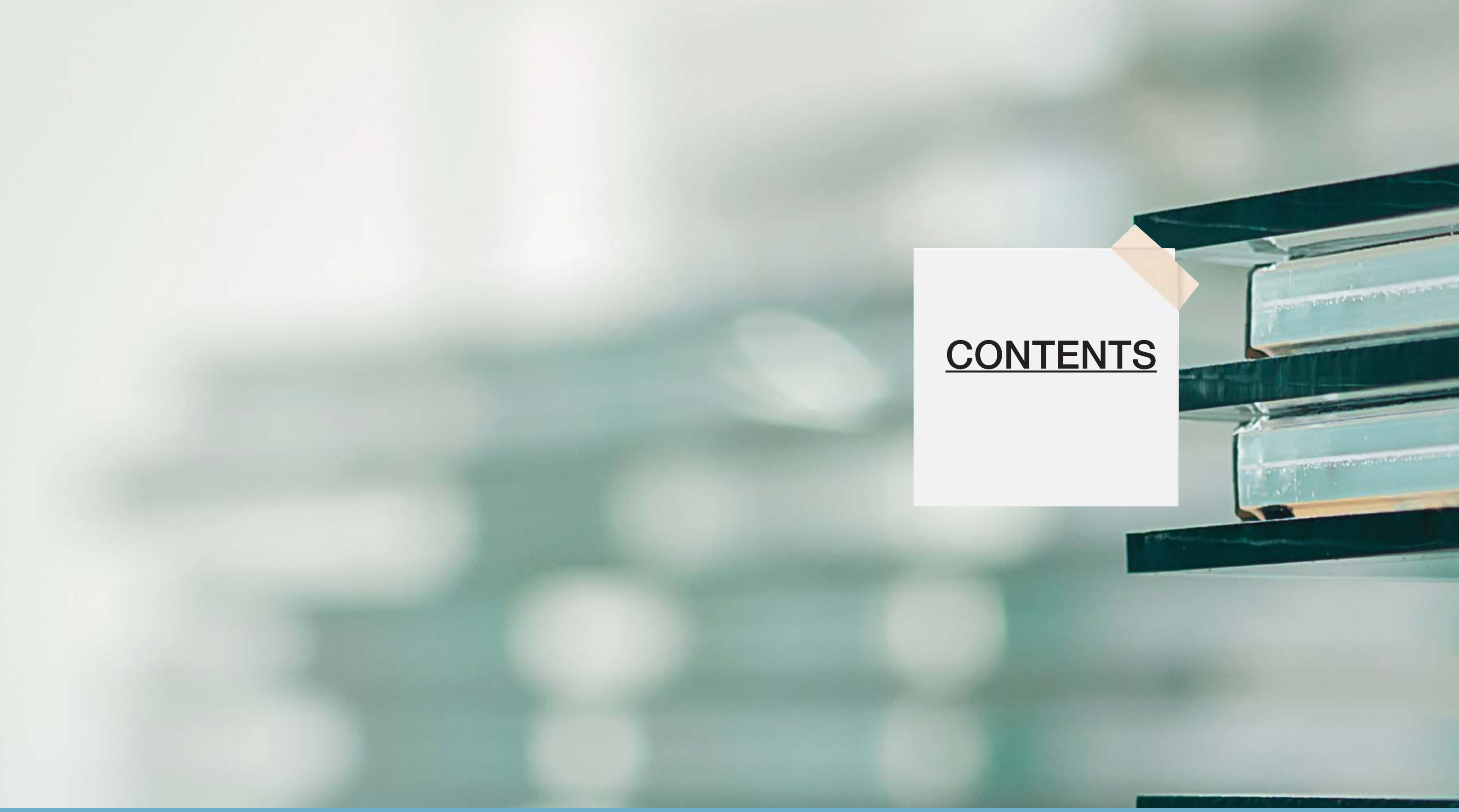
CHANGTIAN PLASTIC
& CHEMICAL LIMITED

Strategising for the Future

ANNUAL REPORT 2016



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CORPORATE PROFILE

Based in Xiamen, Fujian Province, the People's Republic of China (the "PRC"), Changtian Plastic & Chemical Limited ("长天实业有限公司") ("Changtian" or the "Group") began operations in 1999. The Group is principally engaged in the manufacturing of adhesive tapes, release papers and UV cured release films.

Changtian manufactures and sells a wide range of adhesive tapes with varying degrees of bonding strength and adhesiveness for industrial, commercial and consumer uses.

Leveraging on its strong technical expertise, the Group expanded into the production of UV cured release films in 2008, which has varied applications such as the screen protection used on mobile phones, packaging of electronic products and UV protection on windows amongst others.

The Group completed the construction of a Nylon-6 chips production plant in the PRC and commenced the production lines testing in early 2017. Nylon-6 chips are raw materials that are widely used in applications in the transportation, electronics and electrical, consumer goods, building and construction, and packaging industries.

Changtian has been listed on the SGX-ST Mainboard since 9 November 2007.

CHAIRMAN'S MESSAGE

Dear Shareholders,

On behalf of the Board of Directors, I present Changtian Plastic & Chemical Limited's ("Changtian" or the "Group") annual report for the financial year ended 31 December 2016 ("FY2016").

