



CHINA TAISAN TECHNOLOGY GROUP HOLDINGS LIMITED
(Company Registration No: 200711863D)

Unaudited Results for the Second Quarter ended
30 June 2014

PART I - INFORMATION REQUIRED FOR QUARTERLY ANNOUNCEMENTS

- 1.(a) (i) An income statement and statement of comprehensive income, or a statement of comprehensive income, for the group, together with a comparative statement for the corresponding period of the immediate preceding financial year.

Consolidated Statement of Comprehensive Income

	Group			Group		
	2Q14	2Q13	% change	1H14	1H13	% change
	<u>RMB'000</u>	<u>RMB'000</u>	<u>+ / (-)</u>	<u>RMB'000</u>	<u>RMB'000</u>	<u>+ / (-)</u>
Revenue	329,447	159,443	106.6%	440,666	251,543	75.2%
Cost of sales	(252,660)	(180,305)	40.1%	(353,670)	(278,078)	27.2%
Gross profit/(loss)	76,787	(20,862)	-468.1%	86,996	(26,535)	-427.9%
Other operating income	1,114	1,089	2.3%	2,635	2,299	14.6%
Distribution costs	(344)	(419)	-17.9%	(639)	(892)	-28.4%
Administrative expenses	(2,872)	(2,589)	10.9%	(5,422)	(5,361)	1.1%
Other operating expenses	–	(7,531)	NM	(1,028)	(19,531)	-94.7%
Finance costs	(651)	(566)	15.0%	(1,338)	(1,111)	20.5%
Profit/(Loss) before taxation	74,034	(30,878)	-339.8%	81,204	(51,131)	-258.8%
Income tax expense	(18,237)	–	NM	(20,703)	–	NM
Profit/(Loss) for the period	55,797	(30,878)	-280.7%	60,501	(51,131)	-218.3%
Other comprehensive income	–	–		–	–	
Total comprehensive income/(loss) for the period attributable to the equity holders of the Company	55,797	(30,878)	-280.7%	60,501	(51,131)	-218.3%

NM – Not meaningful

	<u>2Q14</u>	<u>2Q13</u>	<u>1H14</u>	<u>1H13</u>
Earnings/(Loss) Per Ordinary Share				
– Basic and diluted (RMB cents)	4.99	(2.76)	5.41	(4.57)
– Basic and diluted* (S\$ cents)	1.00	(0.57)	1.08	(0.94)
Earnings/(Loss) Per TDR				
– Basic and diluted^ (NTD/dollar)	0.48	(0.27)	0.52	(0.45)

* Based on Bloomberg exchange rate of RMB1: S\$0.2001 (2Q13: RMB1: S\$0.2066) as at end of 30 June 2014 for reference purpose.

^ Based on Bloomberg exchange rate of RMB1:NTD4.8170 (2Q13: RMB1:NTD4.8852) as at end of 30 June 2014 for reference purpose. 1TDR (Taiwan Depositary Receipt) represents 2 ordinary shares.

Please also refer to paragraph 1(d)(ii) and 6 of this announcement on Earnings Per Share calculation.

- 1.(a) (ii) The following items (with appropriate breakdowns and explanations), if significant, must either be included in the income statement or in the notes to the income statement for the current financial period reported on and the corresponding period of the immediately preceding financial year:-

	Group			Group		
	2Q14	2Q13	% change	1H14	1H13	% change
	<u>RMB'000</u>	<u>RMB'000</u>	+ / (-)	<u>RMB'000</u>	<u>RMB'000</u>	+ / (-)
<u>Expenses/(Income):</u>						
Amortisation of land use rights	1	1	NM	1	2	-50.0%
Amortisation of other assets	–	–	NM	800	–	NM
Bad debts written off	–	531	NM	–	531	NM
Depreciation of property, plant and equipment	17,097[^]	16,862 [^]	1.4%	34,011[^]	33,769 [^]	0.7%
Interest income	(1,114)	(1,032)	7.9%	(2,125)	(2,033)	4.5%
Interest on borrowings	651	566	15.0%	1,338	1,111	20.4%
Exchange (gain)/loss	–*	11	NM	28	(15)	286.6%
Sales of scraps	–	–	NM	–	(28)	NM
Government grants	–	(67)	NM	(510)	(222)	129.7%

NM – Not meaningful

* – Amount less than RMB1,000

[^] – There is no unallocated fixed overheads pertaining to the depreciation of plant and equipments which has been recognised in the other operating expenses in 2Q14 and 1H14 (2Q13: RMB7 million and 1H13: RMB 19 million).

