CHINA TAISAN TECHNOLOGY

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ANNUAL REPORT 2015

CHINA TAISAN TECHNOLOGY GROUP HOLDINGS LIMITED

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, CK, 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.

"We are looking seriously into how to redirect our resources to improve the Group's performance into the future.

Choi Cheung Kong
Non-executive Chairman

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 2015 ("FY2015").

Year in Review

Due to the slow recovery of global economic and the industry becoming much more competitive. This has affected the Group's performance especially in the economy of scale of our operations.

The revenue of about RMB752.0 million, decreased by 5.8% from the RMB798.0 million in FY2014. The decrease in revenue mainly resulted from the decrease in the sale of performance fabrics in FY2015 by 24.8% from 11,406tonnes in FY2014 to 8,577tonnes in FY2015.

The Group made a net loss of RMB369.4 million which mainly due to written off of VAT and trade receivable amounting to RMB110 million and RMB72.8 million respectively and impairment of property, plant and equipment amounting to RMB105 million.

We are looking seriously into how to redirect our resources to improve the Group's performance into the future.

Forging Ahead

The Group's business performance for FY2015 showed an unsatisfactory result in the face of the economy downturn in the PRC and one for one replacement due to products not specified for customers' demands. As one of the largest performance fabric manufacturers in China,

"We will continue to put in our best efforts to deliver value to all our stakeholders.

Lin Wen Chang
Chief Executive Officer

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 FY2016, 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

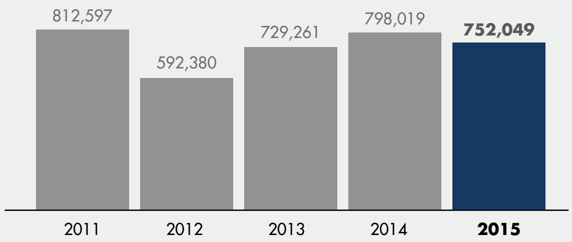
On behalf of the Board, we would like to extend our utmost appreciation to our management and staff, shareholders, business partners and customers for their dedication and commitment.

We will continue to put in our best efforts to deliver value to all our stakeholders.

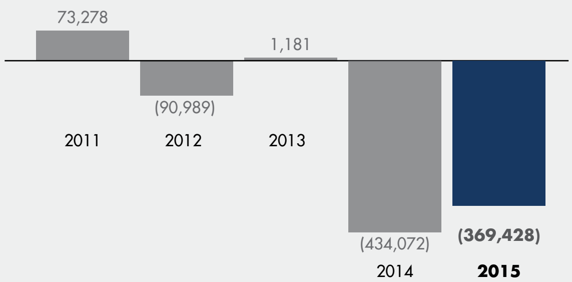
Choi Cheung Kong
Non-executive Chairman

Lin Wen Chang
Chief Executive Officer

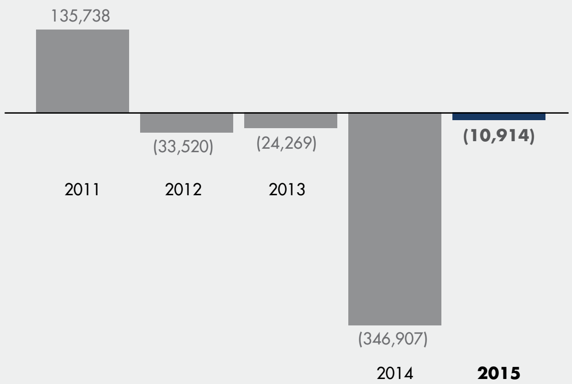
Revenue
(RMB'000)



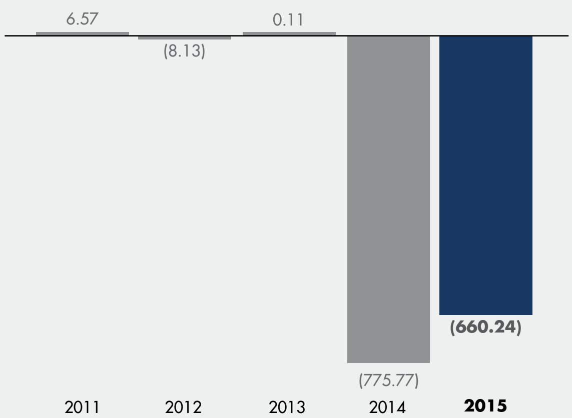
Net Profit attributable to shareholders
(RMB'000)



Operating Cash Flow
(RMB'000)



Earnings Per Share
(RMB cents)



Revenue

For the full year ended 31 December 2015 ("FY2015"), the Group recorded revenue of about RMB752.0 million, decreased by 5.8% from the RMB798.0 million in FY2014. The decrease in revenue mainly resulted from the decrease in the sale of performance fabrics in FY2015 by 24.8% from 11,406tonnes in FY2014 to 8,577tonnes in FY2015.

Profitability

The Group made a net loss of RMB369.4 million which mainly due to written off of VAT and trade receivable amounting to RMB110 million and RMB72.8 million respectively and impairment of property, plant and equipment amounting to RMB105 million.

Cash Flow

During FY2015, cash and bank balances decreased by RMB 17.1 million to RMB8.8 million as at 31 December 2015 from RMB25.9 million as at 31 December 2014. The Group's cash outflows were mainly due to operating activities as a result of lower sale of performance fabric in 4Q15 and low margin for sale of performance fabric in FY2015.

Financial Results Highlight

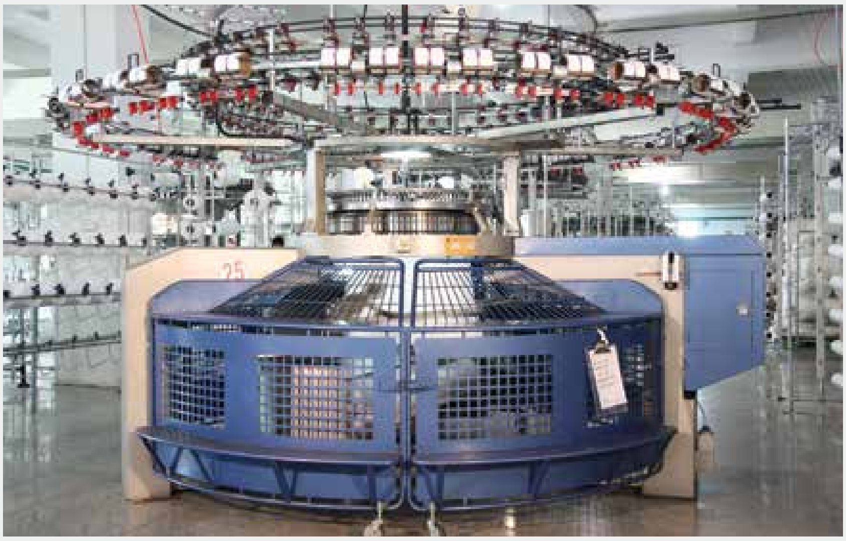
(RMB'000)	2011	2012	2013	2014	**2015**
Revenue	812,597	592,380	729,261	798,019	**752,049**
Gross profit	117,146	(51,869)	49,399	(325,097)	**(51,857)**
Profit before income tax	99,974	(90,988)	2,702	(433,643)	**(369,428)**
Net profit attributable to equity holders	73,278	(90,989)	1,181	(434,072)	**(369,428)**
Dividend per share (RMB cents)	-	-	-	-	**-**

The 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 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 meeting the ever-changing market demands. China Taisan emphasises and invests adequately in its product R&D. We have tie up with Wuhan Textile University to co-develop new products as a move 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.

Investment Risk

The Group grows its businesses through organic growth of its existing activities, development of new products and capabilities and through potential acquisitions of operating business entities. 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 2015. 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 reduce the credit risk of the group.

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 2015, the Group's cash and cash equivalents stood at RMB8.8 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.

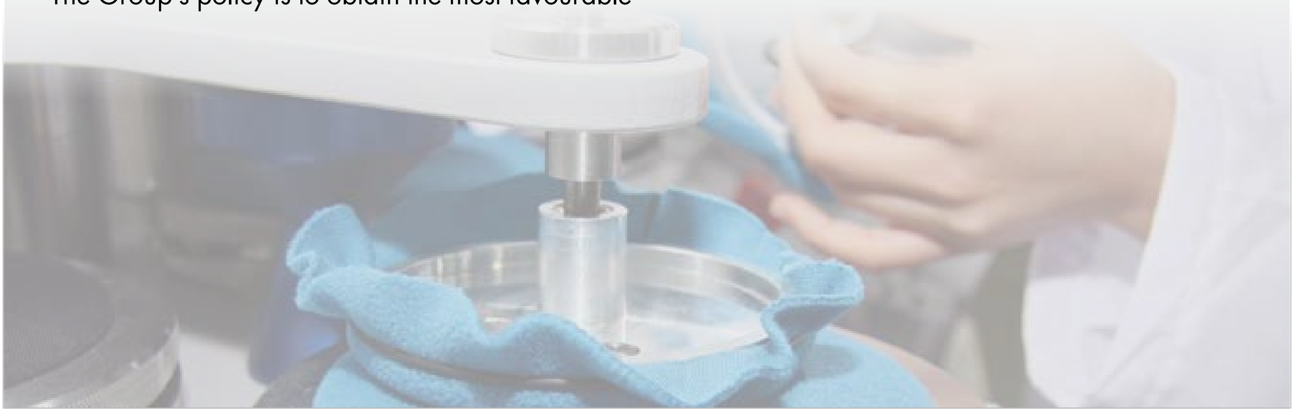
Liquidity Risk

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.



Choi Cheung Kong（蔡长江） is our co-founder and Non-Executive Chairman and was appointed to our Board on 8 October 2007. He is also the Chairman of the Nominating Committee and a member of the Remuneration Committee 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.

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 Chairman of the Remuneration Committee and a member of Audit and Nominating Committees. He is currently the managing Audit Partner of One Assurance LLP and Audit Partner of Audit Alliance LLP. 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 Singapore Chartered Accountants , and a fellow member of Association of Chartered Certified Accountants (ACCA).

Leow Yong Kin (廖荣进) is our Independent Director and was appointed to our Board on 8 October 2015. He is also the member of Audit, Nominating and Remuneration Committees. He is currently the director of AccountsPro Consulting Services Pte Ltd. From July 2014 to now, he is Chief Financial Officer of China Great Land Holding Ltd. He is currently member of Institute of Singapore Chartered Accountants and Association of Chartered Certified Accountants (ACCA).

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 and a member of the Nominating Committee and Remuneration Committee. He has more than 15 years of audit experience with professional international accounting firms 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 of Gleneagle Trust in Singapore. Mr Tsang is currently a practicing member of the Institute of Singapore Chartered Accountants, 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.

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 and finance departments of our sudbsidiary. Mr. Yang graduated with a diploma in 1993 from Quanzhou City Li-ming Vocational College (泉州市黎明职业大学). From1997 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.

Dr. Felix Ong Kim Huat （王金发博士） is our Chief Advisor and was appointed since the Company incorporated. He is currently the Executive Chairman & CEO of Focus-Tech Holding Pte Ltd.Dr Ong is a very successful entrepreneur and he is also well-known for his deep interest and support of the local entertainment industry, which stems from his work in his younger days as a story writer, scriptwriter, and, a movie star. He has put his musical and artistic talents to a positive cause by participating in many community fund-raising activities. Dr. Ong was conferred the Doctorate of Philosophy in Business Administration from the American University in the State of Hawaii, USA, in 2000.