Maintaining Stability Amidst A Challenging Year

The year 2016 was characterised by changes in the geopolitical landscape as well as a soft global macroeconomic environment. Closer to home, China's economic growth continued to slow down, as the government aimed to rebalance the economy towards domestic consumption. In view of the challenging market environment, Changtian focused its efforts on growing existing businesses, supported by the Group's strong experience and technical expertise in the production of adhesive tapes, release papers and UV cured release films. 2016 also marked a significant milestone for the Group, as Changtian completed the construction works for its Nylon-6 chips plant and commenced fine-tuning of production lines in early 2017. All these supported the Group's strategy to achieve sustainable long-term growth.

In FY2016, Changtian reported a loss of RMB16.8 million, compared to a loss of RMB7.1 million for the year ended 31 December 2015 ("FY2015"). Revenue also declined 22.5%, from RMB50.8 million in FY2015 to RMB39.4 million in FY2016. While the average selling price of all products increased in FY2016, it was offset by a more than 20% decline in sales volume of all products, which significantly impacted the Group's financials for the year under review.

The Group recorded cash and bank balances of RMB65.1 million as at 31 December 2016, compared to RMB776.4 million a year ago. This was largely due to payments for the purchase of plant and equipment for its Nylon-6 chips business. Regardless, the Group remains committed to building on the stringent cost measures implemented in FY2015 to maintain the profitability of existing products.

ACTIO

Tapping Our Nylon-6 Chips Business For Further Growth

In view of the uncertainties and headwinds in the global economy in 2017, Changtian remains focused on building up a strong foundation that will allow the Group to weather through the storm. Besides strengthening its existing businesses, the Group focused on developing its Nylon-6 chips business, in order to enhance value for shareholders.

As at 31 December 2016, the Group has committed approximately RMB33.5 million of capital for the acquisition of machinery and equipment, and construction of its Nylon-6 chips plant. The construction works for the plant was completed in early 2017 and commercial production and sales will commence once the Group is satisfied with the results of the trial production. The total capacity of the new plant is 110,000 metric tonnes per annum, and is expected to contribute positively to the Group's business.

In view of the shortfall in cash and bank balances as a result of unpaid capital expenditure, the Group obtained the renewal of written confirmations from its principal banker in the People's Republic of China (the "PRC") in early 2017. This allowed the Group to secure a credit line of up to RMB300 million.

Nylon-6 chips are one of the raw materials used for various consumer goods and industrial applications, such as carpets, rugs and home textiles, engineering plastics, tire cord, film and sheets for food packaging, industrial packaging and medical applications. The many uses of Nylon-6 chips bring forth many opportunities for the Group and Changtian is looking forward to commence the commercial production at its Nylon-6 chips plant.

The Group will continue to leverage on its established reputation as one of the leading chemical-based products manufacturer, as well as the rapport built with existing customers to seek opportunities for growth. In light of the intensifying market competition, Changtian will continue to monitor industry developments closely while staying disciplined in its cost-management measures in order to safeguard profitability of existing businesses.

Note of Appreciation

On behalf of the Group, I would like to extend our heartfelt gratitude to our valued shareholders for their continued trust and support as the Group continues to scale new heights. I would like to thank our Board members, and all our business partners who will continue to play an integral role in supporting our business in the days ahead. Last but not least, I would also like to express appreciation to the management team and staff for their dedication and valuable contribution to the Group. It is a privilege to work with such a dynamic and capable team, and I am confident that we will continue to work hard together to step up to the opportunities ahead, delivering greater returns for our shareholders.

Yours sincerely,

Yang Qingjin (杨清金)
Chairman
30 March 2017

OPERATIONS REVIEW

Financial Review

Changtian faced yet another challenging year in 2016, driven by China's slowing economy, coupled with the growing competition within the industry. While the average selling price of the Group's products increased in the year under review, sales volume of all products declined by over 20%, resulting in a decrease in overall revenue. The Group recorded a loss of RMB16.8 million for the year ended 31 December 2016 ("FY2016"), while revenue fell 22.5% to RMB39.4 million. Despite the challenges faced, Changtian remains committed to upholding stringent cost control measures to improve its financial performance and safeguard business profitability.

Revenue for FY2016 decreased 22.5% to RMB39.4 million, from RMB50.8 million for the year ended 31 December 2015 ("FY2015"). This was mainly attributable to the uncertainties in the domestic economy in the People's Republic of China (the "PRC") and a decline in market demand for the Group's products.

Cost of sales decreased 36.7% to RMB26.5 million in FY2016, from RMB41.8 million in FY2015. This was in line with the decline in major raw material prices of adhesive tape and UV cured release film, which fell between 9.9% to 32.4%. In addition, depreciation costs of plant and machinery decreased as a result of an impairment loss made in FY2015.

Consequently, gross profit improved by 43.9%, from RMB9.0 million in FY2015 to RMB12.9 million in FY2016. Similarly, overall gross profit margin increased by 15.1 percentage points from 17.7% in FY2015 to 32.8% in FY2016.

Other income, which comprised interest income from bank deposits, decreased significantly from RMB12.7 million in FY2015 to RMB3.2 million in FY2016, representing a decline of 74.6%. This was mainly due to the decrease in bank balances for the year under review.

Selling and distribution costs mainly include transportation costs, staff costs and promotional costs. In FY2016, selling and distribution costs was RMB2.9 million as compared to RMB2.7 million a year ago. The increase of 9.5% was mainly due to the advertising expenses incurred for the promotion of Nylon-6 chips in FY2016.