1.(b) (i) A statements of financial position (for the issuer and group), together with a comparative statements as at the end of the immediately preceding financial year.

Statement of Financial Position

	Group		Company	
	At 30 June 2014	At 31 December 2013	At 30 June 2014	At 31 December 2013
	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>
ASSETS				
Non-current assets				
Property, plant and equipment	554,812	588,823	–	–
Intangible assets	103	104	–	–
Investment in subsidiary	–	–	88,268	88,268
Other asset	2,400	3,200	–	–
	557,315	592,127	88,268	88,268
Current assets				
Inventories	96,442	39,299	–	–
Trade and other receivables	444,159	401,542	13	37
Amount owing by subsidiary	–	–	470,897	472,658
Cash and bank balances	471,871	379,780	838	720
	1,012,472	820,621	471,748	473,415
Total assets	1,569,787	1,412,748	560,016	561,683
EQUITY AND LIABILITIES				
Equity				
Share capital	562,103	562,103	562,103	562,103
Treasury Shares	(4,709)	(4,709)	(4,709)	(4,709)
Merger reserve	11,491	11,491	–	–
Statutory reserve	97,012	97,012	–	–
Accumulated profits	586,373	525,872	1,783	3,095
Total equity attributable to equity holders of the Company	1,252,270	1,191,769	559,177	560,489
Current liabilities				
Trade and other payables	255,608	174,353	839	1,194
Amounts owing to related party	3,779	2,103	–	–
Interest-bearing liabilities	35,000	40,000	–	–
Provision for taxation	23,130	4,523	–	–
Total liabilities	317,517	220,979	839	1,194
Total equity and liabilities	1,569,787	1,412,748	560,016	561,683

- 1.(b) (ii) In relation to the aggregate amount of the group's borrowings and debt securities, specify the following as at the end of the current financial period reported on with comparative figures as at the end of the immediately preceding financial year:-**

(A) the amount repayable in one year or less, or on demand; and whether the amounts are secured or unsecured;

	As at 30 June 2014		As at 31 December 2013	
	Secured	Unsecured	Secured	Unsecured
	<u>RMB '000</u>	<u>RMB '000</u>	<u>RMB '000</u>	<u>RMB '000</u>
Bank loans	35,000	–	40,000	–
Shareholder's loan	–	3,779	–	2,103
	<u>35,000</u>	<u>3,779</u>	<u>40,000</u>	<u>2,103</u>

(B) the amount repayable after one year; whether the amounts are secured or unsecured; and

None.

(C) details of any collateral.

	As at 30 June 2014 <u>RMB '000</u>	As at 31 December 2013 <u>RMB '000</u>
Secured by legal mortgage over leasehold property and land use rights	13,000	13,000
Guaranteed by other company	22,000	27,000
	<u>35,000</u>	<u>40,000</u>

Note: All the above bank loans as at 30 June 2014 and 31 December 2013 are also pledged by personal guarantee provided by a director.

- 1.(c) A statement of cash flow (for the group), together with a comparative statement for the corresponding period of the immediately preceding financial year.

