial recognition, land use rights are measured at cost less accumulated amortisation and accumulated impairment losses. The land use rights are amortised over the lease term of 50 years.

2.12 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 rate 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.

Financial assets are classified into the following specified categories: financial assets at fair value through profit or loss, held-to-maturity investments, loans and receivables and available-for-sale financial assets. The classification 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 trade and other receivables, amounts due from contract customers, bank balances and fixed deposits.

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.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.12 Financial instruments (cont'd)

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.

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.

When shares recognised as equity are reacquired, the amount of consideration paid is recognised directly in equity. Reacquired shares are classified as treasury shares and presented as a deduction from total equity. No gain or loss is recognised in profit or loss on the purchase, sale issue or cancellation of treasury shares.

When treasury shares are subsequently cancelled, the cost of treasury shares are deducted against the share capital account if the shares are purchased out of capital of the Company, or against the retained earnings of the Company if the shares are purchased out of earnings of the Company.

When treasury shares are subsequently sold or reissued pursuant to the employee share option scheme, the cost of treasury shares is reversed from the treasury share account and the realised gain or loss on sale or reissue, net of any directly attributable incremental transaction costs and related income tax, is recognised in the capital reserve of the Company.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.12 Financial instruments (cont'd)

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.

Other financial liabilities

Trade and other payables

Trade and other payables 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.

Borrowings

Interest-bearing bank loans are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognised over the term of the borrowings in accordance with the Groups accounting policy for borrowing costs (Note 2.5).

Derecognition of financial liabilities

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

2.13 Merger reserve

In applying the pooling-of-interest method, the financial statements of the entities under common control are consolidated as if the current structure of the Group has been in existence since date of incorporation of the Company. The statement of comprehensive income and statement of cash flows include the results of operations and cash flows of the entities under common control. The assets and liabilities are brought into the statements of financial position at their existing carrying amounts. Any difference between the paid-up capital of the Company and the amount of share capital acquired is adjusted against equity as a merger reserve.

2.14 Statutory reserve

The statutory reserve of the Group comprise the following:

(a) *Statutory common reserve*

In accordance with relevant PRC regulations, the subsidiary is required to transfer a portion of its net profit to the statutory common reserve until the reserve reaches 50% of its registered capital. The transfer to this reserve must be made before the payment of dividends to shareholders.

The statutory common reserve can only be used to set off against losses or to increase the capital of the subsidiary. The subsidiary may convert its statutory common reserve into share capital provided that the remaining balance of such reserve is not less than 25% of the registered capital of the subsidiary.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.14 Statutory reserve (cont'd)

(b) Statutory welfare reserve

In accordance with relevant PRC regulations, the subsidiary is encouraged to transfer a portion of its net profit to the statutory welfare reserve.

2.15 Inventories

Inventories are stated at the lower of cost and net realisable value. Costs comprise direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Cost is calculated using the weighted average method. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

2.16 Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits which are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value.

2.17 Leases

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.

2.18 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.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.18 Provisions (cont'd)

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

2.19 Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with.

2.20 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the group of executive directors and the chief executive officer who make strategic decisions.

3. 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.

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

Determination of functional currency

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

3.2 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.

Allowance for trade and other receivables

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 receivables. In assessing the ultimate realisation of these receivables, management considers, among other factors, the creditworthiness and the past collection history of each customer. If the financial conditions of these customers were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required. The carrying amounts of the Group's and the Company's trade and other receivables as at 31 December 2012 were RMB 320,244,000 (2011: RMB 255,004,000) and RMB 617,000 (2011: RMB 5386,000) respectively (Note 16).

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

3. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONT'D)

3.2 Key sources of estimation uncertainty (cont'd)

Depreciation of property, plant and equipment

The Group depreciates the property, 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 and the Company's property, plant and equipment at 31 December 2012 were RMB 656,376,000 (2011: RMB 442,390,000) and RMB 3,000 (2011: RMB 9,000) respectively (Note 11).

Inventory valuation method

Inventory is valued at the lower of cost and net realisable value. Management reviews the Group's inventory level in order to identify slow-moving and obsolete merchandise and identifies items of inventory which have a market price, being the merchandise's selling price quoted from the market of similar items, that is lower than its carrying amount. Management then estimates the amount of inventory loss as an allowance on inventory. Changes in demand levels, technological developments and pricing competition could affect the salability and values of the inventory which could then consequentially impact the Group's and Company's results, cash flows and financial position. The carrying amount of the Group's inventories was approximately RMB 54,768,000 (2011: RMB 63,042,000) (Note 15).

The impairment loss of inventories recognised in other operating expenses was approximately RMB 2,600,000 (2011: RMB Nil) to write down the inventories to its estimated net realizable value.

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 RMB 3,733,000 (2011: RMB 9,493,000).

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

4. REVENUE

	Group	
	2012 RMB'000	**2011 RMB'000**
Manufacturing and sale of performance fabrics	546,081	758,756
Fabric processing services	46,299	53,841
	592,380	812,597

5. OTHER INCOME

	Group	
	2012 RMB'000	**2011 RMB'000**
Interest income from cash with banks	7,128	9,006
Government grants	182	-
Sales of scrap	16	93
	7,326	9,099

Government grants relate to (i) monetary incentives received from governmental agencies in the PRC for pollution prevention and control measures and, (ii) small-medium enterprise tax rebate.