Administrative expenses rose by 38.8% from RMB19.4 million in FY2015 to RMB26.9 million in FY2016, mainly attributable to the increase in pre-operating expenses for the development of the Group's Nylon-6 chips business. Apart from the pre-operating expenses, the administrative expenses also included the directors' remuneration, professional fees and salaries.

Depreciation declined significantly by 63.2%, from RMB2.2 million in FY2015 to RMB0.8 million in FY2016. This was a result of an impairment loss of RMB15.1 million made on certain property, plant and equipment in FY2015.

The Group had a one-off net gain on disposal of property, plant and equipment for 2-A2MPS amounting to RMB12.2 million in FY2015.

As a result of the above, the Group recorded a loss of RMB16.8 million in FY2016, compared to a loss of RMB7.1 million in FY2015.

Changtian recorded total assets of RMB1,167.2 million and total liabilities of RMB127.7 million as at 31 December 2016.

Property, plant and equipment rose 106.5%, from RMB459.2 million as at 31 December 2015 to RMB948.4 million as at 31 December 2016. The rise was mainly due to an increase in construction in progress, as well as the acquisition of machinery and equipment for the Group's Nylon-6 chips business. In addition, some of the equipment for the Nylon-6 chips business were not completely installed as at the financial year end, thereby increasing the balance of deposits from RMB2.9 million as at 31 December 2015 to RMB27.9 million as at 31 December 2016.

The Group's current assets decreased significantly from RMB810.0 million as at 31 December 2015 to RMB171.5 million as at 31 December 2016. This was mainly due to cash being utilised for the Nylon-6 chips business. Besides, the cash and bank balances decreased greatly from RMB776.4 million as at 31 December 2015 to RMB65.1 million as at 31 December 2016. However, this was partially offset by an increase in prepayments, deposits and other receivables arising from value-added tax ("VAT") credit on acquisition of machinery and equipment, together with construction works in FY2016.

As at 31 December 2016, the Group recorded current liabilities of RMB123.0 million, a decline of 46.7% compared to a year ago. Current liabilities was RMB231.0 million as at 31 December 2015. The decrease was mainly attributable to the decline in accruals and other payables to the main contractor for progress payments for the construction of the Nylon-6 chips factory, as well as payables to the suppliers of machines and equipment for the Nylon-6 chips business. On the other hand, non-current liabilities, which comprised deferred tax liabilities in relation to withholding tax on undistributed profits of Changtian Enterprise, maintained at RMB4.7 million.

Overall, the Group's balance sheet remains positive with net cash of RMB65.1 million as at 31 December 2016.

For the financial year ended 31 December 2016, Changtian recorded a loss per share of RMB25.4 cents while net asset value per share was RMB1,575.0 cents.

OPERATIONS REVIEW

Product Segments

ADHESIVE TAPES

The adhesive tapes segment accounted for a significant portion of Changtian's revenue, representing 48.5% of its revenue for FY2016. However, revenue contribution from this segment declined 23.1%, from RMB24.9 million in FY2015 to RMB19.1 million in FY2016.

Gross profit margin improved by 4.5 percentage points to 16.7% in FY2016, compared to 12.2% in FY2015. The higher average selling price for adhesive tapes was offset by lower sales volume.

The Group manufactures and sells a wide range of adhesive tapes sold mainly to customers in the packaging, food and beverage, electronics, construction and shoe making industries. They include Biaxially Oriented Polypropylene adhesive tapes, masking tapes, double-sided adhesive tapes, kraft paper adhesive tapes and aluminum tapes.

RELEASE PAPERS

Revenue from the release papers segment decreased 63.6% to RMB2.8 million in FY2016, from RMB7.6 million in FY2015. This accounted for 7.0% of the Group's total revenue in FY2016, a decline from 14.9% in the preceding year.

Gross profit margin for the segment rose 0.3 percentage point to 11.6% in FY2016, compared to 11.3% in FY2015. The higher average selling price for release papers was offset by lower sales volume.

The Group manufactures Clay Coated Kraft release papers, used in the manufacturing of carbon fibre products such as golf shafts, fishing rods and grips for sports goods.

UV CURED RELEASE FILMS

In FY2016, the UV cured release film segment registered revenue of RMB17.5 million, accounting for 44.5% of the Group's total revenue. This represented a 4.6% decline in revenue as compared to RMB18.4 million, or 36.2% of the Group's revenue registered in FY2015.

Gross profit margin for the UV cured release film segment jumped 25.9 percentage points to 53.6% in FY2016. This represented a significant increase in comparison to the gross profit margin of 27.7% in FY2015.

UV cured release films are used in the packaging of electronic products, UV protection on windows and screen protection for mobile phones.

The construction works for the Group's Nylon-6 chips plant was completed and the fine-tuning of machinery of Nylon-6 chips commenced in early 2017. The Group will commence commercial production and sales once it achieves satisfactory results from the trial production.

As at 31 December 2016, the Group has committed approximately RMB33.5 million of capital expenditure for the acquisition of machinery and equipment and construction of the plant.

Outlook

In view of the shortfall in cash and cash equivalents as a result of unpaid capital expenditure, the Group obtained written confirmations from its principal banker in the PRC in early 2017, which confirmed the availability of a credit line of up to RMB300 million. While the terms and conditions of the credit loan have yet to be finalised, it includes a pledge of the Group's plant and equipment. The Group endeavors to keep shareholders updated in a timely manner and will disclose any new information when available.

In light of the volatility in global markets and increased market competition, the Group will continue to implement stringent cost control measures to maintain the profitability of existing products, while keeping a close tab on market developments for signs of recovery.