Consolidated Statement of Cash Flows

	Group		Group	
	2Q14	2Q13	1H14	1H13
	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>
Operating activities				
Profit/(Loss) before taxation	74,034	(30,878)	81,204	(51,131)
Adjustments for:				
Amortisation of land use rights	1	1	1	2
Amortisation of other asset	–	–	800	–
Bad debts written off	–	531	–	531
Depreciation of property, plant and equipment	17,097	16,862	34,011	33,769
Interest income	(1,114)	(1,032)	(2,125)	(2,033)
Interest expense	651	566	1,338	1,111
Operating cash flows before movements in working capital	90,669	(13,950)	115,229	(17,751)
Inventories	(44,220)	5,485	(57,141)	(16,559)
Trade and other receivables	(169,463)	4,432	(42,616)	90,353
Trade and other payables	160,381	35,397	81,252	(40,371)
Cash generated from operations	37,367	31,364	96,724	15,672
Interest received	1,114	1,032	2,125	2,033
Income tax received/(paid)	(306)	–	(2,096)	(731)
Cash flows generated from operating activities	38,175	32,396	96,753	16,974
Financing activities				
Repayment of bank loans	(5,000)	(5,000)	(5,000)	(5,000)
Amounts owing to related party	1,676	–	1,676	–
Interest paid	(651)	(566)	(1,338)	(1,111)
Net cash generated used in financing activities	(3,975)	(5,566)	(4,662)	(6,111)
Net increase in cash and cash equivalents	34,200	26,830	92,091	10,863
Cash and cash equivalents at the beginning of the financial period	437,671	379,336	379,780	395,303
Cash and cash equivalents at the end of the financial period	471,871	406,166	471,871	406,166

* – Amount less than RMB 1,000

- 1.(d) (i) A statement (for the issuer and group) showing either (i) all changes in equity or (ii) changes inequity other than those arising from capitalisation issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial year.

Statement of Changes in Shareholders' Equity

<u>Group</u>	<u>Share Capital RMB '000</u>	<u>Treasury Shares RMB '000</u>	<u>Merger Reserve RMB '000</u>	<u>Statutory Reserve RMB '000</u>	<u>Accumulated Profits RMB '000</u>	<u>Total Equity RMB '000</u>
At 1 January 2013	562,103	(4,709)	11,491	97,012	524,691	1,190,588
Total comprehensive loss for the period	–	–	–	–	(51,131)	(51,131)
At 30 June 2013	562,103	(4,709)	11,491	97,012	473,560	1,139,457
At 1 January 2014	562,103	(4,709)	11,491	97,012	525,872	1,191,769
Total comprehensive income for the period	–	–	–	–	60,501	60,501
At 30 June 2014	562,103	(4,709)	11,491	97,012	586,373	1,252,270

Statement of Changes in Shareholders' Equity

<u>Company</u>	<u>Share Capital RMB '000</u>	<u>Treasury Shares RMB '000</u>	<u>Accumulated (Loss)/Profit RMB '000</u>	<u>Total Equity RMB '000</u>
At 1 January 2013	562,103	(4,709)	6,716	564,110
Total comprehensive loss for the period	–	–	(2,080)	(2,080)
At 30 June 2013	562,103	(4,709)	4,636	562,030
At 1 January 2014	562,103	(4,709)	3,095	560,489
Total comprehensive loss for the period	–	–	(1,312)	(1,312)
At 30 June 2014	562,103	(4,709)	1,783	559,177

- 1.(d) (ii) Details of any changes in the company's share capital arising from rights issue, bonus issue, share buy-backs, exercise of share options or warrants, conversion of other issues of equity securities, issue of shares for cash or as consideration for acquisition or for any other purpose since the end of the previous period reported on. State also the number of shares that may be issued on conversion of all the outstanding convertibles, as well as the number held as treasury shares, if any, against the total number of shares excluding treasury shares of the issuer, as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year.**

There were no changes in the Company's share capital since the end of the previous period reported on and there were no outstanding convertibles held as at 30 June 2014 and 31 December 2013 respectively.

The Company held 7,500,000 treasury shares as at 30 June 2014 and 31 December 2013 respectively.

- 1.(d) (iii) To show the total number of issued shares excluding treasury shares as at the end of the current financial period and as at the end of the immediately preceding year.**

	<u>Group</u>	
	As at 30 June 2014	As at 31 December 2013
Number of ordinary shares in issue	1,126,598,518	1,126,598,518
Less: Ordinary shares kept as treasury shares	(7,500,000)	(7,500,000)
Number of ordinary shares excluding treasury shares	<u>1,119,098,518</u>	<u>1,119,098,518</u>

- 1.(d) (iv) A statement showing all sales, transfers, disposal, cancellation and/or use of treasury shares as at the end of the current financial period report on.**

Not applicable.