6. FINANCE COSTS

	Group	
	2012 RMB'000	**2011 RMB'000**
Interest expense on bank loans at amortised cost	2,409	2,464

The effective interest rate of the bank loans was 7.71% (2011: 6.34%) per annum.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

7. (LOSS)/PROFIT BEFORE INCOME TAX

In addition to the charges and credits disclosed elsewhere in the notes to the statement of comprehensive income, the following charges/(credit) were included in the determination of (loss)/profit before tax:

	Note	Group 2012 RMB'000	Group 2011 RMB'000
Amortisation of land use right		2	2
Bad debts written off		317	247
Cost of inventories recognized as expense		559,887	581,303
Depreciation of property, plant and equipment		46,512	34,697
Directors' fee – directors of the Company		584	536
Directors' remuneration		1,486	1,355
Exchange loss, net		153	17
Impairment loss of inventories		2,600	-
Impairment loss of property, plant and equipment		-	2,584
Loss from disposal of property, plant and equipment		-	15
Operating lease payments		109	135
Research and development expenses		4,800	4,000
Staff costs	8	19,327	17,506
Auditors' remuneration – Audit		463	484
– Non audit		10	38

8. STAFF COSTS

	Group 2012 RMB'000	Group 2011 RMB'000
Salaries and bonus (excluding directors' remuneration)	19,314	17,406
Staff welfare	13	100
	19,327	17,506

Salaries and bonus include payment to defined contribution plan (national pension schemes) amounting to approximately RMB 2,315,000 (2011: RMB 1,073,000).

9. INCOME TAX EXPENSE

	Group 2012 RMB'000	Group 2011 RMB'000
Current tax expense		
- Current year	-	26,590
- Under-provision in prior years	1	106
Total income tax expense	1	26,696

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

9. INCOME TAX EXPENSE (CONT'D)

The tax expense on the results for the financial years differs from the amount of income tax determined by applying statutory income tax rates of the respective countries to (loss)/profit before income tax as a result of the following:

	Group	
	2012 RMB'000	**2011 RMB'000**
(Loss)/Profit before income tax	(90,988)	99,974
Income tax at the domestic rates applicable to (losses)/profits in the countries where the Group operates:	(22,559)	25,054
Add/(less):		
- Effect of non-allowable items	952	1,952
- Effect of income not subject to tax	(412)	(664)
- Under provision in prior years	1	-
- Unrecognised deferred tax benefits	22,019	354
Income tax expense	1	26,696

Deferred tax asset is not recognized in the balance sheet as it is not probable that future taxable profit will be available against which the subsidiary can utilise the benefits.

The unutilized tax losses carried forward by the Company and subsidiary are RMB 1,956,698 and RMB 88,078,092 respectively.

10. (LOSS)/EARNINGS PER SHARE

The calculation of the basic (loss)/earnings per share attributable to the ordinary equity holders of the Company is based on the following data:

	Group	
(Loss)/Earnings	**2012 RMB'000**	**2011 RMB'000**
Basic (loss)/earnings per share – (loss)/profit for the year attributable to the Company	(90,989)	73,278

	Group	
Number of shares	**2012 No. of shares '000**	**2011 No. of shares '000**
Number of shares		
Weighted average number of ordinary shares for the purposes of basic earnings per share	1,119,123	1,114,812

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

10. (LOSS)/EARNINGS PER SHARE (CONT'D)

Basic (loss)/earnings per share (cents)

The calculation of the basic (loss)/earnings per share from continuing operations attributable to the ordinary equity holders of the Company is based on the following data:

	2012 RMB'000	2011 RMB'000
Earnings figures are calculated as follows:		
(Loss)/Profit for the year attributable to equity holders of the Company	(90,989)	73,278
(Loss)/Earnings for the purposes of basic earnings per share from continuing operations	(8.13)	6.57

No diluted earnings per share are presented as there is no dilutive instrument issued as at the end of the financial years ended 31 December 2012 and 2011.

The basic earnings per share is calculated by dividing the net profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the year.

11. PROPERTY, PLANT AND EQUIPMENT

Group 2012	Leasehold buildings RMB'000	Plant and machinery RMB'000	Office equipment RMB'000	Motor vehicles RMB'000	Total RMB'000
Cost					
Balance at 1 January 2012	31,925	579,130	1,039	3,274	615,368
Additions	-	260,048	-	450	260,498
Disposals	-	-	-	-	-
Balance at 31 December 2012	31,925	839,178	1,039	3,724	875,866
Accumulated depreciation					
Balance at 1 January 2012	17,990	149,820	865	1,719	170,394
Depreciation for the year	2,046	43,840	9	617	46,512
Disposals	-	-	-	-	-
Balance at 31 December 2012	20,036	193,660	874	2,336	216,906
Impairment					
Impairment loss during year and as at 31 December*	-	2,472	112	-	2,584
Carrying amount					
Balance at 31 December 2012	11,889	643,046	53	1,388	656,376

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

11. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

Group 2011	Leasehold buildings RMB'000	Plant and machinery RMB'000	Office equipment RMB'000	Motor vehicles RMB'000	Total RMB'000
Cost					
Balance at 1 January 2011	31,934	373,682	1,032	3,359	410,007
Additions	-	206,160	7	-	206,167
Disposal	(9)	(712)	-	(85)	(806)
Balance at 31 December 2011	31,925	579,130	1,039	3,274	615,368
Accumulated depreciation					
Balance at 1 January 2011	16,061	118,418	756	1,219	136,454
Depreciation for the year	1,929	32,078	109	581	34,697
Disposal	-	(676)	-	(81)	(757)
Balance at 31 December 2011	17,990	149,820	865	1,719	170,394
Impairment					
Impairment loss during year and as at 31 December*	-	2,472	112	-	2,584
Carrying amount					
Balance at 31 December 2011	13,935	426,838	62	1,555	442,390

* During the financial year 2011, the subsidiary of the Group carried out a review of the recoverable amount of its plant and machinery. An impairment loss of RMB 2,584,000, representing the write down of some old machinery to its recoverable amount was recognised in other operating expenses line item of profit or loss for the financial year ended 31 December 2011.

This disclosure is for the impairment recognition in 2011. There is no impairment review carried out in 2012, therefore no impairment of property, plant and equipment.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

11. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

Company	Office equipment RMB'000
2012	
Cost	
Balance at 1 January 2012	38
Additions	-
Balance at 31 December 2012	38
Accumulated depreciation	
Balance at 1 January 2012	29
Depreciation for the year	6
Balance at 31 December 2012	35
Carrying amount	
Balance at 31 December 2012	3
2011	
Cost	
Balance at 1 January 2011	31
Additions	7
Balance at 31 December 2011	38
Accumulated depreciation	
Balance at 1 January 2011	16
Depreciation for the year	13
Balance at 31 December 2011	29
Carrying amount	
Balance at 31 December 2011	9

The carrying amounts of property, plant and equipment of the Group which were pledged as security for banking facilities are as follows:

	2012 RMB'000	2011 RMB'000
Leasehold buildings	3,863	4,534

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

11. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

Other than office equipment held by the Company, all items of property, plant and equipment held by the Group are located at Zhendong Development Area, Dongcheng, Dongshi Town, Jinjiang City, Fujian Province, PRC (福建省晋江东石镇东埕振东开发区).