BOARD OF DIRECTORS

Mr Yang Qingjin
Chairman and Executive Director

Mr Yang was appointed as our Chairman and Executive Director on 24 April 2007 and is responsible for the business direction and development of our Group. Mr Yang has been in the adhesive tapes business since 1990, and has more than 20 years of experience in the adhesive tapes and chemicals industry.

Mr Chen Yongfu
Deputy Chairman and Executive Director

Mr Chen was appointed as our Deputy Chairman and Executive Director on 24 April 2007. Together with Mr Yang Qingjin, Mr Chen oversees the business planning and corporate development of the Group. Mr Chen has been in the adhesive tapes industry since 1991, and has more than 20 years of experience in the adhesive tapes and chemicals industry.

Mr Yang Junqing
Executive Director

Mr Yang was appointed as our Executive Director on 14 May 2009. He is responsible for the overall management and business operations of the Group. He also oversees the procurement of raw materials and production activities for the Group. Mr Yang started his career in 1996 at Xiamen Xin Guan Trading Co., Ltd., a company engaged in the manufacturing and sale of adhesive tapes, as its Trading Department Manager till 2001. In July 2001, he joined Xiamen Changtian Plastic & Chemical Co., Ltd. ("Xiamen Changtian") and was responsible for overseeing Xiamen Changtian's purchasing operations. Mr Yang graduated from Fujian Economics School in Financial Accounting in 1996.

Mr Qiu Wei Cai
Finance Director and Executive Director

Mr Qiu was appointed as our Finance Director and Executive Director on 2 December 2010. With over 15 years of experience, he is responsible for overseeing the finances of the Group. Mr Qiu joined Xiamen Changtian Plastic & Chemical Co., Ltd. ("Xiamen Changtian") in 2001 as an Accountant, and has held various positions in Xiamen Changtian's finance department, including Finance Leader and Finance Vice-Manager. Prior to his current appointment, Mr Qiu was Finance Manager for Xiamen Changtian Enterprise Co., Ltd., a position he held from 2007. Mr Qiu was an accountant in Xiamen Gui Sheng Trading before joining Xiamen Changtian. Mr Qiu graduated from the Institution of Mass Communication of Xiamen University in 2000 with an Associate Degree in Accountancy and Information System.

Mr Chan Yin David
Lead Independent Director

Mr Chan was appointed as our Independent Director on 24 September 2007. He is our Lead Independent Director, and has more than 20 years of experience analysing and carrying out business diligence on Asian companies. Mr Chan had previously held positions in Overseas Union Bank, Standard Chartered Securities and Nomura Capital Management (Singapore) Ltd. He was the Managing Director of AGF Asset Management Asia Ltd from 1996 to 2005 and the Managing Partner of an investment advisory company, Swiss-Asia Financial Services Pte Ltd from 2005 to 2009. He is currently the Executive Director of Seekers Capital Management Pte Ltd and SLIC Partners Fund Limited. Mr Chan holds a Bachelor in Business and a Masters in Business from Simon Fraser University, Canada.

Mr Tan Siok Sing
Independent Director

Mr Tan was appointed as our Independent Director on 29 April 2008. He has more than 18 years of experience in the financial industry and is currently the Managing Director of Ironman Minerals & Ores Pte Ltd, an energy resources and minerals trading company. He also holds directorships in Shong Sing Pte Ltd, PT Pacific Metalurgi Indo Smelter and Heya Investment Holding Pte. Ltd. Mr Tan is an Independent Director of SGX Mainboard-listed Dukang Distillers Holdings Limited and Qingmei Group Holdings Limited as well as SGX Catalist-listed Eurosports Global Limited. He graduated from The University of Tennessee with a Masters in Business Administration in 1984.

Ms Liao Quanwen
Independent Director

Ms Liao was appointed as our Independent Director on 24 September 2007. She started her career as a lecturer in Xiamen University, School of Economics in 1982. She is currently the Principal of the Research Institute of Human Resource at Xiamen University. Ms Liao sits on various committees in the PRC, such as the China Human Resource Development Research Association. She is currently a Director of Xiamen Rihua Technology Co., Ltd and Xiamen Heng Kun New Materials Technology Co., Ltd. Ms Liao holds a Bachelor in Mathematics and a Masters in Mathematics from Xiamen University.

SENIOR MANAGEMENT

Mr Zhang Anmin
Deputy General Manager and Sales and Marketing Manager

Mr Zhang is in charge of the Group's sales and marketing activities. With over 20 years of experience in the adhesive tapes industry, Mr Zhang brings to the Group a wealth of knowledge through his various employments at Xiamen Youlian Adhesive Tape Co., Ltd, Xiamen Xin Guan and Xiamen Changtian. Mr Zhang holds a degree in Financial Accounting from Beijing Social University.

Mr Chan Pak Kin Ken
Financial Controller and Company Secretary

Mr Chan assists in the management of the overall finance and accounting operations of the Group. In addition, he is responsible for implementing internal controls and corporate governance practices. Mr Chan has over ten years of experience in the fields of auditing and business advisory. Mr Chan holds a Bachelor in Business from Monash University and a Masters in Corporate Governance from the Hong Kong Polytechnic University. He is a fellow member of the Association of Chartered Certified Accountants and an associate member of the Hong Kong Institute of Certified Public Accountants. Mr Chan is also an associate member of the Institute of Chartered Secretaries and Administrators and the Hong Kong Institute of Company Secretaries.