- 2. Whether the figures have been audited or reviewed, and in accordance with which auditing standard or practice.**

The financial information for the second quarter ended 30 June 2014 have neither been audited nor reviewed by the Company's auditors.

- 3. Where the figures have been audited or reviewed, the auditors' report (including any qualifications or emphasis of a matter).**

Not applicable.

- 4. Whether the same accounting policies and methods of computation as in the issuer's most recently audited annual financial statements have been applied.**

The Group has adopted all the Singapore Financial Reporting Standards ("FRS") that are applicable for financial years beginning on or after 1 January 2014. The application of these FRS has no material impact to financial statements of the Group and the Company.

The accounting policies and methods of computation are consistent with the latest audited financial statements for the year ended 31 December 2013.

5. If there are any changes in the accounting policies and methods of computation, including any required by an accounting standard, what has changed, as well as the reasons for, and the effect of, the change.

Not applicable.

6. Earnings per ordinary share of the group for the current period reported on and the corresponding period of the immediately preceding financial year, after deducting any provision for preference dividends: -

- (a) Based on the weighted average number of ordinary shares on issue; and
(b) On a fully diluted basis (detailing any adjustments made to the earnings).

	<u>Group</u>		<u>Group</u>	
	Second quarter ended 30 June		Half year ended 30 June	
	2014	2013	2014	2013
	<u>RMB Cents</u>	<u>RMB Cents</u>	<u>RMB Cents</u>	<u>RMB Cents</u>
Earnings/Loss per share (“(LPS)/EPS”)				
- Based on the weighted average number of ordinary shares in issue	4.99	(2.76)	5.41	(4.57)

Number of shares

Weighted average number of issued ordinary shares	1,119,098,518	1,119,098,518	1,119,098,518	1,119,098,518
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No dilutive EPS has been presented as there are no dilutive instruments in issue.

7. Net asset value (for the issuer and group) per ordinary share based on the total issued share capital of the issuer at the end of the: -
(a) current period reported on; and
(b) immediately preceding financial year.

	<u>Group</u>		<u>Company</u>	
	As at 30 June 2014	As at 31 December 2013	As at 30 June 2014	As at 31 December 2013
	<u>RMB Cents</u>	<u>RMB Cents</u>	<u>RMB Cents</u>	<u>RMB Cents</u>
Net asset value per ordinary share	111.90	101.82	49.97	50.22
Number of issued ordinary shares excluding treasury shares as at end of the year	1,119,098,518	1,119,098,518	1,119,098,518	1,119,098,518

8. A review of the performance of the group, to the extent necessary for a reasonable understanding of the group's business. It must include a discussion of the following: -
- (a) any significant factors that affected the turnover, costs, and earnings of the group for the current financial period reported on, including (where applicable) seasonal or cyclical factors; and
 - (b) any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current period reported on.

Revenue

For the second quarter ended 30 June 2014 ("2Q14"), the Group's revenue increased by 106.6% to RMB329.4 million as compared to the RMB159.4 million for the second quarter ended 30 June 2013 ("2Q13").

The increase in revenue mainly resulted from the increase in sales quantity of performance fabric, which increased by 47.8% from 2Q13 of 2,873 tonnes to 4,246 tonnes in 2Q14. The increase in sales quantity of performance fabric was mainly due to the introduction of two new products which were released during 1Q14.

The average selling price of performance fabrics in 2Q14 increased by 47.1% from RMB 51,600/tonnes in 2Q13 to RMB 75,900/tonnes; such increase mainly due to the high selling price for the aforesaid 2 new products as a result of the higher cost of material incurred in production of the two new products as compared to the Group's other products.