The Group has pledged property, plant and equipment having net carrying value of approximately RMB 3,863,000 (2011: RMB 4,534,000) to secure borrowings granted to the Group (Note 25).

The Group is in the process of applying for the property ownership certificate in respect of certain leasehold buildings of the subsidiary from the relevant PRC authorities with an aggregated carrying amount of approximately RMB 17,705,000 (2011: RMB 20,005,000).

As at 31 December 2012, the estimated costs of applying for the property ownership certificate and land use rights (Refer to Note 16 to the financial statements) from the PRC authorities is RMB 5,000 (2011: RMB 5,000) and RMB 124,000 (2011: RMB 124,000) respectively.

12. INTANGIBLE ASSETS

	Land use rights RMB'000
2012	
Cost	
Balance at 1 January 2012	125
Additions	-
Balance at 31 December 2012	125
Accumulated amortisation	
Balance at 1 January 2012	16
Amortisation for the year	2
Balance at 31 December 2012	18
Carrying amount	
Balance at 31 December 2012	107
2011	
Cost	
Balance at 1 January 2011	125
Additions	-
Balance at 31 December 2011	125
Accumulated amortisation	
Balance at 1 January 2011	14
Amortisation for the year	2
Balance at 31 December 2011	16
Carrying amount	
Balance at 31 December 2011	109

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

12. INTANGIBLE ASSETS (CONT'D)

The land use rights represent medium-term land use rights situated in the PRC. The Group has pledged its land use rights to secure borrowings granted to the Group (Note 25). Amortisation is provided to write off the land use rights over a period of 50 years.

13. INVESTMENT IN A SUBSIDIARY

	Company	
	2012 RMB'000	**2011 RMB'000**
Unquoted equity shares, at cost	88,268	88,268

The details of the subsidiary are as follows:

Name of Company	Principal activities	Place of business/ Country of Incorporation	Percentage of equity held		Cost of investment	
			2012 %	**2011 %**	**2012 RMB'000**	**2011 RMB'000**
Jinjang Lianjie Textile & Printing Dyeing Industrial Co., Ltd * (晋江连捷纺织印染实业有限公司)	Manufacture of knitted textile, printing and dyeing of fabrics and engaged in the knitting and weaving of high quality fabrics	PRC	100	100	88,268	88,268

* Audited by Mazars LLP, Singapore for inclusion in the consolidated financial statements of the Group.

14. OTHER ASSET

	Group	
	2012 RMB'000	**2011 RMB'000**
Prepayment for research and development collaboration fee		
Balance at 1 January	20,000	20,000
Amortisation	(12,800)	(8,000)
Balance at 31 December	7,200	12,000

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

14. OTHER ASSET (CONT'D)

Movement of amortisation:

	2012 RMB'000	2011 RMB'000
Balance at 1 January	8,000	4,000
Amortisation for the year	4,800	4,000
Amortisation at 31 December	12,800	8,000

The subsidiary has entered into an agreement with a PRC university to embark on a research and development collaboration from 2010 onwards whereby the university would deliver 25 product research and development results over a period of at least 5 years for a total fee of RMB 20,000,000. (Refer to Note 2.11).

In financial year 31 December 2012, the Group recognized research and development collaboration fee amounting to RMB 4,800,000 (2011: RMB 4,000,000) for 6 products (2011: 5 products) delivered by the PRC university.

15. INVENTORIES

	Group	
	2012 RMB'000	2011 RMB'000
Finished goods	23,390	22,523
Raw materials	29,866	38,669
Work-in-progress	1,512	1,850
	54,768	63,042

Movement of inventories:

	2012 RMB'000	2011 RMB'000
Beginning inventories	63,042	74,459
Add: purchases	638,575	684,034
Cost of goods available for sale	701,617	758,493
Less:		
Impairment loss	(2,600)	-
Ending inventories	(54,768)	(63,042)
Total cost of goods sold	644,249	695,451

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

16. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2012 RMB'000	2011 RMB'000	2012 RMB'000	2011 RMB'000 (reclassified)
Trade receivables – third parties	257,492	207,429	-	-
Other receivables	19,935	23,091	617	1,480
VAT receivables	22,239	-	-	-
Interest receivables	-	3,906	-	3,906
Deposits	20,578	20,578	-	-
	320,244	255,004	617	5,386

The currency profiles of the Group's and Company's trade and other receivables as at 31 December are as follows:

	Group		Company	
	2012 RMB'000	2011 RMB'000	2012 RMB'000	2011 RMB'000 (reclassified)
Renminbi	299,049	232,946	-	3,906
Singapore dollar	86	1,480	86	1,480
US dollar	21,109	20,578	531	-
	320,244	255,004	617	5,386

The average credit period on sale of goods is 90 to 120 days (2011: 60 to 90 days).

Other receivable consists of a refundable payment to obtain land use rights for land occupied by the subsidiary amounting to approximately RMB 18,874,000 (2011: RMB 18,874,000). The Group is in the process of obtaining the land use rights from the relevant PRC authorities.

Deposits relate to amounts placed by the Group to acquire new plant and machinery amounting to approximately RMB 20,578,000 (2011: RMB 20,578,000) (Note 27).