CORPORATE INFORMATION

BOARD OF DIRECTORS

Mr Yang Qingjin *Chairman and Executive Director*

Mr Chen Yongfu *Deputy Chairman and Executive Director*

Mr Yang Junqing *Executive Director*

Mr Qiu Wei Cai *Finance Director and Executive Director*

Mr Chan Yin David *Lead Independent Director*

Mr Tan Siok Sing *Independent Director*

Ms Liao Quanwen *Independent Director*

AUDIT COMMITTEE
Mr Tan Siok Sing *(Chairman)*
Mr Chan Yin David
Ms Liao Quanwen

NOMINATING COMMITTEE
Ms Liao Quanwen *(Chairman)*
Mr Chan Yin David
Mr Tan Siok Sing
Mr Yang Qingjin

REMUNERATION COMMITTEE
Mr Chan Yin David *(Chairman)*
Ms Liao Quanwen
Mr Tan Siok Sing
Mr Yang Qingjin

COMPANY SECRETARY
Mr Chan Pak Kin Ken

BERMUDA RESIDENT REPRESENTATIVE
Estera Services (Bermuda) Limited

REGISTERED OFFICE
Canon's Court
22 Victoria Street
Hamilton HM12
Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS
18 Xinsheng Road
Xinyang Industrial Zone
Haicang District
Xiamen City, Fujian Province
People's Republic of China 361026

BERMUDA SHARE REGISTRAR AND SHARE TRANSFER AGENT
Estera Management (Bermuda) Limited
Canon’s Court
22 Victoria Street
Hamilton HM12
Bermuda

SINGAPORE SHARE REGISTRAR AND SHARE TRANSFER AGENT
Boardroom Corporate & Advisory Services Pte. Ltd.
50 Raffles Place
#32-01 Singapore Land Tower
Singapore 048623

SOLICITORS
Rajah & Tann Singapore LLP
9 Battery Road
#25-01
Singapore 049910

AUDITORS
BDO Limited
Certified Public Accountants
25th Floor, Wing On Centre
111 Connaught Road Central
Hong Kong
Director-in-charge: Au Yiu Kwan
(Appointed since the financial year ended 31 December 2014)

BDO LLP
Public Accountants and
Chartered Accountants
600 North Bridge Road
#23-01 Parkview Square
Singapore 188778
Partner-in-charge: Khoo Gaik Suan
(Appointed since the financial year ended 31 December 2012)

PRINCIPAL BANKER
Industrial and Commercial Bank of China
Si Ming Branch
Xiamen City
People's Republic of China

INVESTOR RELATIONS WEBSITE
http://www.changtian.com.sg

INVESTOR RELATIONS CONTACT
Tan Khow Siong
Vice President
Corporate Communications and Investor Relations
Tel : 65-9327-3970
Email : tanks@chang-tian.com.cn

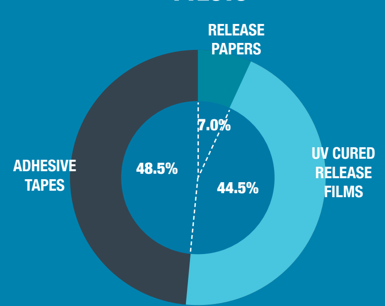
FINANCIAL HIGHLIGHTS

RMB' MILLION	FY2014	FY2015	FY2016
Revenue	121.0	50.8	39.4
Gross Profit	25.9	9.0	12.9
Net Profit/(Loss)	23.6	(7.1)	(16.8)
Net Assets	1,063	1,056	1,040
Earnings/(Loss) Per Share[1] (RMB' Cents)	35.8	(10.8)	(25.4)

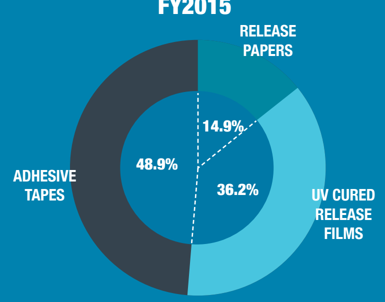
[1] *Diluted loss per share for the years ended 31 December 2015 and 2016 are the same as basic loss per share as there is no potential ordinary share in existence during both periods.*

REVENUE BY BUSINESS SEGMENTS

FY2016



FY2015



NET ASSET VALUE PER SHARE[2] (RMB' CENTS)

RMB' cents

FY: Financial Year ended 31 December

[2] *Based on the equity attributable to the owners of the Company as at 31 December 2015 and 2016; and the number of ordinary shares of the Company in issue of 65,999,998 as at 31 December 2015 and 2016.*

Investor Relations

The goal of our investor relations function is to provide timely, accurate and clear information to our shareholders and the investing public. This is in line with our belief in achieving and demonstrating the highest standards in corporate governance and transparency.

We use various platforms for dissemination of information to the investing public. Our investor relations policy, amongst other things, ensures that:

- All important and relevant information are published immediately via the Singapore Exchange Securities Trading Limited ("SGX-ST") website, SGXNET;
- All investors and stakeholders have the opportunity to gain insight into the matters communicated by the Group in a clear and explicit manner;
- Meetings between Management and shareholders or analysts are arranged upon request, and that only publicly disclosed information are shared during such meetings; and
- Quarterly reports are published in a timely manner.

To reach out to retail investors, we also update the Group's website (http://www.changtian.com.sg) regularly to include the latest announcements, news releases, financial results and annual report.