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 Singapore Chartered Accountants.

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 2015. Where there are areas which will be implemented and where applicable, we have provided explanations for deviation from the Code.

(A) BOARD MATTERS

Board's Conduct of its Affairs

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

For FY2015, 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.

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.

Key matters which the Board oversees include:

(i) approving board policies, strategies and long-term objectives of the Group;

(ii) ensuring management performance is regularly monitored;

(iii) overseeing the processes for evaluating the adequacy of internal controls, risk management, financial reporting and compliance (please refer to Principle 11 on risk management and internal controls);

(iv) reviewing and approving annual financial budgets, material acquisitions of assets, major funding proposals, investment and divestment proposals;

(v) assuming responsibility for corporate governance (all Directors are obliged to act in good faith and consider the interest of the Company at all times);

(vi) identifying the key stakeholder groups of the Group and recognizing that their perceptions affect the Company's recognition;

(vii) setting the Company's values and standards (including ethical standards) and ensuring that obligations to shareholders and other stakeholders are understood and met; and

(viii) considering sustainability issues.

Corporate Governance

To fulfill its 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 ("**NC**"), a Remuneration Committee ("**RC**") and an Audit Committee ("**AC**") (collectively, "**Board Committees**"). The effectiveness of each Board Committee is also constantly monitored. The Board Committees operate within clearly defined terms of reference or scope and they play an important role in ensuring good corporate governance in the company and within the Group. The terms of reference of the Board Committees are reviewed on a regular basis to ensure their continued relevance. The Board has also established a framework for the Management of the Group including a system of internal control.

In line with the recent changes of the Companies Act, all reference to the Memorandum and Articles of Association will be superseded with Constitution and Regulation.

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. Important matters concerning the Group are also put to the Board for its decision by way of written resolutions. Meetings via teleconference or by means of a similar communication equipment are permitted by the Company's Constitution.

Meetings via teleconference or by means of a similar communication equipment are permitted by the Company's Constitution.

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.

Board and Board Committees Meetings

The following table sets out the attendance of each Director at the Board and Board Committees meetings held during the financial year ended 31 December 2015 ("**FY2015**")

Name of Directors	Board		Board Committees					
			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)(1)	4	4	6	5	1	1	1	0
Mr Lin Wen Chang (Executive Director & CEO)	4	4	6	6*	1	1*	1	1*
Mr Chen Jia Ji (Executive Director)	4	3	6	3*	1	1*	1	1*
Mr Tsang Siu For Thomas (Lead Independent Director)	4	4	6	6	1	1	1	1
Mr Ngan See Juan (Independent Director)	4	2	6	5	1	1	1	1
Mr Leow Yong Kin (2) (Independent Director)	4	1	6	1	1	0	1	0

* Attendance by invitation.

(1) Mr. Choi Cheung Kong relinquished as the member of the AC on 8 October 2015.

(2) Mr. Leow Yong Kin was appointed as Independent Director on 8 October 2015.

Corporate Governance

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 the Board 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 and to facilitate effective discharge of their fiduciary duties as Board or Board Committees members.

New releases issued by the Singapore Exchange Securities Trading Limited ("**SGX-ST**") and Accounting and Corporate Regulatory Authority ("**ACRA**") which are relevant to the Directors are circulated to the Board. The Company Secretary informed the Directors of upcoming conferences and seminars relevant to their roles as Directors of the Company. Annually, the external auditors update the AC and the Board on the new and revised financial reporting standards that are applicable to the Company or the Group.

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. The Company Secretary conducts briefings and presentations to update the Board. In this regard, the most recent briefing being conducted at the Board meeting of the Company held on 29 February 2016 in relation to SGX's Minimum Trading Price requirement as well the revised undertaking for Directors and Executive Directors pursuant to Rule 720(1) of the Listing Manual of the SGX-ST. 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 and the Company Secretary assists the Board to search for new training courses and notifies the Directors of the same.

The Company will provide a formal letter to newly appointed Directors upon their appointment explaining their statutory duties and responsibilities as Directors.

Corporate Governance

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.

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

Name of Directors	Board	AC	NC	RC
Choi Cheung Kong	Chairman and Non-Executive Director	-	Chairman	Member
Lin Wen Chang	Executive Director and CEO	-	-	-
Chen Jia Ji	Executive Director	-	-	-
Tsang Siu For Thomas	Lead Independent Director	Chairman	Member	Member
Ngan See Juan	Independent Director	Member	Member	Chairman
Leow Yong Kin[(1)]	Independent Director	Member	Member	Member

(1) Mr Leow Yong Kin was appointed as Independent Director on 8 October 2015.

The criterion of independence is based on the definition given in the Code. The Board and NC 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 NC has reviewed the independence of each Independent Director and is of the view that these Directors are independent.

There is no Independent Director who has served on the Board beyond nine years from the date of his appointment.

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.

As the Chairman is a Non-Executive Director, there is presently a strong and independent element on the Board as more than half of the Board comprises of Independent Directors. This will be sufficient 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 the NC 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 NC, in consultation with the Board, determines the selection criteria and selects candidates with the appropriate expertise and experience for the position.

The Board examines its size and considers that the current Board size and number of Board Committees are appropriate for effective decision-making, taking into account and scope and nature of the operations of the Group and skills and experiences of the directors.

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.

When necessary, the Company co-ordinates informal meetings for Non-Executive and Independent Directors to meet without the presence of the Executive Directors and/or the Management to discuss matters such as the Group's financial performance, corporate governance initiatives, Board processes, succession planning as well as leadership development and the remuneration of the Executive Directors.

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.

Corporate Governance

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.

The Company Secretary may be called to assist the Non-Executive Chairman in any of the above.

The Board had appointed Mr Tsang Siu For Thomas as the Lead Independent Director to co-ordinate and to lead the Independent Directors to provide a non-executive perspective and contribute to a balance of viewpoints on the Board. He is the main liaison on Board issues between the Independent Directors and Non-Executive Chairman. He is available to shareholders where they have concerns which contact through the normal channels of the Non-Executive Chairman or Financial Controller has failed to resolve or is inappropriate.

The Independent Directors, led by the Lead Independent Director, meet amongst themselves without the presence of the other Directors, where necessary, and the Lead Independent Director will provide feedback to the Non-Executive Chairman after such meetings.

Board Membership

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

The NC comprises one Non-Executive Director and three Independent Directors, majority of whom, are independent.

Nominating Committee

Choi Cheung Kong (Chairman)
Tsang Siu For Thomas
Ngan See Juan
Leow Yong Kin

Mr Leow Yong Kin was appointed as the member of the NC on 8 October 2015.

Corporate Governance

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 for the Chairman and the CEO;

(b) developing a process for evaluation of the performance of the Board, its committees 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) 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;

(h) 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;

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

(j) 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

(k) 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 NC is responsible for identifying and recommending new Directors to the Board, after considering the necessary and desirable competencies. In selecting potential new Directors, the NC will seek to identify the competencies required to enable the Board to fulfil its responsibilities. The NC will evaluate the suitability of the nominee or candidate based on his/her qualifications, business and related experience, commitment, ability to contribute to the Board process and such other qualities and attributes that may be required by the Board. In recommending a candidate for re-appointment to the Board, the NC considers, amongst other things, his/her contributions to the Board (including attendance and participation at meetings, time and effort accorded to the Group's business and affairs) and his/her independence.

Corporate Governance

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

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 October 2007	29 May 2015	China Taisan Technology Group Holdings Limited	NIL
Lin Wen Chang	14 January 2008	Not Applicable(1)	China Taisan Technology Group Holdings Limited	NIL
Chen Jia Ji	17 August 2011	29 April 2014	China Taisan Technology Group Holdings Limited	NIL
Tsang Siu For Thomas	14 April 2008	29 April 2014	China Taisan Technology Group Holdings Limited Yong Xin International Holdings Ltd	NIL
Ngan See Juan	29 February 2012	29 May 2015	China Taisan Technology Group Holdings Limited USP Group Limited Ziwo Holdings Ltd.	NIL
Leow Yong Kin	8 October 2015	-	China Taisan Technology Group Holdings Limited	NIL

(1) In accordance with the Company's Constitution our CEO, 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.

According to the Company's Constitution, the NC has recommended that Mr Chen Jia Ji, Mr Tsang Siu For Thomas and Mr Leow Yong Kin be nominated for re-election at the forthcoming AGM. The Board has accepted the NC's recommendations. Mr Tsang Siu For Thomas has expressed to the Board that he will not be seeking re-election as a Director at the forthcoming AGM due to personal commitments and the Board has noted his desire and would like to express their appreciation to Mr Tsang Siu For Thomas for his past contributions to the Company. Upon Mr Tsang Siu For Thomas relinquishing his directorship in the Company, he will also cease to be the Chairman of the AC and a member of the NC and RC. In connection with this, the Company is in the process of identifying and evaluation suitable candidates as Independent Director and will inform shareholders in due course.

Each member of the NC shall abstain from voting on any resolutions in respect to his re-nomination as a Director. There is no alternate director being appointed to the Board.

Corporate Governance

For the financial year under review, the NC, having considered Guideline 2.3 of the Code, is of the view that the Independent Directors of the Company are independent and are able to exercise judgment on the corporate affairs of the Group independent of the Management.

Despite some of the Directors having other Board representations, the NC is satisfied that these Directors have sufficient energy and time to focus on the management of the Company. Currently, the Board has not determined the maximum number of listed Board representations which any Director may hold. The NC and the Board will review the requirement to determine the maximum number of listed Board representations as and when it deemed fits.

Other key information on the individual Directors of the Company is set out in pages 10 to 11 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 and individual Director evaluation are 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.

The NC reviews and determines the independence of each Director and assesses the effectiveness of the Board as a whole. The NC has reviewed and assessed the effectiveness of the Board and individual Director based on the criteria approved by the Board. The NC is of the opinion that each member of the Board has been effective during FY2015 due to the active participation of each Board member during each meeting. No external facilitator was used during the evaluation process in FY2015.

The NC has recommended the adoption of the formal annual evaluation form for the Board Committees to further enhance the effectiveness of the Board Committees. The Board has accepted the NC's recommendation and the formal annual evaluation form for the Board Committees would be adopted with effect from financial year 2016.

Access to Information

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

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 and Board Committees 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.

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 or her representative 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 Constitution and relevant rules and regulations, including requirements of the Companies Act, Chapter 50 and the Listing Manual of the SGX-ST, are complied with. The appointment and removal of the Company Secretary is subject to the approval of the Board as a whole.

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. The Company Secretary also assist the Board to search for training courses and notifies Directors of the courses when necessary and provide updates on any regulatory changes affecting the Group. The external auditors also briefed the AC members on development of accounting standards during AC meeting. 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 RC comprises one Non-Executive Director and three Independent Directors, the majority of whom, including the Chairman, are independent.

Remuneration Committee

Ngan See Juan (Chairman)
Choi Cheung Kong
Tsang Siu For Thomas
Leow Yong Kin

Mr Leow Yong Kin was appointed as the member of the RC on 8 October 2015.

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.

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

(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.

Non-Executive Directors are paid fixed fees as Directors' fees. The Directors' fee is subject to shareholders' approval at the AGM.

Each Director shall abstain from voting on any resolution and making any recommendation and/or participating in any deliberation in respect of their own remuneration package.

The RC has full authority to engage any external professional advice on matters relating to remuneration as and when the need arises. The expense of such services shall be borne by the Company.