17. AMOUNTS DUE FROM A SUBSIDIARY

	Company	
	2012 RMB'000	2011 RMB'000 (reclassified)
Advances	357,129	191,342
Dividend receivable	116,656	116,656
	473,785	307,998

The amounts due from subsidiary are unsecured, interest-free and repayable on demand.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

17. AMOUNTS DUE FROM SUBSIDIARY (CONT'D)

The currency profiles of the Company's amounts owing subsidiary as at 31 December are as follows:

	Company	
	2012 RMB'000	2011 RMB'000
Renminbi	435,131	269,242
Singapore dollar	18,076	18,178
United States dollar	20,578	20,578
	473,785	307,998

18. CASH AND CASH EQUIVALENTS

	Group		Company	
	2012 RMB'000	2011 RMB'000	2012 RMB'000	2011 RMB'000
Cash on hand	72	97	-*	- *
Bank balances	395,231	531,208	2,959	3,297
Fixed deposits	-	163,156	-	163,156
	395,303	694,461	2,959	166,453

* The amount is less than RMB 1,000.

The effective interest rate bank balances is 2.83% (2011: 1.30%) per annum.

Fixed deposits bear interest at an average rate of Nil% (2011: 2.39%) per annum and are of a tenure of approximately Nil days (2011: 90 days).

The currency profiles of the Group's and Company's cash and cash equivalents as at 31 December are as follows:

	Group		Company	
	2012 RMB'000	2011 RMB'000	2012 RMB'000	2011 RMB'000
New Taiwan dollar	201	290	201	290
Renminbi	392,397	691,175	53	163,167
United States dollar	2,236	2,791	2,236	2,791
Singapore dollar	469	205	469	205
	395,303	694,461	2,959	166,453

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

19. SHARE CAPITAL

	Group and Company			
	2012	2011	2012	2011
	Number of ordinary shares with no par value		RMB'000	RMB'000
Issued and paid up:				
ordinary share with no par value:				
Balance at 1 January	1,126,598,518	1,109,587,735	562,103	551,535
- issue of shares for scrip dividend	-	17,010,783	-	10,568
Balance at 31 December	1,126,598,518	1,126,598,518	562,103	562,103

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

A Scrip Dividend Scheme was declared and the directors had determined that the Scrip Dividend Scheme would be applicable to the final dividend in which shareholders entitled to this dividend may elect to receive either cash or an allotment of ordinary shares in the Company credited as fully paid in lieu of cash. As a result, 17,010,783 shares amounting to approximately RMB 10,568,000 were allotted to eligible shareholders who have elected to participate in the Scrip Dividend Scheme in respect of the final dividend paid for the financial year ended 31 December 2011.

20. TREASURY SHARES

	Group and Company			
	2012	2011	2012	2011
	Number of ordinary shares		RMB'000	RMB'000
Issued and paid up:				
Balance at 1 January	7,000,000	1,000,000	4,478	1,028
Purchase during the year	500,000	6,000,000	231	3,450
Balance at 31 December	7,500,000	7,000,000	4,709	4,478

The Company acquired 500,000 (2011: 6,000,000) of its own shares through purchases on SGX during the year. The total amount paid to acquire the shares was RMB 231,000 (2011: RMB 3,450,000).

21. MERGER RESERVE

The merger reserve represents the difference between the paid-up share capital of the Company and the share capital of the subsidiary acquired in financial year 2007 under the pooling-of-interests method of accounting.

22. STATUTORY RESERVE

The statutory reserve represents amounts transferred from profit after tax of the subsidiary established in the PRC under the PRC laws and regulations.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

23. TRADE AND OTHER PAYABLES

	Group		Company	
	2012 RMB'000	2011 RMB'000	2012 RMB'000	2011 RMB'000
Trade payables	199,004	124,836	-	-
Accrued operating expenses	9,592	14,594	1,522	1,461
Value-added tax payable	-	2,694	-	-
	208,596	142,124	1,522	1,461

The average credit period on purchase of goods is 90 to 120 days (2011: 60 to 90 days)

The currency profiles of the Group's and Company's trade and other payables as at 31 December are as follows:

	Group		Company	
	2012 RMB'000	2011 RMB'000	2012 RMB'000	2011 RMB'000
Renminbi	207,074	140,663	-	-
Singapore dollar	1,522	1,461	1,522	1,461
	208,596	142,124	1,522	1,461

24. AMOUNT DUE TO A RELATED PARTY

		Group		Company	
	Note	2012 RMB'000	2011 RMB'000	2012 RMB'000	2011 RMB'000
Amounts owing to:					
- A director – non-trade	(a)	1,081	1,081	-	-

(a) This relates to non-trade amounts owing to the director which is denominated in RMB, unsecured, interest-free and is repayable on demand.

25. BANK BORROWINGS

	Group		Company	
	2012 RMB'000	2011 RMB'000	2012 RMB'000	2011 RMB'000
Secured bank loans	30,000	32,500	-	-

The Group's secured bank loans are secured as follows:

(i) legal mortgage over certain leasehold buildings and land use rights of subsidiary; and
(ii) guaranteed by a company owned by a relative of the non-executive Chairman and a director

The carrying amounts of the Group's and Company's borrowings approximate their fair values and are denominated in RMB.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

26. SIGNIFICANT RELATED PARTY TRANSACTIONS

A related party is defined as follows:

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

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

During the year, in addition to those disclosed elsewhere in these financial statements, the Group entities and the Company entered into the following transactions with related parties:

	Group		**Company**	
	2012 RMB'000	**2011 RMB'000**	**2012 RMB'000**	**2011 RMB'000**
Payment of consultancy fee to related party	180	180	-	-

In financial years 2011 and 2012, the Group engaged Mr. Cai Chang Jing, brother of non-executive Chairman, as a management consultant and paid him consultancy fee of RMB 180,000 annually.

Key management personnel remuneration

	Group		**Company**	
	2012 RMB'000	**2011 RMB'000**	**2012 RMB'000**	**2011 RMB'000**
Short-term benefits	2,800	3,499	494	1,355

Included in the key management personnel's remuneration are costs of defined contribution plans of RMB 69,000 (2011: RMB 81,000).