In addition, we hold an Annual General Meeting, and Special/Extraordinary General Meetings as necessary, to provide our shareholders a readily available platform for direct communication with our management and thereby, to act in their best interests.

Our annual report serves to provide shareholders with a deeper understanding of our business strategies, and financial and operational performance. To ensure shareholders have timely and ready access to our annual report, we post it on our website in tandem with its physical distribution.

SHAREHOLDERS AND ANALYSTS ENQUIRIES

Please contact our Investor Relations representative:
Tan Khow Siong
Vice President
Corporate Communications and Investor Relations
Tel: 65-9327-3970 (Mobile)
Email: tanks@chang-tian.com.cn
Web: http://www.changtian.com.sg

FY2016 FINANCIAL CALENDER

2016	**Event**
25 February	FY2015 Results Release
29 April	Annual General Meeting
12 May	1Q2016 Results Release
12 August	2Q2016 Results Release
08 November	3Q2016 Results Release
2017	**Event**
28 February	FY2016 Results Release

Corporate Governance Report

Changtian Plastic & Chemical Limited (the "**Company**") is committed to ensuring and maintaining a high standard of corporate governance within the Company and its subsidiaries (the "**Group**"). Good corporate governance establishes and maintains a legal and ethical environment, which helps to preserve and enhance the interests of all shareholders.

This report describes the corporate governance framework and practices of the Company with specific reference to the principles of the Singapore Code of Corporate Governance 2012 (the "**Code**").

This Report should be read as a whole, instead of being read separately under the different principles of 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 long-term success of the Company. The Board works with Management to achieve this objective and the Management remains accountable to the Board.

*Role of the Board of Directors (the "**Board**")*

The Board assumes responsibility for stewardship of the Group and is primarily responsible for the protection and enhancement of long-term value and returns of the Group to its shareholders. It supervises the management of the business and affairs of the Group, provides corporate direction, monitors managerial performance and reviews strategic plans, annual budgets, major funding and investment proposals and financial results of the Group. In addition, the Board is directly responsible for decision making in respect of the following matters:-

a. approve the business strategies including significant acquisition and disposal of subsidiaries or assets and liabilities;

b. approve the annual budgets, major funding proposals, significant capital expenditures and investment and divestment proposals;

c. approve the release of the Group's quarterly and full year's financial results and interested person transactions;

d. oversee the processes for risk management, financial reporting and compliance and evaluate the adequacy of internal controls, as may be recommended by the Audit Committee;

e. review the performance of Management, approve the nominees to the Board of Directors and appointment of key executives, as may be recommended by the Nominating Committee;

f. review and endorse the framework of remuneration for the Board and key executives, as may be recommended by the Remuneration Committee; and

g. review and endorse corporate policies in keeping with good corporate governance and business practice.

The Board provides shareholders with a balanced and understandable assessment of the Group's performance, position and prospects on a quarterly basis.

(A) BOARD MATTERS - continued

Board's Conduct of its Affairs - continued

To assist in the execution of its responsibilities, the Board has established a number of Board committees which include an Audit Committee ("**AC**"), a Nominating Committee ("**NC**") and a Remuneration Committee ("**RC**"), each of which functions within clearly defined terms of reference and operating procedures which are reviewed on a regular basis.

All Directors exercise due diligence and independent judgement and make decisions objectively in the best interest of the Group. All the Board Committees are actively engaged and play an important role in ensuring good corporate governance in the Company and within the Group.

Board Meetings and Meetings of Board Committees

The Board meets on a quarterly basis and whenever necessary for the discharge of their duties. Dates of the Board meetings are normally set by the Directors well in advance. Meetings of the Board and Board Committees may be conducted by way of telephone and video conferencing if necessary. Decisions of the Board and Board Committees may also be obtained by way of circulating resolution.

The number of meetings held by the Board and Board committees and attendance thereat during the financial year ended 31 December 2016 are as follows:-

DIRECTORS	BOARD		AC		RC		NC	
	No. of meetings	Attended	No. of meetings	Attended	No. of meetings	Attended	No. of meetings	Attended
Yang Qingjin	4	4	4	4*	1	1	1	1
Chen Yongfu	4	4	4	4*	1	1*	1	1*
Yang Junqing	4	4	4	4*	1	1*	1	1*
Qiu Wei Cai	4	4	4	4*	1	1*	1	1*
Tan Siok Sing	4	4	4	4	1	1	1	1
Chan Yin David	4	4	4	4	1	1	1	1
Liao Quanwen	4	4	4	4	1	1	1	1

Note: * attendance by invitation

Training

The Board continues to examine its size and, with a view to determining the impact of its number upon effectiveness, decide on what it considers an appropriate size for itself. The composition of the Board will be reviewed on an annual basis by the NC to ensure that the Board has the appropriate mix of expertise and experience.

(A) BOARD MATTERS - continued

Board's Conduct of its Affairs - continued

Training - continued

All Directors have many years of corporate experience and are familiar with their duties and responsibilities as Directors. Directors also have the opportunity to visit the Group's operational facilities and meet up with the Management to gain a better understanding of the Group's business operations. Newly appointed Directors will be given briefings by the Executive Chairman and/or top management of the Company to familiarise with the business activities of the Group and its strategic directions, as well as their duties and responsibilities as Directors. The Directors are also briefed by professionals either during Board meetings or at separate meetings on regulatory changes which have an important bearing on the Company and the Directors' obligations to the Company. The Board as a whole is updated regularly on the key changes in the relevant regulatory requirements and financial reporting standards.