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

Level and Mix of Remuneration

Principle 8: The level and structure of remuneration should be aligned with the long-term interest and risk policies of the company, and should be appropriate to attract, retain and motivate (a) the directors to provide good stewardship of the company, and (b) key management personnel to successfully manage the company. However, companies should avoid paying more 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 CEO, Mr 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 is renewable on the same terms for a period of 3 years, and the latest renewal was from 1 January 2014 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 shareholders' approval at the AGM of the Company.

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

Disclosure on Remuneration

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

Details of remuneration paid to the Directors and top 4 key management personnel for FY2015 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$100,000					
Mr Chen Jia Ji	–	98%	–	2%	100%
Below S$ 50,000					
Mr Choi Cheung Kong	–	–	–	–	–
Mr Tsang Siu For Thomas	100%	–	–	–	100%
Mr Ngan See Juan	100%	–	–	–	100%
Mr Leow Yong Kin(1)	100%	–	–	–	100%

Note:
(1) Mr Leow Yong Kin was appointed as Independent Director on 8 October 2015.

Remuneration band and Name	Fees	Salary	Bonus	Others	Total
Key Management Personnel					
Between S$50,000-S$100,000					
Mr Cai Bing Huang	–	99%	–	1%	100%
Mr Liu Yi	–	83%	7%	10%	100%
Below S$ 50,000					
Mr Yang Shun Fu	–	98%	–	2%	100%
Mr Cai Jin Ding	–	97%	–	3%	100%

For FY2015, the aggregate total remuneration paid to the key management personnel (who are not Directors or the CEO) amounted to approximately S$50,000.

Corporate Governance

There were no terminations, retirement or post-employment benefits granted to Directors, the CEO and key management personnel other than the standard contractual notice period termination payment in lieu of service for FY2015.

The Company does not have any employees who are immediate family members of a Director or the CEO, whose remuneration exceeded S$50,000 during FY2015.

The Company does not have any employee share schemes.

The breakdown of the remuneration of the top executives of the Group is not disclosed in the Annual Report due to the confidentiality 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 in bands of S$50,000 instead of to the nearest thousand as it believes that such detailed disclosure is not necessary for good corporate governance and wishes to keep it confidential for commercial reasons.

(C) ACCOUNTABILITY AND AUDIT

Accountability

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

Accountability to our shareholders is demonstrated through the presentation of our annual financial statements, quarterly results announcements and all announcements on the Group's business and operations. The 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.

The Management provides the Board with appropriately detailed Management accounts of the Company's performance, position and prospects on a quarterly basis and when deemed appropriate by particular circumstances.

In line with the SGX-ST Listing Rules, the Board provides a negative assurance statement to the shareholders in respect of the interim financial statements.

The Management maintains regular contact and communication with the Board by various means including the preparation and circulation to all Board members of quarterly results announcements and full year financial statements of the Group. This allows the Board to monitor the Group's performance and position as well as the Management's achievements of the goals and objectives determined and set by the Board.

Corporate Governance

Risk Management and Internal Controls

Principle 11: The Board is responsible for the governance of risk. The Board should ensure that Management 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 for FY2015 give a true and fair view of the Company's finances; and

(b) the Company's risk management and internal controls system are operating effectively given its current business environment.

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, compliance and information technology risks. The AC 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

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.

Corporate Governance

In the opinion of the Board, the AC 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 RMB 30 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 AC on a regular basis; and

(c) the Company will have the power to unilaterally change the legal representative of Jinjiang Lianjie at any point of 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, compliance and information technology risks in relation to the Company and the Group. The AC 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 and risk management systems established and maintained by the Group, work performed by the internal and external auditors and reviews performed by Management, AC and the Board, the Board with the concurrence of the AC, is of the opinion that the Group's internal controls and risk management systems, addressing financial, operational, compliance and information technology risks, were adequate as at 31 December 2015.

Audit Committee

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

The AC comprises one Non-Executive Director and three Independent Director, the majority of whom, including the Chairman are independent.

Audit Committee

Tsang Siu For Thomas (Chairman)
Ngan See Juan
Leow Yong Kin

Mr Leow Yong Kin was appointed as the member of the AC on 8 October 2015.

Corporate Governance

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 and risk management, 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;

(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;

(c) reviewing the periodic consolidated financial information 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 SGX-ST;

(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.

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.

In July 2010, SGX-ST and ACRA launched the "Guidance to Audit Committees on Evaluation of Quality of Work performed by External Auditors" which aims to facilitate the AC in evaluating the external auditors. Accordingly, the AC had evaluated the performance of the external auditors based on the key indicators of audit quality set out in the said Guidance.

The AC will meet with the external auditors and internal auditors without the presence of the Management, as and when necessary, to review the adequacy of audit arrangement, with emphasis on the scope and quality of their audit, the independence, objectivity and observations of the external auditors and internal auditors.

Annually, the AC meets with the external auditors without the presence of the Management and conducts a review of all non-audit services provided by the auditors and is satisfied that the nature and extent of such services will not prejudice the independence and objectivity of the external auditors.

The Group's existing auditors, Mazars LLP, have been the auditors of the Group since 17 December 2007 and Mr Dominique Tan is the current audit partner in charge since his appointment on 31 December 2014. During FY2015, 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. The audit fees paid to the external auditors amounted to S$120,000 for FY2015. The Company has complied with Rules 712 and 715 of the SGX-ST Listing Manual in relation to the engagement of its auditors.

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 on the proposals to the shareholders on the appointment, reappointment and removal of the external auditors and approves the remuneration of the external auditors.The AC recommends to the Board the nomination of Mazars LLP as external auditors at the forthcoming AGM of the Company.

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

Internal Audit

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

On 1 March 2011, the Company set up its own internal audit department, which would report directly to AC and provide reports to AC on a timely basis. The internal audit department has unfettered access to all the Company's documents, records, properties and personal.

The AC reviews and approves the internal audit plan submitted by the internal audit function. On an ongoing basis, the internal audit function reports any significant weaknesses and risks identified in the course of internal audits conducted to the AC. Recommendations to address control weaknesses are further reviewed by the internal audit function based on implementation dates agreed with the Management.

The AC also review, at least annually, the adequacy and effectiveness of the internal audit function including the qualifications and experience of the internal audit staff assigned to perform the reviews.

The AC is of the view that the Company has an adequate internal audit function and is staffed by suitably qualified and experienced professionals with relevant experience.

The AC approves the appointment, removal, evaluation and compensation of the internal auditor. The internal auditor carries out its function according to the standards set by nationally or internationally recognized professional bodies.

(D) COMMUNICATION WITH SHAREHOLDERS

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.

If any shareholder is unable to attend, he/she is allowed to appoint up to two proxies to vote on his/her behalf at the meeting through proxy forms sent in advance. The Company's current Constitution does not include the nominee and custodial services to appoint more than two proxies.

On 3 January 2016, the legislation was amended, among other things to allow certain members, defined as "Relevant Intermediary" to attend and participate in general meetings without being constrained by the two-proxy requirement. Relevant Intermediary includes corporations holding licenses in providing nominee and custodial services and CPF Board which purchases shares on behalf of the CPF investors.

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 information containing a summary of the financial results 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.

Although the Company does not have any investor relations personnel, our shareholders can access the Company's websites for the Company's information.

Price-sensitive information is first publicly released through SGXNet, before the Company meets with any investors or analysts. All shareholders of the Company will receive the annual report with an accompanying notice of AGM by post. The notice of AGM is also published in the newspaper within the mandatory period.

The Company does not have a fixed dividend policy. The form, frequency and amount of dividends will depend on the Company's earnings, general financial condition, results of operations, capital requirements, cash flow, general business condition, development plans and other factors as the Directors may deem appropriate. Dividends were not declared or paid for FY2015 as the Company made losses.

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.

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

Each item of special business included in the notice of general meetings will be accompanied by explanation of the effects of a proposed resolution. Separate resolutions are proposed for each substantially separate issue at general meetings. The Company will make available the minutes of general meetings to shareholders upon their requests.

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.

For greater transparency, the Company implemented poll voting in 2015. This entails shareholders being invited to vote on each resolution by poll, thereby allowing all shareholders present or represented at the meeting to vote on a one share, one vote basis. The voting results of all votes cast for, or against, each resolution is then announced at the meeting. The detailed results of each resolution are announced via SGXNet after the general meetings. The Company will continue to conduct the voting by poll at the forthcoming AGM in accordance with the recommendation made by the Code and the Listing Manual of the SGX-ST.

(D) DEALING IN SECURITIES

In compliance with Rule 1207(19) of the Listing Manual of the SGX-ST, 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;

- 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.

The Company has also issued written policies and procedures regarding whistle-blowing to its Directors and employees, identifying and illustrating actions or observations which may constitute matters which should be raised, and the various avenues through which they may be raised. The Company has also set up a dedicated email address for reporting purposes to which access is restricted to the Chairman of the AC and his designate.

(E) 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 2015.

(F) 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 Listing Manual of the SGX-ST 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]
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 14.9 million.

Financial Contents

Directors' Statement

The Directors present their report to the members together with the audited financial statements of the Group for the financial year ended 31 December 2015 and the statement of financial position and statement of changes in equity of the Company as at 31 December 2015.

1. Opinion of the Directors

In the opinion of the Directors,

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

(ii) 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.

2. Directors

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

Non-Executive Director:
Choi Cheung Kong

Executive Directors:
Lin Wen Chang
Chen Jia Ji

Independent Non-Executive Directors:
Tsang Siu For Thomas
Ngan See Juan
Leow Yong Kin (Appointed on 8 October 2015)

3. 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, except as disclose in paragraph 5 below.

4. Share consolidation

During the year 2015, the Company proposed a share consolidation of every twenty (20) existing issued ordinary shares in the capital of the Company into one (1) Consolidated Share, fractional entitlements to be disregarded save for the event that, upon the completion of the share consolidation, any shareholder who is entitled to less than one (1) Consolidated Share shall be deemed to be entitled to one (1) Consolidated Share. The share consolidation was approved by shareholders at the Extraordinary Meeting held on 29 May 2015 and became effective on 22 June 2015.

4. Share consolidation (Continued)

As a result of the share consolidation, the number of ordinary shares, share options and warrants and their exercise prices were adjusted accordingly.

After the completion of share consolidation on 22 June 2015, the ordinary shares and treasury shares have been restated on the basis of the Company's share consolidation.

5. 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 share capital or debentures of the Company and its related corporations except as stated below:

Name of Directors and respective company in which interests are held	Direct interest		Deemed interest	
	At beginning of year	At end of year	At beginning of year	At end of year
China Taisan Technology Group Holdings Limited				
(No. of ordinary shares)				
Choi Cheung Kong	-	-	385,452,766	19,272,638
Lin Wen Chang	-	-	105,388,605	5,269,430

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 2016 in the shares or debentures of the Company have not changed from those disclosed as at 31 December 2015.

6. 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 received remuneration from related corporations in their capacity as Directors and/or executives of those related corporations.

7. Share options

There were no share options granted by the Company or its subsidiary 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 subsidiary.

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

8. 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 (Chairman)
Ngan See Juan
Leow Yong Kin
Choi Cheung Kong

The Audit Committee has convened seven meetings during the year with key management and the internal and external auditors of the Company. The Audit Committee has also met with the external auditors of the Company without the presence of management in respect of the financial year ended 31 December 2015.

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

(i) the audit plan and results of the external audit, 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) 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) 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) 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) the adequacy of the Group's risk management processes;

(vi) the Group's compliance with legal requirements and regulations, including the related compliance policies and programmes and reports received from regulators, if any;

(vii) 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.