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

27. CAPITAL COMMITMENTS

	Group		Company	
	2012 RMB'000	2011 RMB'000	2012 RMB'000	2011 RMB'000
Capital expenditure contracted but not provided for:				
- Commitments in respect of the purchase of property, plant and equipment	5,963	6,041	-	-
- Commitments in respect of the purchase of land-use right	43,750	43,750	-	-
	49,713	49,791	-	-

28. OPERATING LEASE ARRANGEMENT

At the end of the financial year, commitments in respect of non-cancellable operating leases in respect of office premises are as follows:

	Group and Company	
	2012 RMB'000	2011 RMB'000
Future minimum lease payments payable:		
Within one year	96	105
After one year but within five years	-	96
	96	201

Operating lease payments represent rental payable by the Group and Company for its Singapore office. Lease is negotiable for an average term of two years and rental is fixed for the same period.

29. DIVIDENDS

	Group		Company	
	2012 RMB'000	2011 RMB'000	2012 RMB'000	2011 RMB'000
Final dividend paid	-	25,165	-	25,165

Final dividend was paid in respect of the year ended 31 December 2010 of RMB 2.27 cents per ordinary share, tax exempt totalling RMB 25,165,000 comprising cash payments of approximately RMB 14,597,000 and scrip dividend of approximately RMB 10,568,000.

No dividend has been declared for the financial year ended 31 December 2012.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

30. RECLASSIFICATIONS

Certain reclassifications have been made to the prior year's financial statements to enhance comparability with current year's financial statements.

Prepayments from subsidiary were reclassified from trade and other receivables to amounts due from subsidiary.

The items were reclassified as follows:

	Company	
STATEMENT OF FINANCIAL POSITION	Previously reported 2011 RMB'000	After reclassification 2011 RMB'000
ASSETS		
Current assets:		
Trade and other receivables	20,578	-
Amounts due from subsidiary	-	20,578

31. SEGMENT INFORMATION

The Group is essentially a single operating segment by itself under FRS 108 Operating Segments, and no separate segment information is presented. As there is only one single operating segment, information on the reconciliation of the reportable segment as required under FRS 108 does not apply.

The entity-wide disclosures applicable to a single operating segment are as follows:

(i) All the revenue of the Group are from external customers who are domiciled in the PRC.
(ii) The majority of the assets of the Group are employed in PRC.
(iii) Segment assets employed by the Group in a country other than the PRC as at 31 December 2012 was approximately RMB 3,472,000 (2011: RMB 1,908,000*). There are no non-current assets deployed outside of the PRC.
(iv) No single external customer accounted for 10% or more of the Group's revenue for the years ended 31 December 2012 and 2011.

* Reclassification of prepayment amounting to RMB 20,578,000 from "trade and other receivables" to "amounts due from a subsidiary".

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

32. FINANCIAL INSTRUMENTS AND FINANCIAL RISKS

The Group's activities expose it to credit risks, market risks (including foreign currency risks, interest rate risks and equity price risks) and liquidity risks. The Group's overall risk management strategy seeks to minimise adverse effects from the volatility of financial markets on the Group's financial performance.

The Board of Directors is responsible for setting the objectives and underlying principles of financial risk management for the Group. The management then establishes the detailed policies such as authority levels, oversight responsibilities, risk identification and measurement and exposure limits, in accordance with the objectives and underlying principles approved by the Board of Directors.

There have been no changes to the Group's exposure to these financial risks or the manner in which it manages and measures the risk. Market risk exposures are measured using sensitivity analysis indicated below.

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 performs ongoing credit evaluation of its counterparties' financial condition and generally does not require a collateral.

The Group and Company do not have any significant credit exposure to any single counterparty or any groups of counterparties having similar characteristics except as disclosed in this note.

The Group's and Company's major classes of financial assets are bank deposits and trade and other receivables.

Bank deposits are mainly deposits with banks with high credit-ratings assigned by international credit rating agencies.

Trade and other receivables that are neither past due nor impaired are substantially companies with good collection track record with the Group.

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

	Group		Company	
	2012 RMB'000	**2011 RMB'000**	**2012 RMB'000**	**2011 RMB'000**
Not past due	228,105	207,244	-	-
Past due for 1 to 90 days	29,387	185	-	-
	257,492	207,429	-	-

Market risks

The Group's activities expose it primarily to the financial risks of changes in foreign currency exchange rates and interest rates.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

32. FFINANCIAL INSTRUMENTS AND FINANCIAL RISKS (CONT'D)

Market risks (cont'd)

Foreign currency risks

The Group transacts business in various foreign currencies, including United States dollar and Singapore dollar, other than the respective functional currency of the Group, and hence is exposed to foreign currency risks.

The Group is exposed to currency risk on its deposits denominated in US dollar relate to amounts placed to acquire new plant and machinery and cash deposits denominated in Singapore dollar.

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

Currently, the PRC government imposes control over foreign currencies. RMB, the official currency of PRC is not freely convertible. Enterprises operating in the PRC can enter into exchange transactions through the People's Bank of China or other authorised financial institutions.

The carrying amounts of the Group's and Company's foreign currency denominated monetary assets and monetary liabilities as at the end of the financial year are as follows:

	Group					
	2012			2011		
	Singapore dollar RMB'000	US dollar RMB'000	New Taiwan dollar RMB'000	Singapore dollar RMB'000	US dollar RMB'000	New Taiwan dollar RMB'000
Trade and other receivables	86	21,109	-	1,480	20,578	-
Cash and cash equivalents	469	2,236	201	205	2,791	290
Trade and other payables	(1,522)	-	-	(1,461)	-	-
	(967)	23,345	201	224	23,369	290

	Company					
	2012			2011		
	Singapore dollar RMB'000	US dollar RMB'000	New Taiwan dollar RMB'000	Singapore dollar RMB'000	US dollar RMB'000	New Taiwan dollar RMB'000
Trade and other receivables	86	531	-	1,480	-	-
Amounts due from a subsidiary	18,076	-	-	18,178	20,578	-
Cash and cash equivalents	469	2,236	201	205	2,791	290
Trade and other payables	(1,522)	-	-	(1,461)	-	-
	17,109	2,767	201	18,402	23,369	290

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

32. FINANCIAL INSTRUMENTS AND FINANCIAL RISKS (CONT'D)

Foreign currency sensitivity analysis

The Group is mainly exposed to United States dollar (USD) and Singapore dollar (SGD).