A breakdown of the Group's revenue by products and services:

	<u>Revenue</u>					
	2Q14	2Q13	% change	1H14	1H13	% change
	<u>RMB'000</u>	<u>RMB'000</u>	<u>+ / (-)</u>	<u>RMB'000</u>	<u>RMB'000</u>	<u>+ / (-)</u>
Manufacturing and sale of performance fabrics	322,298	148,275	117.4%	429,543	232,095	85.1%
Fabric processing services	7,149	11,168	-36.0%	11,123	19,448	-42.8%
Total	329,447	159,443	106.6%	440,666	251,543	75.2%

A breakdown of the Group's sales quantity by products and services:

	<u>Sales Quantity</u>					
	2Q14	2Q13	% change	1H14	1H13	% change
	<u>Tonnes</u>	<u>Tonnes</u>	<u>+ / (-)</u>	<u>Tonnes</u>	<u>Tonnes</u>	<u>+ / (-)</u>
Manufacturing and sale of performance fabrics	4,246	2,873	47.8%	6,265	4,496	39.9%
Fabric processing services	1,088	1,834	-40.7%	1,724	3,178	-45.8%
Total	5,334	4,707	13.3%	7,989	7,674	4.1%

Average selling price per tonne ("ASP") by products and services:

	<u>Average Selling Price</u>					
	2Q14	2Q13	% change	1H14	1H13	% change
	<u>RMB'000</u>	<u>RMB'000</u>	<u>+ / (-)</u>	<u>RMB'000</u>	<u>RMB'000</u>	<u>+ / (-)</u>
Manufacturing and sale of performance fabrics	75.9	51.6	47.1%	68.6	51.6	32.9%
Fabric processing services	6.6	6.1	7.7%	6.5	6.1	5.8%
Weighted average ASP	61.8	33.9	82.2%	55.2	32.8	68.2%

Cost of Sales

The cost of sale for 2Q14 vis-à-vis 2Q13 only increased by 40.1% is due to lower direct material cost for 4 new products released in 4Q13.

The Group's cost of sales comprises mainly direct material cost, direct labor cost and production cost, which represent 86.4%, 1.2% and 12.4% respectively in 2Q14 (2Q13: 86.5%, 1.7% and 11.7% respectively). The Group's production cost takes into account, *inter alia*, depreciation of the production machine and cost of oil, petrol, electricity, water and coal etc. which were utilised by the Group. The Group also recorded an increase in product cost as a result of recognising other operating expenses in 2Q14 in the form of depreciation of plant and equipment (2Q13: RMB7 million) due to there being no longer any unallocated fixed overheads as the plant and equipment were operating on normal capacity.

The direct material cost increased by RMB62.3 million or 39.9% from RMB156.1 million in 2Q13 to RMB218.4 million in 2Q14 which was mainly due to the increase in sale quantity of performance fabric by 47.8%.

Gross Profit/(Loss)

Due to the 6 new products released in 4Q13 and 1Q14, our gross profit increased to RMB76.8 million in 2Q14 from loss of RMB20.9 million in 2Q13.

Distribution costs, administrative expenses and other operating expenses

Distribution costs decreased by RMB75,000 which was mainly due to the decreased in entertainment expenses and salary expenses by RMB41,000 and RMB23,000 respectively in 2Q14 compare with 2Q13.

Administrative expenses increased by 10.9% from RMB2.6 million in 2Q13 to RMB2.9 million in 2Q14 which was mainly due to the increase in union expenses and social benefits by RMB133,000 and RMB76,000 respectively.

There is no other operating expenses in 2Q14 mainly due to there being no longer any unallocated fixed overheads as the plant and equipment were operating on normal capacity; the Group now recognise such other operating expenses in 2Q14 in the form of depreciation of plant and equipment (2Q13: RMB7 million).

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

Taxation

The Group's income tax expense for 2Q14 increased by RMB18.2 million which is in line with the increase in the Group's profit before taxation.

Profit/(Loss) attributable to shareholders

As a result of profit, the Group's profit attributable to shareholders increased to RMB55.8 million in 2Q14.

Consolidated Statement of Financial Position

Our property, plant and equipment decreased by 5.8% from RMB588.8 million as at 31 December 2013 to RMB554.8 million as at 30 June 2014 due to depreciation charges during 2Q14.