Directors' Statement

8. Audit Committee (Continued)

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.

On behalf of the Board of Directors

Choi Cheung Kong
Director

Lin Wen Chang
Director

Singapore

7 April 2016

Independent Auditors' Report

TO THE MEMBERS OF CHINA TAISAN TECHNOLOGY GROUP HOLDINGS LIMITED

Report on the Financial Statements

We were engaged 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 2015, and the statements of profit or loss and other comprehensive income, changes in equity and cash flows of the Group and the changes in equity of the Company for the financial year then ended, 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. Because of the matters described in the Basis for Disclaimer of Opinion paragraph, however we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

Basis for Disclaimer of Opinion

Value Added Tax Recoverable (VAT)

Included in trade and other receivables as of 31 December 2015 were VAT receivables of approximately RMB 9.5 million. During the financial year ended 31 December 2015, the Group wrote off VAT recoverable of RMB 110 million in 2015 on the basis that these amounts cannot be recovered from the tax authorities. We were unable to obtain sufficient appropriate audit evidence to ascertain the appropriateness of the write off. Consequently, we were unable to determine whether any adjustments to these amounts were necessary.

Basis for Disclaimer of Opinion (Continued)

Going Concern

During the financial year ended 31 December 2015, the Group incurred net loss of RMB 369 million and net operating cash outflows of RMB 10.9 million. These conditions indicated the existence of a material uncertainty which may cast a significant doubt over the Group's ability to continue as a going concern. We have evaluated management's assessment of the Group's ability to continue as a going concern and in the absence of further information and documentary evidence, we were unable to satisfy ourselves on the reasonableness of the assumptions used by management to support their assessment.

Accordingly, we are unable to assess the appropriateness of the management's use of going concern assumption in the preparation of the financial statements. If the Group were unable to continue in operational existence for the foreseeable future, the Group may be unable to discharge its liabilities in the normal course of business and adjustments may have to be made to reflect the situation that assets may need to be realised other than in the normal course of business and at amounts which they are currently recorded in the statement of financial position. In addition, the Group may have to reclassify its non-current assets as current assets. No such adjustments have been made to these accompanying financial statements.

Disclaimer Opinion

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

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
Chartered Accountants

Tan Chin Soon
Partner-in-charge

Singapore
7 April 2016

Consolidated Statement of Profit or Loss and Other Comprehensive Income

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

	Note	Group 2015 RMB'000	Group 2014 RMB'000
Revenue	4	752,049	798,019
Cost of sales		(803,906)	(1,123,116)
Gross loss		(51,857)	(325,097)
Other income	5	742	9,307
Distribution costs		(1,151)	(1,601)
Administrative expenses		(10,796)	(12,072)
Other operating expenses		(304,089)	(101,692)
Finance costs	6	(2,277)	(2,488)
Loss before income tax	7	(369,428)	(433,643)
Income tax expense	9	–	(429)
Loss for the year representing total comprehensive loss attributable to equity holders of the Company		(369,428)	(434,072)
Loss per share attributable to owners of the parent (RMB cents)			
- Basic and diluted	10	(660.24)	(775.77)

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 2015

	Note	Group 2015 RMB'000	Group 2014 RMB'000	Company 2015 RMB'000	Company 2014 RMB'000
Assets					
Non-current assets					
Property, plant and equipment	11	323,064	517,736	–	–
Intangible assets	12	99	102	–	–
Investment in a subsidiary	13	–	–	88,268	88,268
Other asset	14	2,400	2,400	–	–
Total non-current assets		325,563	520,238	88,268	88,268
Current assets					
Inventories	15	51,791	69,339	–	–
Trade and other receivables	16	200,360	731,165	–	12
Amounts due from a subsidiary	17	–	–	304,774	469,495
Cash and cash equivalents	18	8,846	25,916	609	874
Total current assets		260,997	826,420	305,383	470,381
Total assets		586,560	1,346,658	393,651	558,649
Equity and liabilities					
Equity					
Share capital	19	562,103	562,103	562,103	562,103
Treasury shares	20	(4,709)	(4,709)	(4,709)	(4,709)
Merger reserve	21	11,491	11,491	–	–
Statutory reserve	22	97,012	97,012	–	–
Accumulated losses /Retained earnings		(277,628)	91,800	(164,615)	164
Equity attributable to owners of the Company		388,269	757,697	392,779	557,558
Current liabilities					
Trade and other payables	23	162,060	383,234	872	1,091
Provision for onerous sale contracts	23,33	-	165,617	–	–
Amount due to a related party	24	5,599	2,878	–	–
Bank borrowings	25	27,900	34,500	–	–
Provision for income taxes		2,732	2,732	–	–
Total current liabilities		198,291	588,961	872	1,091
Total liabilities		198,291	588,961	872	1,091
Total equity and liabilities		586,560	1,346,658	393,651	558,649

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 YEAR ENDED 31 DECEMBER 2015

	Attributable to owners of the Company					
Group	**Share capital**	**Treasury shares**	**Merger reserve**	**Statutory reserve**	**(Accumulated losses)/ Retained earnings**	**Total equity**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**	**RMB'000**	**RMB'000**
Balance at 1 January 2014	562,103	(4,709)	11,491	97,012	525,872	1,191,769
Loss for the year representing total comprehensive loss	–	–	–	–	(434,072)	(434,072)
Balance at 31 December 2014	562,103	(4,709)	11,491	97,012	91,800	757,697
Balance at 1 January 2015	562,103	(4,709)	11,491	97,012	91,800	757,697
Loss for the year representing total comprehensive loss	–	–	–	–	(369,428)	(369,428)
Balance at 31 December 2015	562,103	(4,709)	11,491	97,012	(277,628)	388,269

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 YEAR ENDED 31 DECEMBER 2015

Company	Share capital	Treasury shares	(Accumulated losses)/ Retained Earnings	Total equity
	RMB'000	RMB'000	RMB'000	RMB'000
Balance at 1 January 2014	562,103	(4,709)	3,095	560,489
Loss for the year representing total comprehensive loss	–	–	(2,931)	(2,931)
Balance at 31 December 2014	562,103	(4,709)	164	557,558
Balance at 1 January 2015	562,103	(4,709)	164	557,558
Loss for the year representing total comprehensive loss	–	–	(164,779)	(164,779)
Balance at 31 December 2015	562,103	(4,709)	(164,615)	392,779

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 2015

		Group	
	Note	2015	2014
		RMB'000	RMB'000
Operating activities			
Loss before income tax		(369,428)	(433,643)
Adjustments for:			
Depreciation of property, plant and equipment	11	89,672	67,221
Loss on disposal of property, plant and equipment	7	–	3,611
Amortisation of land use rights	12	3	2
Amortisation of other asset	14	–	800
Impairment loss of inventories	7	720	2,000
Inventories written-off	7	–	34,078
Bad debts written-off	7	72,779	50
Impairment of property, plant and equipment	11	105,000	–
Impairment of trade receivables	16	10,028	60,873
VAT written-off		110,000	–
Interest expense	6	2,277	2,488
Interest income	5	(492)	(3,568)
Operating cash flows before movements working capital changes		20,559	(266,088)
Changes in working capital:			
Inventories		16,828	(66,118)
Trade and other receivables		337,998	(390,543)
Trade and other payables		(386,791)	374,495
Cash used in operations		(11,406)	(348,254)
Interest received		492	3,568
Income taxes paid		–	(2,220)
Net cash flows used in operating activities		(10,914)	(346,906)
Investing activities			
Proceeds from disposal of property, plant and equipment		–	255
Net cash flows generated from investing activities		–	255
Financing activities			
Repayment of bank loans		(21,600)	(40,000)
Proceeds from bank loans		15,000	34,500
Receipt of amount due to a related party		2,721	775
Interest paid		(2,277)	(2,488)
Net cash flows used in financing activities		(6,156)	(7,213)
Net decrease in cash and cash equivalents		(17,070)	(353,864)
Cash and cash equivalents at beginning of year		25,916	379,780
Cash and cash equivalents at end of year	18	8,846	25,916

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

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

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 6 Battery Road, 10-01 Singapore 049909.

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 and statement of changes in equity of the Company for the financial year ended 31 December 2015 were authorised for issue by the Board of Directors on 7 April 2016.

2. Summary of significant accounting policies

2.1 Basis of preparation

The consolidated 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 and statement of changes in equity 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 financial statements have been prepared on a going concern basis. During the financial year 2015, the Group is incurring a loss after tax of RMB 369 million (2014: RMB 434 million) and net operating cash outflows of RMB 10.9 million (2014: RMB 347 million).

As of the date of this report, the directors believe that the Group will be able to meet their obligations as and when they fall due in the next 12 months based on the Group's ability to generate sufficient sales in current challenging market.

If the Group were unable to generate sufficient revenue from customers, the Group may be unable to discharge its liabilities in the normal course of business and adjustments may have to be made to reflect the situation that assets may need to be realised other than in the normal course of business and at amounts which could differ significantly from the amounts at which they are currently recorded in the statement of financial position. In addition, the Group may have to reclassify its non-current assets as current assets. No such adjustments have been made to these accompanying financial statements.

2. Summary of significant accounting policies (Continued)

2.1 Basis of preparation (Continued)

In the current financial year, the Group has adopted all the new and revised FRS and INT FRS that are relevant to its operations and effective for annual periods beginning on or after 1 January 2015. The adoption of these new/revised FRS and INT FRS did 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.

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: Disclosure Initiative	1 January 2016
FRS 7	Amendments to FRS 7: Disclosure Initiative	1 January 2017
FRS 12	Amendments to FRS 12: Recognition of Deferred Tax Assets for Unrealised Losses	1 January 2017
FRS 16, FRS 38	Amendments to FRS 16 and FRS 38: Clarification of Acceptable Methods of Depreciation and Amortisation	1 January 2016
FRS 16, FRS 41	Amendments to FRS 16 and FRS 41: Agriculture: Bearer Plants	1 January 2016
FRS 110, FRS 28	Amendments to FRS 110 and FRS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	1 January 2016
FRS 27	Amendments to FRS 27: Equity Method in Separate Financial Statements	1 January 2016
FRS 109	Financial Instruments	1 January 2018
FRS 111	Amendments to FRS 111: Accounting Acquisitions of Interests in Joint Operations	1 January 2016
FRS 110, FRS 112, FRS 28	Amendments to FRS 110, FRS 112 and FRS 28: Investment entities: Applying the consolidation exception (Editorial corrections in June 2015)	To be determined*
FRS 114	Regulatory Deferral Accounts	1 January 2016
FRS 115	Revenue from Contracts with Customers	1 January 2018
FRS 115	Amendments to FRS 115: Effective Date of FRS 115	1 January 2018
Various	Improvements to FRSs (November 2014)	Various

* The mandatory effective date of this Amendment had been revised from 1 Jan 2016 to a date to be determined by the ASC in Dec 2015 via Amendments to Effective Date of Amendments to FRS 110 and FRS 28.

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

2. Summary of significant accounting policies (Continued)

2.1 Basis of preparation (Continued)

The Group and the Company have not early adopted any of the above new/revised standards, interpretations and amendments to the existing standards in the financial year ended 31 December 2015. Management is in the process of making an assessment of their impact and is not yet in a position to state whether any substantial changes to the Group's and the Company's significant accounting policies and presentation of the financial information will result.

FRS 109 Financial Instruments

FRS 109 supersedes FRS 39 Financial Instruments: Recognition and Measurement with new requirements for the classification and measurement of financial assets and liabilities, impairment of financial assets and hedge accounting.