The following table details the Group's sensitivity to a 10% change in USD and SGD against the respective functional currencies of the Group entities. The sensitivity analysis assumes an instantaneous 10% change in the foreign currency exchange rates from the end of the financial year, with all variables held constant.

	Increase/(Decrease)							
	Group		Company		Group		Company	
	Profit/(Loss) before tax				Equity			
	2012 RMB'000	2011 RMB'000	2012 RMB'000	2011 RMB'000	2012 RMB'000	2011 RMB'000	2012 RMB'000	2011 RMB'000
USD								
Strengthens against RMB	2,335	2,337	277	2,337	2,335	2,337	277	2,337
Weakens against RMB	(2,335)	(2,337)	(277)	(2,337)	(2,335)	(2,337)	(277)	(2,337)
SGD								
Strengthens against RMB	(97)	22	1,711	1,840	(97)	22	1,711	1,840
Weakens against RMB	97	(22)	(1,711)	(1,840)	97	(22)	(1,711)	(1,840)

Interest rate risks

The Group's interest rate risks relate to bank borrowings.

The Group's policy is to maintain an efficient and optimal interest cost structure using a combination of fixed and variable rate debts, and long and short term borrowings.

The Group's and Company's exposure to interest rate risks is set out in a table below under liquidity risks.

Interest rate sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rate risks for bank borrowings with fixed rates at the end of the financial year. The sensitivity analysis assumes an instantaneous 1% change in the interest rates from the end of the financial year, with all variables held constant.

	Increase/(Decrease)			
	Profit/(loss) before tax		Equity	
Group	2012 RMB'000	2011 RMB'000	2012 RMB'000	2011 RMB'000
Bank borrowings	225	244	(225)	(244)

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

32. FINANCIAL INSTRUMENTS AND FINANCIAL RISKS (CONT'D)

Liquidity risk

Liquidity risks refer to the risks in which the Group encounters difficulties in meeting its short-term obligations. Liquidity risks are managed by matching the payment and receipt cycle.

The following table details the Group's remaining contractual maturity for its non-derivative financial instruments. The table has been drawn up based on undiscounted cash flows of financial instruments based on the earlier of the contractual date or when the Group is expected to receive or (pay). The table includes both interest and principal cash flows.

Group	**Less than 1 year RMB'000**
Finanial liabilities	
Trade and other payables	208,596
Amount due to a related party - current	1,081
Bank borrowings	30,000
As at 31 December 2012	239,677
Financial liabilities	
Trade and other payables	142,124
Amount owing to a related party - current	1,081
Bank borrowings	32,500
As at 31 December 2011	175,705
Company	
Financial liabilities	
As at 31 December 2012	
Trade and other payables	1,522
Financial liabilities	
As at 31 December 2011	
Trade and other payables	1,461

33. FAIR VALUE OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

The carrying amounts of cash and cash equivalents, trade and 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.

Fair value hierarchy

The Group does not hold financial assets nor liabilities carried at fair value or at valuation. Accordingly, the disclosure requirements of the fair value hierarchy (Level 1, 2 and 3) under FRS 107 *Financial Instruments: Disclosures* does not apply.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

34. CAPITAL MANAGEMENT POLICIES AND OBJECTIVES

The Group manages its capital to ensure that the Group is able to continue as a going concern and maintains an optimal capital structure so as to maximise shareholder value.

The capital structure of the Group consists of equity attributable to equity holders of the parent, comprising issued capital, treasury shares, merger reserves and statutory reserves as disclosed in Notes 19, 20, 21 and 22.

As disclosed in Note 22, a subsidiary of the Group is required by the Foreign Enterprise Law of the PRC to contribute to and maintain a non-distributable statutory reserve fund whose utilisation is subject to approval by the relevant PRC authorities.

Management monitors capital based on gearing ratio. The gearing ratio is calculated as net debt divided by total equity. Net debt is calculated as borrowings plus trade and other payables less cash and cash equivalents.

The Group's management reviews the capital structure on an annual basis. As part of this review, management considers the cost of capital and the risks associated with each class of capital. Upon review, the Group will balance its overall capital structure through the payment of dividends, new share issues and share buy-backs as well as the issue of new debt or the redemption of existing debt. The Group's overall strategy remains unchanged from 2011.

The Group is subject to capital requirements imposed by the bank providing loans to its PRC subsidiary. There is no change to the capital management requirements from 2011.

	Group		Company	
	2012 RMB'000	2011 RMB'000	2012 RMB'000	2011 RMB'000
Net debt	(156,707)	(519,837)	(1,437)	(164,992)
Total equity	1,190,588	1,281,808	564,110	566,653
Gearing ratio	(13.2)%	(40.6)%	(0.25)%	(29.1)%

STATISTICS OF **SHAREHOLDINGS**

AS AT 13 MARCH 2013

Issued and fully paid-up capital	:	S$114,355,850
Total number of issued shares excluding treasury shares	:	1,119,098,518
Total number of treasury shares	:	7,500,000
Class of shares	:	Ordinary shares
Voting rights	:	One vote per share

DISTRIBUTION OF SHAREHOLDINGS

SIZE OF SHAREHOLDINGS	NO. OF SHAREHOLDERS	% OF SHAREHOLDERS	NO. OF SHARES	% OF ISSUED SHARE CAPITAL
1 - 999	64	1.88	28,272	0.00
1,000 - 10,000	721	21.21	4,703,072	0.42
10,001 - 1,000,000	2,542	74.79	296,676,361	26.33
1,000,001 AND ABOVE	72	2.12	825,190,813	73.25
TOTAL	**3,399**	**100.00**	**1,126,598,518**	**100.00**