The Company welcomes Directors to seek explanations or clarifications from and/or convene informal discussions with the Management on any aspect of the Group's operations or business. Necessary arrangements will be made for the informal discussions or explanations as and when required.

Board Composition and Guidance

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

The Board consists of seven (7) Directors of whom three (3) are independent. The list of Directors is as follows:-

Executive Directors

Yang Qingjin	(Chairman)
Chen Yongfu	(Deputy Chairman)
Yang Junqing	
Qiu Wei Cai	(Finance Director)

Independent Directors

Chan Yin David	(Lead Independent Director)
Tan Siok Sing	(Independent Director)
Liao Quanwen	(Independent Director)

The size and composition of the Board are reviewed from time to time by the NC to ensure that the size of the Board is conducive to effective discussions and decision making. The NC is of the view that the current Board size of seven (7) Directors of which three (3) are Independent Directors, is appropriate and effective, taking into account the nature and scope of the Company's operations.

The current Board comprises persons with diverse expertise and experience in accounting, business and management, finance and risk management who as a group provide core competencies necessary to meet the Company's requirements. The Directors' objective judgement on corporate affairs and collective experience and knowledge are invaluable to the Group and allows for the useful exchange of ideas and views.

(A) **BOARD MATTERS** - continued

Board Composition and Guidance - continued

Independence of Directors

The NC reviews the independence of each Director on an annual basis based on the Code's definition of what constitutes an independent director. The NC is of the view that the three (3) Independent Directors (who represent more than one-third of the Board) are independent and that there is a strong and independent element on the Board which is able to exercise objective judgement on corporate matters independently, in particular, from Management, and that no individual or small group of individuals dominate the Board's decision-making process. There are no relationships which are likely to affect or could appear to affect the Directors' judgement.

The Board recognises that Independent Directors may over time develop significant insights in the Group's business and operations, and can continue to provide significant and valuable contribution objectively to the Board as a whole. When there are such Directors, the Board will also do a rigorous review of their continuing contributions and independence and may exercise its discretion to extend the tenure of these Directors.

Presently Mr Chan Yin David and Ms Liao Quanwen have served on the Board for more than nine (9) years from the date of their first appointment. The Board is of the view that an individual's independence cannot be accurately determined based on an arbitrarily set period of time and has subjected their independence to a rigorous review by all the other Directors, before extending their tenures as Directors. After due consideration and with the concurrence of the NC, the Board has concluded that Mr Chan and Ms Liao have continued to demonstrate independence in character and judgement over the years in discharging their duties and responsibilities as Independent Directors of the Company. Furthermore, there are no relationships or circumstances which affect or would be likely to affect their judgement and ability to discharge their responsibilities as Independent Directors of the Company, and to contribute to the Company in such capacity.

Chairman and Deputy Chairman

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.

Different individuals assume the roles of the Chairman of the Board and the Deputy Chairman of the Board. The Chairman of the Board is Mr Yang Qingjin. As the Chairman, Mr Yang is responsible for, among others, the exercise of control over quantity, quality and timeliness of the flow of information between the Management of the Company and the Board. With the assistance of the Company Secretary, he also schedules Board meetings, oversees the preparation of the agenda for Board meetings and assists in ensuring compliance with the Group's guidelines on corporate governance.

Mr Yang is assisted by the Deputy Chairman, Mr Chen Yongfu. Mr Chen, together with the Management comprising each subsidiary's general managers and key senior managers, are responsible for the day-to-day management of the Group.

The separation of the roles of the Chairman and Deputy Chairman ensures a balance of power and authority such that no one individual represents a considerable concentration of power.

Presently, the Company does not have a chief executive officer.

(A) BOARD MATTERS - continued

Chairman and Deputy Chairman - continued

Lead Independent Director

Mr Chan Yin David was appointed as the Lead Independent Director of the Board since 24 September 2007.

The Lead Independent Director is appointed by the Board to serve in a lead capacity to coordinate the activities of the Independent Directors in circumstances where it would be inappropriate for the Chairman to serve in such capacity, and to assist the Chairman and the Board to assure effective corporate governance in managing the affairs of the Board and the Company.

The Lead Independent Director will also be available to shareholders if they have concerns relating to matters which contact through the normal channels of the Chairman or Executive Directors has failed to resolve, or for which such contact is inappropriate.

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 is chaired by Ms Liao Quanwen (an Independent Director) with the following Directors as members:-

Yang Qingjin	(Chairman and Executive Director)
Chan Yin David	(Independent Director)
Tan Siok Sing	(Independent Director)

The primary functions of the NC are as follows:-

- to identify candidates and review all nominations for the appointment or reappointment of members of the Board, the Chairman of the Group, and to determine the selection criteria therefor;
- to ensure that all Board appointees undergo an appropriate induction programme;
- to regularly review the Board structure, size and composition and make recommendations to the Board with regard to any adjustments that are deemed necessary;
- to identify gaps in the mix of skills, experience and other qualities required in an effective Board and to nominate or recommend suitable candidates to fill these gaps;
- to decide whether a Director is able to and has been adequately carrying out his duties as Director of the Company, particularly where the Director has multiple board representations;
- to review the independence of each Director annually;
- to decide how the Board's performance may be evaluated and propose objective performance criteria for the Board's approval; and
- to evaluate the effectiveness of the Board as a whole and assess the contribution by each individual Director, to the effectiveness of the Board.