Financial assets are classified into financial assets measured at (i) fair value through profit or loss; (ii) amortised cost; or (iii) fair value through other comprehensive income, depending on the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets, or as otherwise designated as such upon initial recognition, if allowed.

Fair value gains or losses will be recognised in profit or loss except for certain equity investments, for which the entity will have a choice to recognise the gains and losses in other comprehensive income if the financial assets are measured at fair value through other comprehensive income.

There have been no changes in the de-recognition requirements of financial assets and liabilities, nor the recognition, classification and measurement requirements for financial liabilities from FRS 39, except for financial liabilities that are designated at fair value through profit or loss, where the amount of change in fair value attributable to change in credit risk of that liability is recognised in other comprehensive income unless that would create or enlarge an accounting mismatch.

A new forward-looking impairment model based on expected credit losses, which replaces the incurred loss model in FRS 39, determines the recognition of impairment provisions as well as interest revenue. An entity will recognise (at a minimum of) 12 months of expected credit losses in profit or loss for financial assets measured at amortised cost or fair value through other comprehensive income, unless in the circumstance when there is a significant increase in credit risk after initial recognition which requires the entity to recognised lifetime expected credit losses on the affected assets.

The Group does not intend to early adopt FRS 109. The Group is still assessing the potential impact of FRS 109 on its financial statements in the initial year of adoption.

2.2 Basis of consolidation

The financial statements of the Group comprise the financial statements of the Company and its subsidiary. Subsidiary is entity (including structured entities) (i) over which the Group has power and the Group is (ii) able to use such power to (iii) affect its exposure, or rights, to variable returns from then through its involvement with it.

The Group reassesses whether it controls the subsidiary if facts and circumstance indicate that there are changes to the one or more of the three elements of control.

2. Summary of significant accounting policies (Continued)

2.2 Basis of consolidation (Continued)

When the Group has less than a majority of the voting rights of an investee, it still has power over the investee when the voting rights are sufficient, after considering all relevant facts and circumstances, to give it the practical ability to direct the relevant activities of the investee unilaterally. The Group considers, among others, the extent of its voting rights relative to the size and dispersion of holdings of the other vote holders, currently exercisable substantive potential voting rights held by all parties, rights arising from contractual arrangements and voting patterns at previous shareholders' meetings.

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 assets and liabilities, equity, income, expenses and cashflows relating to intragroup transactions 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 has been changed to ensure consistency with the policies adopted by the Group.

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

When the Group loses control over a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. Amounts previously recognised in other comprehensive income in relation to the subsidiary are accounted for (i.e. reclassified to profit or loss or transferred directly to retained earnings) in the same manner as would be required if the relevant assets or liabilities were disposed of. The fair value of any investments retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under 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 in the Company's separate statement of financial position.

2.3 Business combinations

Business combinations from 1 January 2010

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

2. Summary of significant accounting policies (Continued)

2.3 Business combinations (Continued)

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

The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under FRS 103 Business Combinations are recognised at their fair value at the acquisition date, except that:

- deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with FRS 12 *Income Taxes* and FRS 19 *Employee Benefits* respectively;

- liabilities or equity instruments related to the replacement by the Group of an acquiree's share-based payment awards are measured in accordance with FRS 102 *Share-based Payment*; and

- assets (or disposal groups) that are classified as held for sale in accordance with FRS 105 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that Standard.

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

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

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

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

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.

2. Summary of significant accounting policies (Continued)

2.3 Business combinations (Continued)

Common Control Business Combination Outside the Scope of FRS 103

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.

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.

<u>Sale of goods</u>

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.

2. Summary of significant accounting policies (Continued)

2.4 Revenue recognition (Continued)

Rendering of services

Revenue from a contract to provide services is recognised by reference to the stage of completion of the contract. Revenue from provision of dyeing and post-processing treatment services is recognised when the services are rendered to customers.

Interest income

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

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.

The Group participates in the national pension schemes as defined by the laws of PRC. Subsidiaries incorporated in the PRC are required to provide staff pension benefits to their employees under existing PRC legislation. These subsidiaries are required to contribute a certain percentage of their payroll costs to the pension scheme to fund the benefits. The pension funds are managed by government agencies, which are responsible for paying pensions to the retired employees. Contributions under the pension scheme are charged to the profit or loss as they become payable in accordance with the rules of the pension scheme.

Employee leave entitlements

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

2.7 Income tax

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

2. Summary of significant accounting policies (Continued)

2.7 Income tax (Continued)

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 investment in subsidiary, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax 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.

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. Summary of significant accounting policies (Continued)

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.

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.

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

Depreciation is charged so as to write off the cost 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

2. Summary of significant accounting policies (Continued)

2.10 Property, plant and equipment (Continued)

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. Any amount in the revaluation reserve relating to that asset is transferred to retained earnings directly.

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.

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.

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

2. Summary of significant accounting policies (Continued)

2.11 Intangible assets (Continued)

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

Financial assets

All financial assets are recognised on a trade date - the date on which the Group commits to purchase or sell the asset. They are initially measured at fair value, plus transaction costs.

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, bank balances and fixed deposits. The Company's loans and receivables comprise trade and other receivables, amounts due from a subsidiary, 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.

2. Summary of significant accounting policies (Continued)

2.12 Financial instruments (Continued)

Financial assets (Continued)

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.

2. Summary of significant accounting policies (Continued)

2.12 Financial instruments (Continued)

Financial liabilities and equity instruments (Continued)

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.

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.

2. Summary of significant accounting policies (Continued)

2.12 Financial instruments (Continued)

Financial liabilities and equity instruments (Continued)

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 Group 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 profit or loss and other 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 reserves 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.

2. Summary of significant accounting policies (Continued)

2.14 Statutory reserve (Continued)

(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, which is discounted using a pre-tax discount rate.

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

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

2. Summary of significant accounting policies (Continued)

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.

2.21 Provision for onerous sale contracts

Onerous contract provisions are recognised for losses on contracts where the forecast costs of fulfilling the contract throughout the contract period exceed the forecast income receivable. The provision is calculated based on actual costs to fulfill the contract.

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

Impairment of investments in subsidiary

At the end of each financial year, an assessment is made on whether there are indicators that the Company's investments are impaired. Where necessary, the Company's and Group's assessments are based on the estimation of the value-in-use of the assets defined in FRS 36 Impairment of Assets by forecasting the expected future cash flows for a period of up to 5 years, using a suitable discount rate in order to calculate the present value of those cash flows. The Company's carrying amount of investments in subsidiaries as at 31 December 2015 was RMB 88,268,000 (2014:RMB 88,268,000) (Note 13).

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

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 2015 were RMB 200,360,000 (2014: RMB 731,165,000) and RMB Nil (2014: RMB 12,000) respectively (Note 16).

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 2015 were RMB 323,064,000 (2014: RMB 517,736,000) and RMB Nil (2014: RMB Nil) 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 51,791,000 (2014: RMB 69,339,000) (Note 15).

In 2015, the impairment loss of inventories recognised in other operating expenses was approximately RMB 720,000 (2014: RMB 2,000,000) to write down the inventories to its estimated net realisable value.

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

3.2 Key sources of estimation uncertainty (Continued)

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 2015 was RMB 2,732,000 (2014: RMB 2,732,000).

4. Revenue

	Group	
	2015	**2014**
	RMB'000	**RMB'000**
Manufacturing and sale of performance fabrics	706,315	771,720
Fabric processing services	45,734	26,299
	752,049	798,019

5. Other income

	Group	
	2015	**2014**
	RMB'000	**RMB'000**
Interest income	492	3,568
Government grants [1]	232	508
Sales of scrap [2]	-	5,231
Gain on foreign exchange	18	-
	742	9,307

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

[2] Sales of scrap amounting to RMB 5,231,000 were related to the product quality issue in 2014.

6. Finance costs

	Group	
	2015	2014
	RMB'000	RMB'000
Interest expense on bank loans at amortised cost	2,277	2,488

7. Loss before income tax

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

	Note	Group	
		2015	2014
		RMB'000	RMB'000
Amortisation of land use right	12	3	2
Bad debts written off [1]		72,779	50
Cost of inventories recognised as expense	15	846,952	943,395
Depreciation of property, plant and equipment	11	89,672	67,221
Directors' fee – directors of the Company		409	419
Directors' remuneration		1,442	1,394
Exchange (gain)/loss, net		(18)	22
Impairment loss of inventories	15	720	2,000
Impairment of trade receivables	16,33	10,028	60,873
VAT written off		110,000	-
Impairment of property, plan and equipments	11	105,000	-
Inventories written-off	33	-	34,078
Loss on disposal of property plant and equipment		-	3,611
Operating lease payments		65	76
Research and development expenses	14	-	800
Staff costs	8	22,373	18,932
Auditors' remuneration - Audit		688	429
- Non audit		10	10

[1] Bad debts written off amounting to RMB 72,779,000 were related to amount owing from one of the customers who was declared insolvent during the financial year.

8. Staff costs

	Note	Group 2015 RMB'000	Group 2014 RMB'000
Salaries and bonus (excluding directors' remuneration)		22,349	18,915
Staff welfare		24	17
	7	22,373	18,932

Salaries and bonus include payment to defined contribution plan (national pension schemes) amounting to approximately RMB1,183,000 (2014: RMB 1,496,000).

9. Income tax expense

	Group 2015 RMB'000	Group 2014 RMB'000
Current income tax		
- Current year	-	-
- Under provision in prior years	-	429
Total income tax expense	-	429

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

	Group 2015 RMB'000	Group 2014 RMB'000
Loss before income tax	(369,428)	(433,643)
Income tax at the domestic rates applicable to losses in the countries where the Group operates:	(92,135)	(108,176)
Add:		
- Effect of non-allowable items	92,135	108,176
- Under provision in prior years	-	429
Total income tax expense	-	429

Deferred tax asset is not recognised in the statement of financial position as it is not probable that future taxable profit will be available against which the subsidiary can utilise the benefits.

The unutilised tax losses carried forward by the Company and subsidiary are RMB 1,547,768 (2014: RMB 1,531,416) and RMB 309,210,046 (2014: RMB 218,798,459) respectively.

10. Loss per share

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

	Group	
	2015	2014
	RMB'000	RMB'000
Loss		
Loss for the purposes of basic and diluted earnings per share loss for the year attributable to the Company	(369,428)	(434,072)

	Group	
	2015	2014
	No. of shares	No. of shares
	'000	'000
Number of shares		
Number of shares		
Weighted average number of ordinary shares for the purposes of basic earnings per share	55,954	*55,954

Note: Basic loss per share is computed based on weighted average number of shares in issue in 2015: 55,954,677 ordinary shares (2014: 55,954,677).

Basic loss per share (cents)

	2015	2014
	Cents	Cents (Restated)*
Loss for the purposes of basic earnings per share	(660.24)	(775.77)

No diluted earnings per share are presented as there is no dilutive instrument issued as at the financial years ended 31 December 2015 and 2014.

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.

* After the completion of share consolidation on 22 June 2015. The basic and diluted loss per share for the corresponding period has been restated on the basis of the Company's share consolidation.