Inventories as of 30 June 2014 were approximately RMB96.4 million, representing an increase of 145.4% from RMB39.3 million as of 31 December 2013. The increase is mainly due to increase in finished goods and raw materials which are due for delivery to customers in the following quarter.

Trade and other receivables increased by 10.6% from RMB401.6 million as at 31 December 2013 to RMB444.2 million as at 30 June 2014. The increase is mainly due to trade receivable increased by RMB40.5 million in 1H14. The increase is in line with the increase in revenue.

Trade and other payables increased by 46.6% from RMB174.4 million as at 31 December 2013 to RMB255.6 million as at 30 June 2014. The increase is mainly trade payable increased by RMB81.6 million 1H14. The increase is in line with increase in purchase of raw materials for the production.

During the first half of 2014, the Group repaid some bank loans amounting to RMB5.0 million resulting in the decrease of interest-bearing liabilities from RMB40.0 million as at 31 December 2013 to RMB35.0 million as at 30 June 2014.

Provision for taxation increased by 411.4% from RMB4.5 million as at 31 December 2013 to RMB23.1 million as at 30 June 2014, the increase mainly due to the provision for 1H14 amounting to RMB19 million. The provision as at 30 June 2014 represents the income tax expense for 1H14 and FY2013 respectively and the withholding tax for dividends paid to holding company from 2008 to 2010.

Consolidated Statement of Cash Flows

Cash and bank balances increased by RMB92.1 million from RMB379.8 million as at 31 December 2013 to RMB471.9 million as at 30 June 2014. The Group recorded cash inflows mainly due to RMB96.8 million cash inflows from operating activities in 1H14.

The Group recorded a cash inflow from operating activities of RMB96.8 million in 1H14, versus approximately RMB17.0 million of cash inflow for 1H13. That is mainly due to the positive gross margin for the sales of new products of performance fabric during 1H14.

The Group experienced a net cash outflow of RMB4.6 million from financing activities in 1H14 due to repayment of bank loans and payment of interest on borrowings. During 2Q14, the Group repaid bank loans amounting to RMB5.0 million.

9. Where a forecast, or a prospect statement, has been previously disclosed to shareholders, any variance between it and the actual results.

There is no variance from paragraph 10 of the previous announcement on unaudited results for the first quarter ended 31 March 2014.

10. A commentary at the date of the announcement of the significant trends and competitive conditions of the industry in which the group operates and any known factors or events that may affect the group in the next reporting period and the next 12 months.

For FY2014, the Group's operating environment will remain challenging. Other than the 2 new products which the Group has introduced to the market in FY2014 which are able to command higher selling prices, the selling price of the Group's other performance fabric will remain subject to pricing pressure from decrease in market demand and increase in industry competition.

Notwithstanding the challenges faced, the Group would continue to develop our products in future so as to further differentiate ourselves from our peers.

11. Dividend

Current Financial Period Reported On - Any dividend declared for the current financial period reported on?

None.

Corresponding Period of the Immediately Preceding Financial Year – Any dividend declared for the corresponding period of the immediately preceding financial year?

None.

12. If no dividend has been declared (recommended), a statement to that effect.

No dividend has been declared or recommended for the period ended 30 June 2014.

13. If the Group has obtained a general mandate from shareholders for IPTs, the aggregate value of such transactions as required under Rule 920(1)(a)(ii). If no IPT mandate has been obtained, a statement to that effect.

No general mandate obtained from shareholder for IPTs.

14. Confirmation pursuant to Rule 705(5) of the SGX Listing Manual

We, Choi Cheung Kong and Lin Wen Chang, being two of the Directors of China Taisan Technology Group Holdings Limited (the "Company"), do hereby confirmed on behalf of the Directors of the Company that, to the best of its knowledge, nothing has come to the attention of the Board of Directors of the Company which may render the unaudited financial information of the Company or the unaudited consolidated financial information of the Group for the second quarter ended 30 June 2014 to be false or misleading in any material respect.

On behalf of the Board of Directors

Choi Cheung Kong
Non-executive Chairman

Lin Wen Chang
Chief Executive Officer

12 August 2014

By order of the Board

Lin Wen Chang
Chief Executive Officer and Director
12 August 2014