TWENTY LARGEST SHAREHOLDERS

No.	Name of Shareholder	No. of Shares	% of Issued Share Capital*
1	UNITED OVERSEAS BANK NOMINEES PTE LTD	207,365,463	18.53
2	HSBC (SINGAPORE) NOMINEES PTE LTD	106,613,014	9.53
3	CIMB SECURITIES (SINGAPORE) PTE LTD	65,466,228	5.85
4	CITIBANK NOMINEES SINGAPORE PTE LTD	63,892,076	5.71
5	PHILLIP SECURITIES PTE LTD	54,936,128	4.91
6	MAYBANK KIM ENG SECURITIES PTE LTD	43,456,102	3.88
7	OCBC SECURITIES PRIVATE LTD	32,190,137	2.88
8	DBS VICKERS SECURITIES (SINGAPORE) PTE LTD	21,281,927	1.90
9	RAFFLES NOMINEES (PTE) LTD	20,166,000	1.80
10	CAI WENZE	18,243,122	1.63
11	NANYANG GUM BENJAMIN MANUFACTURING (PTE) LTD	18,099,772	1.62
12	ONG KIM HUAT FELIX	14,863,381	1.33
13	ONG TECK BENG (WANG DEMING)	13,740,000	1.23
14	DBS NOMINEES PTE LTD	7,877,207	0.70
15	UOB KAY HIAN PTE LTD	6,505,994	0.58
16	CHOI PO KUM CHRISTINA @ CHUA POO KEEN	6,500,000	0.58
17	HONG LEONG FINANCE NOMINEES PTE LTD	5,767,067	0.52
18	NG BOON GUAT	5,500,000	0.49
19	MAYBANK NOMINEES (SINGAPORE) PTE LTD	5,307,650	0.47
20	TAN BOY TEE	5,200,000	0.46
	TOTAL	**722,971,268**	**64.60**

* The shareholding percentage is based on the number of issued shares of the Company excluding treasury shares under China Taisan Technology Group Holdings Limited – Share Buy Back Account of 7,500,000 shares.

STATISTICS OF SHAREHOLDINGS (CONT'D)

AS AT 13 MARCH 2013

SUBSTANTIAL SHAREHOLDERS

(as recorded in the Register of Substantial Shareholders as at 13 March 2013)

	Direct Interest		Deemed Interest	
Name of Substantial Shareholders	**No. of Shares**	**%**	**No. of Shares**	**%**
Choi Cheung Kong	–	–	385,452,766	34.44
Lin Wen Chang	–	–	105,388,605	9.42

SHAREHOLDERS HELD IN HANDS OF PUBLIC

Based on information available to the Company as of 13 March 2013, approximately 56.14% of the issued ordinary shares of the Company are held by the public and therefore Rule 723 of the Listing Manual of SGX-ST is complied with.

NOTICE OF
ANNUAL GENERAL MEETINGS

NOTICE IS HEREBY GIVEN that the Annual General Meeting of China Taisan Technology Group Holdings Limited will be held at Eagle's View, 2nd level of Seletar main club lobby, Seletar Country Club, 101 Seletar Club Road, Singapore 798273 on 26 April 2013 at 10.00 a.m. for the following purposes:

AS ORDINARY BUSINESS

1. To receive and adopt the Audited Accounts for the financial year ended 31 December 2012 together with the Reports of the Directors and the Auditors of the Company. ***(Resolution 1)***

2. To re-elect the following directors retiring pursuant to Article 90 of the Articles of Association of the Company:

   a. Mr Choi Cheung Kong

      Mr Choi Cheung Kong will, upon re-election as a Director of the Company, remain as a Non-Executive Chairman of the Company, a member of the Nominating Committee and a member of the Remuneration committee. ***(Resolution 2)***

   b. Dr Fu Xiao Bin

      Dr Fu Xiao Bin will, upon re-election as a Director of the Company, remain as an Independent Director of the Company, the Chairman of the Nominating Committee, a member of the Audit Committee and a member of the Remuneration Committee. ***(Resolution 3)***

3. To approve the payment of Directors' fees of S$114,916 to the Directors of the Company for the financial year ended 31 December 2012. ***(Resolution 4)***

4. To re-appoint Mazars LLP as Auditors of the Company and to authorise the Directors to fix their remuneration. ***(Resolution 5)***

5. To transact any other business that may be transacted at an Annual General Meeting.

AS SPECIAL BUSINESS

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

   "Resolved that

   (a) pursuant to Section 161 of the Companies Act, Cap. 50 (the "**Act**") and Rule 806(2) of the Listing Manual of the Singapore Exchange Securities Trading Limited ("**SGX-ST**"), authority be and is hereby given to the Directors of the Company to allot and issue shares and convertible securities in the Company at any time and upon such terms and conditions and for such purposes and to such persons as the Directors may in their absolute discretion deem fit provided that the aggregate number of shares and convertibles securities to be issued pursuant to this Resolution does not exceed more than 50% of the total number of issued shares (excluding treasury shares), of which the aggregate number of shares and convertible securities issued other than on a pro-rata basis to existing shareholders must be not more than 20% of the total number of issued shares (excluding treasury shares);

NOTICE OF
ANNUAL GENERAL MEETINGS (CONT'D)

(b) for the purpose of determining the aggregate number of shares that may be issued under (a) above, the percentage of issued share capital is based on the issued share capital of the Company (excluding treasury shares) at the time of the passing of this Resolution, after adjusting for:

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

(ii) new shares arising from exercising share options or vesting of share awards outstanding or subsisting at the time of the passing of this Resolution, provided the options or awards were granted in compliance with Part VIII of Chapter 8 of the Listing Manual; and

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

(c) unless revoked or varied by the Company in general meeting, such authority shall continue in force until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is the earlier." ***(Resolution 6)***

[See Explanatory Note (i)]

By Order of the Board

Tan Swee Gek
Company Secretary

3 April 2013

Explanatory Notes:

(i) The Ordinary Resolution 6 proposed in item 6 above, if passed, will empower the Directors from the date of this Annual General Meeting until the date of the next Annual General Meeting, to allot and issue shares and convertible securities in the Company up to an amount not exceeding, in total, 50% of the issued share capital of the Company (excluding treasury shares); at the time of passing of this resolution, of which up to 20% may be issued other than on a pro-rata basis to shareholders. For the purpose of determining the aggregate number of shares which may be issued, the percentage of share capital shall be based on the Company's issued share capital (excluding treasury shares) at the time this Ordinary Resolution is passed, after adjusting for (a) new shares arising from the conversion or exercise of convertible securities, (b) new shares arising from the exercise of share options or vesting of share awards which are outstanding or subsisting at the time this Ordinary Resolution is passed and (c) any subsequent consolidation or subdivision of shares.