11. Property, plant and equipment

Group 2015	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 and 31 December 2015	31,925	824,678	1,039	3,724	861,366
Balance at 1 January 2015	24,008	313,290	877	2,871	341,046
Depreciation for the year	1,809	87,753	–	110	89,672
Balance at 31 December 2015	25,817	401,043	877	2,981	430,718
Impairment					
Impairment loss as at 1 January 2015	–	2,472	112	–	2,584
Impairment during the year*	–	105,000	–	–	105,000
	–	107,472	112	–	107,584
Carrying amount					
Balance at 31 December 2015	6,108	316,163	50	743	323,064

Group 2014	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 2014	31,925	839,178	1,039	3,724	875,866
Disposal for the year	–	(14,500)	–	–	(14,500)
Balance at 31 December 2014	31,925	824,678	1,039	3,724	861,366
Accumulated depreciation					
Balance at 1 January 2014	22,082	258,757	877	2,743	284,459
Depreciation for the year	1,926	65,167	–	128	67,221
Disposal for the year	–	(10,634)	–	–	(10,634)
Balance at 31 December 2014	24,008	313,290	877	2,871	341,046
Impairment					
Impairment loss at 1 January and 31 December 2014	–	2,472	112	–	2,584
Carrying amount					
Balance at 31 December 2014	7,917	508,916	50	853	517,736

*During the financial year, the subsidiary of the Group engaged an independent valuer to determine the fair value of its plant and machinery. An impairment loss of RMB 105,000,000 (2014: RMB Nil), representing the write down of some machinery to its recoverable amount, being the fair value less costs of disposal, was recognised as other operating expenses in the statement of profit or loss and other comprehensive income.

11. Property, plant and equipment (Continued)

The fair value of the plant and machinery was determined based on the market replacement method and taking into account the residual ratio. The key assumptions are the market replacement cost of similar machinery taking into account factors like transport and installation costs, and the residual ratio used to discount the market replacement cost. An increase in residual ratio would result in an increase in the fair value of the plant and machinery, and vice versa.

Details of the group's plant and machinery and information about fair value hierarchy after the initial recognition:

	Level 3 RMB'000	Fair value as at December 31, 2015 RMB'000
Plant and machinery	316,163	316,163

	Office equipment
Company	
2015	**RMB'000**
Cost	
Balance at 1 January and 31 December 2015	38
Accumulated depreciation	
Balance at 1 January and 31 December 2015	38
Carrying amount	
Balance at 31 December 2015	-

	Office equipment
Company	
2014	**RMB'000**
Cost	
Balance at 1 January and 31 December 2014	38
Accumulated depreciation	
Balance at 1 January and 31 December 2014	38
Carrying amount	
Balance at 31 December 2014	-

11. Property, plant and equipment (Continued)

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

	2015	**2014**
	RMB'000	**RMB'000**
Leasehold buildings	5,234	2,914

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 5,233,800 (2014: RMB 2,913,877) 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. As of 31 December 2015, the aggregated carrying amount of approximately RMB 15,002,412 (2014: RMB 17,962,435) of the leasehold buildings are in the process of applying for property ownership certificate.

As at 31 December 2015, the estimated costs of applying for the property ownership certificate and land use rights from the PRC authorities is RMB 5,000 (2014: RMB 5,000) and RMB 124,000 (2014: RMB 124,000), respectively.

12. Intangible assets

2015	Group Land use rights RMB'000
Cost	
Balance at 1 January and 31 December 2015	125
Accumulated amortisation	
Balance at 1 January 2015	23
Amortisation for the year	3
Balance at 31 December 2015	26
Carrying amount	
Balance at 31 December 2015	99

2014	Group Land use rights RMB'000
Cost	
Balance at 1 January and 31 December 2014	125
Accumulated amortisation	
Balance at 1 January 2014	21
Amortisation for the year	2
Balance at 31 December 2014	23
Carrying amount	
Balance at 31 December 2014	102

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.

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13. Investment in a subsidiary

	Company	
	2015	2014
	RMB'000	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	
			2015	2014	2015	2014
			%	%	RMB'000	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	
	2015	2014
	RMB'000	RMB'000
Prepayment for research and development collaboration fee		
Balance at 1 January	20,000	20,000
Accumulated amortisation	(17,600)	(17,600)
Balance at 31 December	2,400	2,400

14. Other asset (Continued)

Movement of accumulated amortisation:

	2015	2014
	RMB'000	**RMB'000**
Balance at 1 January	17,600	16,800
Amortisation for the year	-	800
Amortisation at 31 December	17,600	17,600

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 ended 31 December 2014, the Group recognised research and development collaboration fee amounting to RMB 800,000 for one product delivered by the PRC university.

15. Inventories

	Group	
	2015	**2014**
	RMB'000	**RMB'000**
Finished goods	27,106	19,814
Work-in-progress	1,358	1,380
Raw materials	23,327	48,145
	51,791	69,339

The cost of inventories recognised as cost of goods sold was approximately RMB 846,952,000 (2014: RMB 943,395,000) (Note 7).

In 2015, the impairment loss of inventories recognised in other operating expenses was approximately RMB 720,000 (2014: RMB 2,000,000) to write down the inventories to its estimated net realisable value.

16. Trade and other receivables

	Group		Company	
	2015	2014	2015	2014
	RMB'000	RMB'000	RMB'000	RMB'000
Trade receivables – third parties	242,430	672,670	-	-
Less: Impairment of trade receivables	(70,901)	(60,873)	-	-
	171,529	611,797	-	-
Other receivables and prepayments	19,318	19,331	-	12
VAT receivables	9,513	78,480	-	-
Accrual income relates to scrap sales not yet invoice	-	21,557	-	-
Trade and other receivables	200,360	731,165	-	12
Add: Cash and bank balances (Note18)	8,846	25,916	609	874
Less: Prepayments	(19,318)	(19,318)	-	-
Loans and receivables at amortised cost	189,888	737,763	609	886

Movement in the allowance on impairment of trade receivables are as follows:

	Group		Company	
	2015	2014	2015	2014
	$'000	$'000	$'000	$'000
Balance at 1 January	60,873	-	-	-
Allowance during the year	10,028	60,873	-	-
Balance at 31 December	70,901	60,873	-	-

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

	Group		Company	
	2015	2014	2015	2014
	RMB'000	RMB'000	RMB'000	RMB'000
Renminbi	200,360	731,153	-	-
Singapore dollar	-	12	-	12
	200,360	731,165	-	12

The average credit period on sale of goods is 90 to 150 days (2014: 90 to 150 days).

Other receivables consist of a refundable payment to obtain land use rights for land occupied by the subsidiary amounting to approximately RMB 19,318,400 (2014: RMB 19,318,400). The Group is in the process of obtaining the land use rights from the relevant PRC authorities.

17. Amounts due from a subsidiary

	Company	
	2015	2014
	RMB'000	RMB'000
Advances	350,118	352,839
Less: Impairment of amount due from a subsidiary	(162,000)	-
	188,118	352,839
Dividend receivable	116,656	116,656
	304,774	469,495

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

Where there were indications of impairment, management has performed a review of the recoverable amount of its amounts owing by a subsidiary as at 31 December 2015. In view of the loss making position of the subsidiary, the Company has recognised an allowance for doubtful debts for amount due from subsidiary of RMB 162,000,000 as at 31 December 2015 (2014: RMB Nil) in respect of amount considered not recoverable.

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

	Company	
	2015	2014
	RMB'000	RMB'000
Renminbi	293,709	455,708
Singapore dollar	11,065	13,787
	304,774	469,495

18. Cash and cash equivalents

	Group		Company	
	2015	2014	2015	2014
	RMB'000	RMB'000	RMB'000	RMB'000
Cash on hand	65	127	-*	-*
Bank balances	8,781	25,789	609	874
	8,846	25,916	609	874

* The amount is less than RMB 1,000.

The effective interest rate bank balances is 2.98% (2014: 1.77%) per annum.

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

	Group		Company	
	2015	2014	2015	2014
	RMB'000	RMB'000	RMB'000	RMB'000
New Taiwan dollar	10	163	10	163
Renminbi	8,301	25,106	64	64
United States dollar	8	8	8	8
Singapore dollar	527	639	527	639
	8,846	25,916	609	874

19. Share capital

	Group and Company			
	2015	2014	2015	2014
	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	1,126,598,518	562,103	562,103
Share consolidation	(1,070,268,841)	-	-	-
Balance at 31 December	56,329,677	1,126,598,518	562,103	562,103

On 22 June 2015, the Company has undertaken a share consolidation of every 20 existing issued ordinary shares in the capital of the Company held by shareholders into 1 consolidated share, at book closure date of 19 June 2015. Fractional entitlements were disregarded.

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

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

20. Treasury shares

Issued and paid up:	Group and Company			
	2015	2014	2015	2014
	Number of ordinary shares		RMB'000	RMB'000
Balance at 1 January	7,500,000	7,500,000	4,709	4,709
Share consolidation	(7,125,000)	-	-	-
Balance at 31 December	375,000	7,500,000	4,709	4,709

On 22 June 2015, the Company has undertaken a share consolidation of every 20 existing issued ordinary shares in the capital of the Company held by shareholders into 1 consolidated share, at book closure date of 19 June 2015. Fractional entitlements were disregarded.

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 income tax of the subsidiary established in the PRC under the PRC laws and regulations.

23. Trade and other payables

	Group		Company	
	2015	2014	2015	2014
	RMB'000	RMB'000	RMB'000	RMB'000
Trade payables	149,344	373,969	-	-
Accrued operating expenses	12,716	9,265	872	1,091
	162,060	383,234	872	1,091
Provision for onerous sales contracts (Note 33)	-	165,617	-	-
Trade and other payables	162,060	548,851	872	1,091
Add: Borrowings (Note 25)	27,900	34,500	-	-
Financial liabilities at amortised cost	189,960	583,351	872	1,091

The average credit period on purchase of goods is 90 to 120 days (2014: 90 to 120 days).

23. Trade and other payables (Continued)

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

	Group		Company	
	2015	**2014**	**2015**	**2014**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**
Renminbi	161,188	547,760	-	-
Singapore dollar	872	1,091	872	1,091
	162,060	548,851	872	1,091

24. Amount due to a related party

	Group		Company	
	2015	**2014**	**2015**	**2014**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**
Amount owing to:				
- A director – non-trade	5,599	2,878	-	-

The non-trade amount owing to the director is denominated in RMB, unsecured, interest-free and is repayable on demand.

25. Bank borrowings

	Group		Company	
	2015	**2014**	**2015**	**2014**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**
Secured bank loans	27,900	34,500	-	-

The Group's 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 average effective borrowing rates are 7.07% (2014: 6.31%) per annum.

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

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	
	2015	**2014**	**2015**	**2014**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**
Payment of consultancy fee to related party	182	180	-	-

The Group engaged Mr. Cai Chang Jing, brother of non-executive Chairman, as a management consultant and paid him consultancy fee of RMB 181,884 (2014: RMB 180,000)

Key management personnel remuneration

	Group		Company	
	2015	**2014**	**2015**	**2014**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**
Short-term benefits	4,382	3,938	582	573

Included in the key management personnel's remuneration are costs of defined contribution plans of RMB 68,000 (2014: RMB 80,000).

27. Capital commitments

	Group		Company	
	2015	**2014**	**2015**	**2014**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**
Capital expenditure contracted but not provided for:				
- Commitments in respect of the purchase of land-use right	43,750	43,750	-	-
	43,750	43,750	-	-

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	
	2015	**2014**
	RMB'000	**RMB'000**
Future minimum lease payments payable:		
Within one year	-	69

Operating lease payments represent rental payable by the Group and Company for its Singapore office. Lease is negotiable for term of 1 year and rental is fixed for the same period. There is no renewal of lease agreement as at 31 December 2015.

29. 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 2015 was approximately RMB 538,000 (2014: RMB 815,000). The segment assets employed by the Group in a country other than the PRC are other receivables and prepayments and cash and bank balance. There are no non-current assets deployed outside of the PRC.

(iv) Revenue from 4 (2014: 3) external customers approximately RMB 450,486,000 (2014: RMB 409,769,000) accounted for approximately 58% (2014: 49%) of the Group's revenue for the financial year.

30. Financial instruments and financial risks

The Group's activities expose it to credit risks, market risks (including foreign currency risks and interest rate 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 has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral where appropriate, as a means of mitigating the risk of financial loss from defaults. The Group performs ongoing credit evaluation of its counterparties' financial condition and generally does not require a collateral.

The Group has a concentration of credit risk of the trade receivables due from the five largest debtors. As at 31 December 2015 and 2014, approximately 60% and 84% of total trade receivables respectively, were due from the five largest debtors.

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 is as follows:

	Group		Company	
	2015	2014	2015	2014
	RMB'000	RMB'000	RMB'000	RMB'000
Not past due	155,833	313,820	-	-
Past due for 1 to 90 days	89,597	297,977	-	-
Less: Impairment for those past due for 1 to 90 days	(70,901)	-	-	-
	171,529	611,797	-	-

30. Financial instruments and financial risks (Continued)

Market risks

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

Foreign currency risks

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

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					
	2015			2014		
	Singapore dollar	US dollar	New Taiwan dollar	Singapore dollar	US dollar	New Taiwan dollar
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Trade and other receivables	-	-	-	12	-	-
Cash and cash equivalents	527	8	10	639	8	163
Trade and other payables	(872)	-	-	(1,091)	-	-
	(345)	8	10	(440)	8	163

	Company					
	2015			2014		
	Singapore dollar	US dollar	New Taiwan dollar	Singapore dollar	US dollar	New Taiwan dollar
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Trade and other receivables	-	-	-	12	-	-
Amounts due from a subsidiary	11,065	-	-	13,787	-	-
Cash and cash equivalents	527	8	10	639	8	163
Trade and other payables	(872)	-	-	(1,091)	-	-
	10,720	8	10	13,347	8	163

30. Financial instruments and financial risks (Continued)

Market risks (Continued)

Foreign currency risks (Continued)

Foreign currency sensitivity analysis

The Group is mainly exposed to United States Dollar (USD), Singapore Dollar (SGD) and New Taiwan New Dollar (TWD).

A 10% strengthening of RMB against the following currencies at the end of the financial year would increase/(decrease) consolidated profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant.

	Group			
	Consolidated profit or loss		Other component or equity	
	2015	2014	2015	2014
	RMB'000	RMB'000	RMB'000	RMB'000
As at 31 December				
USD	-*	-*	-*	-*
SGD	(35)	(44)	(35)	(44)
TWD	1	16	1	16

	Company			
	Consolidated profit or loss		Other component or equity	
	2015	2014	2015	2014
	RMB'000	RMB'000	RMB'000	RMB'000
As at 31 December				
USD	-*	-*	-*	-*
SGD	1,072	1,335	1,072	1,335
TWD	1	16	1	16

* The amount is less than RMB 1,000.

A 10% weakening of RMB against the foreign currencies would have an equal but opposite effect.

30. Financial instruments and financial risks (Continued)

Market risks (Continued)

Interest rate risks (Continued)

Interest rate risks

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

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**	
	2015	**2014**	**2015**	**2014**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**
Group				
Bank borrowings	(209)	(259)	(209)	(259)

30. Financial instruments and financial risks (Continued)

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**
Financial assets	
Trade and other receivables	200,360
Cash and cash equivalents	8,846
As at 31 December 2015	209,206
Trade and other receivables	731,165
Cash and cash equivalents	25,916
As at 31 December 2014	757,081
Financial liabilities	
Trade and other payables	162,060
Amount due to a related party - current	5,599
Bank borrowings	27,900
As at 31 December 2015	195,559
Trade and other payables	548,851
Amount due to a related party - current	2,878
Bank borrowings	34,500
As at 31 December 2014	586,229
Total net financial assets	
- 31 December 2015	13,647
- 31 December 2014	170,852

30. Financial risk management objectives and policies (Continued)

Liquidity risks (Continued)

	Less than 1 year RMB'000
Company	
Financial assets	
Cash and cash equivalent	
As at 31 December 2015	609
Other receivables	12
Cash and cash equivalents	874
As at 31 December 2014	886
Financial liabilities	
Trade and other payables	
As at 31 December 2015	872
Trade and other payables	
As at 31 December 2014	1,091
Total net financial (liabilities)	
- 31 December 2015	(263)
- 31 December 2014	(205)

The Group's operations are financed mainly through equity, retained earnings and bank borrowings. Adequate lines of credits are maintained to ensure the necessary liquidity is available when required.

31. Fair value of financial assets and financial liabilities

The carrying amounts of cash and cash equivalents, trade and other current receivables, amount due from a subsidiary and trade and other 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.

32. 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 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 2014.

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

Management monitors capital based on debt to asset ratio. The Group subsidiary is also required by the banks to maintain a debt to asset ratio of not exceeding 55% (2014: 55%). The Group subsidiary's strategies, which are unchanged from 2015.

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.

The Group and the Company are in compliance with externally imposed capital requirements for the financial years ended 31 December 2014 and 2015.

The debt to asset ratio is calculated as total liabilities divided by total assets.

	Group		Company	
	2015	**2014**	**2015**	**2014**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**
Total liabilities	198,291	588,961	872	1,091
Total assets	586,558	1,346,658	393,650	558,649
Debt to asset ratio	33.8%	43.7%	0.2%	0.2%

33. Provision for onerous sale contracts

In 2014, the Group manufactured certain batches of inventories of which most were sold and delivered to certain customers for RMB 604,861,446. The inventories were later found to have quality defects and to fulfil its obligation in the respective sales contracts, the Group sought to replace the defective goods for the affected customers.

As presented in the tabular format below, the total costs of replacement inventories were estimated to aggregate RMB 522,681,000, of which RMB 165,617,000 were estimated to be additional costs to be incurred and was recorded as provision for onerous sales contracts as of 31 December 2014. The Group was able to reduce the additional costs that it would need to incur through the sale of the delivered defective goods for RMB 51,595,000, to some of the affected customers, which was netted off against costs of sales.

The remaining unsold defective inventories of RMB 39,309,000 were impaired to their recoverable amounts. The corresponding impairment loss of RMB 34,078,000 was recorded in other expenses (Note 7) and the Group recovered RMB 5,231,000 as sales from scrap materials (Note 5).

The Group also recognised RMB 60,873,000 of impairment loss of trade receivables from the affected customers (Note 16).

Consequently, the Group recorded an additional "total income statement" impact amounting to RMB 560,806,000 in the profit or loss during the financial year ended 31 December 2014.

Income statement	**Note**	**RMB'000**
Cost of sale - Replacement of 4,272 tonnes		(357,064)
- Replacement of 1,998 tonnes		(165,617)
Total replacement cost		(522,681)
- Scrap sale of defects goods		51,595
Total cost of sale impact		(471,086)
Other operating income	5	5,231
Other operating expenses – Impairment of trade receivables	7	(60,873)
– Write off of inventory	7	(34,078)
Total other operating expenses impact		(94,951)
Total income statement impact		(560,806)
Balance sheet		
Impairment loss of trade receivables	16	(60,873)
Provision for onerous sales contracts	23	165,617

Statistics of Shareholdings

AS AT 11 MARCH 2016

Total number of issued shares excluding treasury shares	:	55,954,677
Total number of treasury shares held	:	375,000
Percentage of treasury shares held against the total number of issued shares excluding treasury shares	:	0.67

DISTRIBUTION OF SHAREHOLDINGS

SIZE OF SHAREHOLDINGS	NO. OF SHAREHOLDERS	% OF SHAREHOLDERS	NO. OF SHARES	% OF ISSUED SHARE CAPITAL*
1 - 99	118	4.16	4,131	0.01
100 - 1,000	1,015	35.76	564,700	1.01
1,001 - 10,000	1,325	46.69	5,167,793	9.23
10,001 - 1,000,000	372	13.11	16,666,939	29.79
1,000,001 AND ABOVE	8	0.28	33,551,114	59.96
TOTAL	**2,838**	**100.00**	**55,954,677**	**100.00**

** The shareholding percentage is calculated based on the number of issued ordinary shares of the Company excluding treasury shares.*

TWENTY LARGEST SHAREHOLDERS

No.	Name of Shareholder	No. of Shares	% of Issued Share Capital*
1	UNITED OVERSEAS BANK NOMINEES PTE LTD	12,953,633	23.15
2	RAFFLES NOMINEES (PTE) LTD	7,888,855	14.10
3	PHILLIP SECURITIES PTE LTD	3,661,915	6.54
4	HSBC (SINGAPORE) NOMINEES PTE LTD	2,991,032	5.35
5	OCBC SECURITIES PRIVATE LTD	2,407,868	4.30
6	CITIBANK NOMINEES SINGAPORE PTE LTD	1,421,371	2.54
7	MAYBANK KIM ENG SECURITIES PTE LTD	1,187,392	2.12
8	DBS VICKERS SECURITIES (SINGAPORE) PTE LTD	1,039,048	1.86
9	HONG LEONG FINANCE NOMINEES PTE LTD	940,948	1.68
10	CAI WENZE	912,156	1.63
11	NANYANG GUM BENJAMIN MANUFACTURING (PTE) LTD	904,988	1.62
12	ONG KIM HUAT FELIX	706,669	1.26
13	DBS NOMINEES PTE LTD	517,131	0.92
14	CHOI PO KUM CHRISTINA @ CHUA POO KEEN	400,000	0.72
15	KGI FRASER SECURITIES PTE LTD	385,000	0.69
16	NG BOON GUAT	275,000	0.49
17	ABN AMRO NOMINEES SINGAPORE PTE LTD	242,700	0.43
18	UOB KAY HIAN PTE LTD	222,130	0.40
19	SIM SOO CHANG	210,000	0.38
20	CIMB SECURITIES (SINGAPORE) PTE LTD	194,379	0.35
	TOTAL	**39,462,215**	**70.53**

* *The shareholding percentage is based on the number of issued shares of the Company excluding treasury shares.*

Statistics of Shareholdings

AS AT 11 MARCH 2016

SUBSTANTIAL SHAREHOLDERS
(as recorded in the Register of Substantial Shareholders as at 11 March 2016)

	Direct Interest		Deemed Interest	
Name of Substantial Shareholders	**No. of Shares**	**%**	**No. of Shares**	**%**
Choi Cheung Kong[1]	–	–	19,272,638	34.44
Lin Wen Chang [2]	–	–	5,269,430	9.42

Notes:

(1) Mr.Choi Cheung Kong is deemed to be interested in the ordinary shares held under the names of Morgan Stanley Asia (Singapore), CIMB Securities (Singapore) Pte Ltd, UOB Kay Hian Pte Ltd, DB Nominees (S) Pte Ltd, Raffles Nominees (Pte) Ltd and HSBC (Singapore) Noms Pte Ltd.

(2) Mr. Lin Wen Chang is deemed to be interested in 5,269,430 ordinary shares held under the name of Raffles Nominees (Pte) Ltd.