NOTICE OF
ANNUAL GENERAL MEETINGS (CONT'D)

Notes:

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

2) *The instrument appointing a proxy or proxies must be under the hand of the appointor or of his/her attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed either under its seal or under the hand of an officer or attorney duly authorised.*

3) *The instrument appointing a proxy or proxies must be deposited at the registered office of the Company at 80 Robinson Road, #17-02, Singapore 068898 at least 48 hours before the time of the Annual General Meeting.*

CHINA TAISAN TECHNOLOGY GROUP HOLDINGS LIMITED
(Incorporated in the Republic of Singapore)
(Company Registration No: 200711863D)

PROXY **FORM**

I/We ____ (Name)

of ____ (Address)

being a member/members of China Taisan Technology Group Holdings Limited (the "**Company**") hereby appoint

Name	Address	NRIC/ Passport No.	Proportion of my/our Shareholding	
			No. of shares	%

and/or (delete as appropriate)

Name	Address	NRIC/ Passport No.	Proportion of my/our Shareholding	
			No. of shares	%

failing which, the Chairman of the Meeting, as my/our proxy/proxies to attend and vote for me/us on my/our behalf at the Annual General Meeting of the Company, to be held at Eagle's View, 2nd level of Seletar main club lobby, Seletar Country Club, 101 Seletar Club Road, Singapore 798273 on 26 April 2013 at 10.00 a.m., and at any adjournment thereof. I/We direct my/our proxy/proxies to vote for or against the Resolutions to be proposed at the Meeting as indicated hereunder. If no specific direction as to voting is given, the proxy/proxies will vote or abstain from voting at his/their discretion, as he/they will on any other matter arising at the Meeting.

No.	Resolutions Relating To:	For	Against
	Ordinary Business		
1.	Adoption of Reports and Audited Accounts for the financial year ended 31 December 2012		
2.	Re-appointment of Mr Choi Cheung Kong		
3.	Re-appointment of Dr Fu Xiao Bin		
4.	Approval of Directors' Fees for the financial year ended 31 December 2012		
5.	Re-appointment of Mazars LLP as Auditors		
	Special Business		
6.	Authority to allot and issue new shares		

(Please indicate with a cross [X] in the space provided whether you wish your vote to be cast for or against the Resolutions as set out in the Notice of the Meeting.)

Dated this ____________ day of ____________ 2013.
Total number of Shares held

Total number of Shares held

Signature of Member(s) or Common Seal

Important: Please read notes overleaf

PROXY FORM (CONT'D)

Notes:

1. Please insert the total number of shares held by you. If you have Shares entered against your name in the Depository Register (as defined in Section 130A of the Companies Act, Cap. 50), you should insert that number of Shares. If you have Shares registered in your name in the Register of Members, you should insert that number of Shares. If you have Shares registered in your name in the Depository Register and Shares registered in your name in the Register of Members, you should insert the aggregate number of Shares entered against your name in the Depository Register and registered in your name in the Register of Members. If no number is inserted, the instrument appointing a proxy or proxies shall be deemed to relate to all the Shares held by you.

2. A member entitled to attend and vote at the Meeting is entitled to appoint one or two proxies to attend and vote in his stead.

3. Where a member appoints more than one proxy, the appointments shall be invalid unless he specifies the proportion of his shareholding (expressed as a percentage of the whole) to be represented by each proxy.

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

5. The instrument appointing a proxy or proxies must be deposited at the Company's registered office at 80 Robinson Road, #17-02, Singapore 068898 at least 48 hours before the time of the Annual General Meeting.

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

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

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

CORPORATE **INFORMATION**

Board of Directors
Choi Cheung Kong
Non-Executive Chairman
Lin Wen Chang
CEO and Executive Director
Chen Jiaji
Executive Director
Tsang Siu For Thomas
Independent Director
Dr. Fu Xiao Bin
Independent Director
Ngan See Juan
Independent Director

Audit Committee
Tsang Siu For Thomas *(Chairman)*
Dr. Fu Xiao Bin
Ngan See Juan

Nominating Committee
Dr. Fu Xiao Bin *(Chairman)*
Choi Cheung Kong
Ngan See Juan

Remuneration Committee
Ngan See Juan *(Chairman)*
Choi Cheung Kong
Dr. Fu Xiao Bin

Singapore Registered Address
80 Robinson Road #17-02
Singapore 068898

Singapore Office Address
7500A Beach Road #04-326
The Plaza, Singapore 199591
Email: enquiry@china-taisan.com

Principal Place of Business
Zhengdong Development Area 362271
Dongcheng, Dongshi Town
Jinjiang City, Fujian Province
People's Republic of China
Tel: (86) 595 8550 7565
Fax: (86) 595 8558 7422
Email: lianjie@china-taisan.com

Company Secretary
Tan Swee Gek (LLB Hons)

External Auditors
Mazars LLP
133 Cecil Street
#15-02 Keck Seng Tower
Singapore 069535
Partner-in-charge: Choo Chai Leong
(Appointed on 17 December 2007 with effect from financial year ended 31 December 2007)

Share Registrar And Share Transfer Office
M & C Services Private Limited
112 Robinson Road #05-01
Singapore 068902

Principal Bankers
China Construction Bank
Jinjiang Branch
Qingyang, Zengjing Sub-district
Jinjiang, Fujian Province
People's Republic of China

Overseas Chinese Bank Corporation Limited
65 Chulia Street
OCBC Centre
Singapore 049513

Investor Relations
Investor Relations Consultants
Liu Yi: equiry@china-taisan.com
Tel: (65) 6492 1152

China Taisan Technology Group
Co. Reg. No.: 200711836D

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