SHAREHOLDERS HELD IN HANDS OF PUBLIC

Based on information available to the Company as of 11 March 2016, 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 Meeting

NOTICE IS HEREBY GIVEN that the Annual General Meeting ("**AGM**") of China Taisan Technology Group Holdings Limited (the "**Company**") will be held at Kingfisher 3, Level 1 of Seletar main club lobby, 101 Seletar Club Rd, Singapore 798273, on Monday, 25 April 2016 at 10.00 a.m. for the following purposes:

AS ORDINARY BUSINESS

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

   [See Explanatory Note (i)]

2. (i) To re-elect the following Directors of the Company retiring pursuant to Regulation 90 and Regulation 96 of the Constitution of the Company:

   Regulation 90
   Mr Chen Jia Ji **(Resolution 2)**

   Regulation 96
   Mr Leow Yong Kin **(Resolution 3)**

   [See Explanatory Note (ii)]

   (ii) To note that Mr Tsang Siu For Thomas will be retiring pursuant to Regulation 90 of the Constitution of the Company and he will not be seeking re-election at this AGM.

3. To approve the payment of Directors' fees of S$92,000 for the financial year ended 31 December 2015. (2014: S$82,000) **(Resolution 4)**

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

5. To transact any other ordinary business which may properly transacted at an AGM.

AS SPECIAL BUSINESS

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

6. **Authority to allot and issue shares in the capital of the Company pursuant to Section 161 of the Companies Act, Chapter 50 and Rule 806 of the Listing Manual of the Singapore Exchange Securities Trading Limited**

   That:

   (a) pursuant to Section 161 of the Companies Act, Chapter 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 prorate basis to existing shareholders must be not more than 20% of the total number of issued shares (excluding treasury shares);

Notice of Annual General Meeting

(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 of the SGX-ST; 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 AGM of the Company or the date by which the next AGM of the Company is required by law to be held, whichever is the earlier.

[See Explanatory Note (iii)]

(Resolution 6)

By Order of the Board

Shirley Tan Sey Liy
Company Secretary

Singapore, 1 April 2016

Explanatory Notes:

(i) The Audited Financial Statements for the financial year ended 31 December 2015 together with the Reports of the Directors and the Auditors of the Company will be published in the Company's Annual Report for FY2015 which will be issued to shareholders some time on or around 8 April 2016.

(ii) Mr Leow Yong Kin will, upon re-election as Director of the Company, remain as a member of the Audit Committee, Nominating Committee and Remuneration Committee and will be considered independent pursuant to Rule 704(8) of the Listing Manual of the SGX-ST.

(iii) Resolution 6, if passed, will empower the Directors from the date of this AGM until the date of the next AGM, 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 Meeting

Notes:

1. A Member of the Company (other than a Relevant Intermediary*) entitled to attend and vote at the AGM (the "**Meeting**") is entitled to appoint not more than two proxies to attend and vote in his/her stead. A proxy need not be a Member of the Company.

2. A Relevant Intermediary may appoint more than two proxies, but each proxy must be appointed to exercise the rights attached to a different share or shares held by him (which number and class of shares shall be specified.).

3. 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.

4. The instrument appointing a proxy must be deposited at the registered office of the Company at Six Battery Road #10-01, Singapore 049909 not less than forty-eight (48) hours before the time appointed for holding the Meeting.

* A Relevant Intermediary is:

(a) a banking corporation licensed under the Banking Act (Chapter 19) or a wholly-owned subsidiary of such a banking corporation, whose business includes the provision of nominee services and who holds shares in that capacity; or

(b) a person holding a capital markets services licence to provide custodial services for securities under the Securities and Futures Act (Chapter 289) and who holds shares in that capacity; or

(c) the Central Provident Fund Board established by the Central Provident Fund Act (Chapter 36), in respect of shares purchased under the subsidiary legislation made under that Act providing for the making of investments from the contributions and interest standing to the credit of members of the Central Provident Fund, if the Board holds those shares in the capacity of an intermediary pursuant to or in accordance with that subsidiary legislation.

PERSONAL DATA PRIVACY

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

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

ANNUAL GENERAL MEETING PROXY FORM
(Please see notes overleaf before completing this Form)

IMPORTANT:
1. An investor who holds shares under the Central Provident Fund Investment Scheme ("CPF Investor") and/or the Supplementary Retirement Scheme ("SRS Investors") (as may be applicable) may attend and cast his vote(s) at the Meeting in person. CPF and SRS Investors who are unable to attend the Meeting but would like to vote, may inform their CPF and/or SRS Approved Nominees to appoint the Chairman of the Meeting to act as their proxy, in which case, the CPF and SRS Investors shall be precluded from attending the Meeting.
2. This Proxy Form is not valid for use by CPF and SRS Investors and shall be ineffective for all intents and purposes if used or purported to be used by them.

I/We, ______________________________ (Name) ____________________ (NRIC/Passport No.)

of ____ (Address)

being a member/members of **CHINA TAISAN TECHNOLOGY GROUP HOLDINGS LIMITED** (the "**Company**"), hereby appoint:

Name	**NRIC/Passport No.**	**Proportion of Shareholdings**	
		No. of Shares	**%**
Address			

and/or (delete as appropriate)

Name	**NRIC/Passport No.**	**Proportion of Shareholdings**	
		No. of Shares	**%**
Address			

as my/our proxy/proxies to attend and vote for me/us on my/our behalf at the Annual General Meeting (the "**Meeting**") of the Company to be held at Kingfisher 3, Level 1 of Seletar main club lobby, 101 Seletar Club Rd, Singapore 798273 on Monday, 25 April 2016 at 10.00 a.m. and at any adjournment thereof. I/We direct my/our proxy/proxies to vote for or against the Resolutions proposed at the Meeting as indicated hereunder. If no specific direction as to voting is given or in the event of any other matter arising at the Meeting and at any adjournment thereof, the proxy/proxies will vote or abstain from voting at his/her discretion.

No.	**Resolutions relating to:**	**No. of votes 'For'***	**No. of votes 'Against'***
	Ordinary Business		
1	Audited Financial Statements for the financial year ended 31 December 2015		
2	Approval of Directors' fees amounting to S$92,000 for the financial year ended 31 December 2015		
3	Re-election of Mr Chen Jia Ji as a Director		
4	Re-election of Mr Leow Yong Kin as a Director		
5	Re-appointment of Messrs Mazars LLP as Auditors and authorise the Directors of the Company to fix their remuneration		
	Special Business		
6	Authority to allot and issue shares		

**If you wish to exercise all your votes 'For' or 'Against', please tick (√) within the box provided. Alternatively, please indicate the number of votes as appropriate.*

Dated this _________ day of __________________ 2016

Total number of Shares in:	No. of Shares
(a) CDP Register	
(b) Register of Members	

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

*Delete where inapplicable

IMPORTANT: PLEASE READ NOTES OVERLEAF

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 81SF of the Securities and Futures Act, Chapter 289 of Singapore), 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 entered against your name in the Depository Register and Shares registered in your name in the Register of Members, you should insert the aggregate number of Shares 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 of the Company (other than a Relevant Intermediary*), entitled to attend and vote at a meeting of the Company is entitled to appoint one or two proxies to attend and vote in his/her stead. A proxy need not be a member of the Company.

3. Where a member (other than a Relevant Intermediary*) appoints two proxies, the appointments shall be invalid unless he/she specifies the proportion of his/her shareholding (expressed as a percentage of the whole) to be represented by each proxy.

4. A Relevant Intermediary may appoint more than two proxies, but each proxy must be appointed to exercise the rights attached to a different share or shares held by him (which number or class of shares shall be specified).

5. Subject to note 9, completion and return of this instrument appointing a proxy shall not preclude a member from attending and voting at the Meeting. Any appointment of a proxy or proxies shall be deemed to be revoked if a member attends the meeting in person, and in such event, the Company reserves the right to refuse to admit any person or persons appointed under the instrument of proxy to the Meeting.

6. The instrument appointing a proxy or proxies must be deposited at the registered office of the Company at Six Battery Road #10-01, Singapore 049909 not less than forty-eight (48) hours before the time appointed for the Meeting.

7. The instrument appointing a proxy or proxies must be under the hand of the appointor or of his attorney duly authorized 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 authorized. Where the instrument appointing a proxy or proxies is executed by an attorney on behalf of the appointor, the letter or power of attorney or a duly certified copy thereof must be lodged with the instrument.

8. A corporation which is a member may authorize by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the Meeting, in accordance with Section 179 of the Companies Act, Chapter 50 of Singapore, and the person so authorised shall upon production of a copy of such resolution certified by a director of the corporation to be a true copy, be entitled to exercise the powers on behalf of the corporation so represented as the corporation could exercise in person if it were an individual.

9. An investor who holds shares under the Central Provident Fund Investment Scheme ("CPF Investor") and/or the Supplementary Retirement Scheme ("SRS Investors") (as may be applicable) may attend and cast his vote(s) at the Meeting in person. CPF and SRS Investors who are unable to attend the Meeting but would like to vote, may inform their CPF and/or SRS Approved Nominees to appoint the Chairman of the Meeting to act as their proxy, in which case, the CPF and SRS Investors shall be precluded from attending the Meeting.

* A Relevant Intermediary is:

(a) a banking corporation licensed under the Banking Act (Chapter 19) or a wholly-owned subsidiary of such a banking corporation, whose business includes the provision of nominee services and who holds shares in that capacity; or

(b) a person holding a capital markets services licence to provide custodial services for securities under the Securities and Futures Act (Chapter 289) and who holds shares in that capacity; or

(c) the Central Provident Fund Board established by the Central Provident Fund Act (Chapter 36), in respect of shares purchased under the subsidiary legislation made under that Act providing for the making of investments from the contributions and interest standing to the credit of members of the Central Provident Fund, if the Board holds those shares in the capacity of an intermediary pursuant to or in accordance with that subsidiary legislation.

GENERAL:

The Company shall be entitled to reject the instrument appointing a proxy or proxies if it is incomplete, improperly completed or illegible, or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the instrument appointing a proxy or proxies. In addition, in the case of Shares entered in the Depository Register, the Company may reject any instrument appointing a proxy or proxies lodged if the member, being the appointor, is not shown to have Shares entered against his name in the Depository Register as at seventy two (72) hours before the time appointed for holding the Meeting, as certified by The Central Depository (Pte) Limited to the Company.

PERSONAL DATA PRIVACY:

By submitting an instrument appointing a proxy(ies) and/or representative(s), the member accepts and agrees to the personal data privacy terms set out in the Notice of Annual General Meeting dated 1 April 2016.

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

Ngan See Juan
Independent Director

Leow Yong Kin
Independent Director

AUDIT COMMITTEE
Tsang Siu For Thomas (Chairman)
Ngan See Juan
Leow Yong Kin

NOMINATING COMMITTEE
Choi Cheung Kong (Chairman)
Ngan See Juan
Tsang Siu For Thomas
Leow Yong Kin

REMUNERATION COMMITTEE
Ngan See Juan (Chairman)
Choi Cheung Kong
Tsang Siu For Thomas
Leow Yong Kin

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6 Battery Road #10-01
Singapore 049909
Email: lianjie@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 SECRETARIES
Shirley Tan Sey Liy (ACIS)

EXTERNAL AUDITORS
Mazars LLP
135 Cecil Street
#10-01 MYP Plaza
069536 Singapore
Partner-in-charge: Dominique Tan Chin Soon
(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: lianjie@china-taisan.com

CHINA TAISAN TECHNOLOGY GROUP HOLDINGS LIMITED Annual Report 2015

RECOGNISING OPPORTUNITIES

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

Singapore Registered Address:
6 Battery Road #10-01
Singapore 049909

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