(A) BOARD MATTERS - continued

Board Membership - continued

For the year under review, the NC held one (1) meeting.

The Directors will submit themselves for re-nomination and re-election at regular intervals of at least once every three (3) years. Under the Company's existing Bye-Laws, one-third of the Directors for the time being (or if their number is not a multiple of three, the number nearest to but not less than one-third) shall retire from office by rotation. In reviewing and recommending to the Board the re-nomination and re-election of existing Directors, the NC takes into consideration the Directors' contribution and performance at Board meetings, including attendance, preparedness, participation and candour.

Each member of the NC abstains from making any recommendations and/or participating in any deliberation of the NC and from voting on any resolution, in respect of the assessment of his own performance or re-nomination as a Director.

The NC is satisfied that sufficient time and attention are being given by the Directors to the affairs of the Company and Group, notwithstanding that some of the Directors have multiple board representations. After taking into account of views of the NC, the Board considers it would not be necessary to set a limit on the maximum number of listed company board representations which any Director may hold.

In its search and nomination process for new Directors, the NC has, at its disposal, search companies, personal contacts and recommendations, to cast its net as wide as possible for the right candidates.

Key information regarding the Directors is set out below:-

Name of Directors	Position	Date of Appointment	Date of Last Re-Appointment as a Director	Directorship in other Listed Companies		Due Date for Re-Appointment at the AGM
				Present	For the Past 3 Years	
Yang Qingjin	Executive Chairman	24 April 2007	28 April 2015	Nil	Nil	
Chen Yongfu	Deputy Chairman	24 April 2007	29 April 2016	Nil	Nil	
Yang Junqing	Executive Director	14 May 2009	29 April 2016	Nil	Nil	
Qiu Wei Cai	Executive Director	2 December 2010	28 April 2015	Nil	Nil	27 April 2017
Chan Yin David	Independent Director	24 September 2007	29 April 2016	Nil	Nil	
Tan Siok Sing	Independent Director	29 April 2008	28 April 2015	Dukang Distillers Holdings Ltd Qingmei Group Holdings Limited Eurosports Global Ltd	Li Heng Chemical Fibre Technologies Limited	27 April 2017
Liao Quanwen	Independent Director	24 September 2007	25 April 2014	Nil	Nil	27 April 2017

Board Performance

Principle 5 : There should be a formal 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.

(A) BOARD MATTERS - continued

Board Performance - continued

The NC reviews the criteria for evaluating the Board's performance and recommends to the Board a set of objective performance criteria focusing on enhancing long-term shareholders' value. Based on the recommendations of the NC, the Board has established processes for evaluating the effectiveness of the Board as a whole and its Board committees.

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, communication with Management and standards of conduct of the Directors.

In the course of the year, the NC has conducted the assessment by preparing a questionnaire to be completed by each Director, of which were then collated and the findings were analysed and discussed with a view to implementing certain recommendations to further enhance the effectiveness of the Board and its Board committees.

Following the review, the Board is of the view that the Board and its Board Committees operates effectively and each Director is contributing to the overall effectiveness of the Board.

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.

To assist the Board in fulfilling its responsibilities, the Management provides the Board with a management report containing complete, adequate and timely information prior to the Board meetings. Directors are also informed of any significant developments or events relating to the Group. All Directors have separate and independent access to the Management, including the Company Secretary at all times. The Company Secretary and/or his representative attends all Board meetings and ensures that Board procedures and all other rules and regulations applicable to the Company are complied with.

Changes to regulations are closely monitored by Management and for changes which have an important bearing on the Company or the Directors' disclosure obligations, the Directors are briefed during Board meetings.

The Directors and the Chairman of the respective committees, whether as a group or individually are able to seek independent professional advice as and when necessary in furtherance of their duties at the Company's expense. The appointment of such professional advisor is subject to approval by the Board.

(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.

(B) REMUNERATION MATTERS - continued

Procedures for Developing Remuneration Policies - continued

The RC is chaired by Mr Chan Yin David (an Independent Director) with the following Directors as members:-

Yang Qingjin	(Chairman and Executive Director)
Tan Siok Sing	(Independent Director)
Liao Quanwen	(Independent Director)

The members of the RC have many years of corporate experience and are knowledgeable in the field of executive compensation. In addition, the RC welcomed the participation of Mr Yang Qingjin, the Chairman and Executive Director, at RC meetings to provide direct assistance to the Company's compensation and human resource policies in China environment and of the Industry. In addition, the RC has access to expert professional advice on remuneration matters as and when necessary.

The responsibilities of the RC include the following:-

- to review Directors' fees to ensure that they are at sufficiently competitive levels;
- to review and approve any proposal relating to and administer the Changtian Employee Share Option Scheme ("**ESOS**") for Directors, senior management and executives;
- to review and advise the Board on the terms of appointment and remuneration of its members, Chairman, key executive officers, senior management of the Group and all managerial staff who are related to any of the Directors or the Chairman;
- to review the terms of the employment arrangements with Management so as to develop consistent group wide employment practices subject to regional differences;
- to recommend to the Board in consultation with senior management and the Chairman of the Board, any long term incentive scheme; and
- to review and approve any proposals or recommendations relating to senior management's remuneration.

The RC reviews all aspects of remuneration and compensation packages including but not limited to Directors' fees, salaries, allowances, bonuses, options and benefits-in-kind. The RC from time to time and where necessary seeks advice from external remuneration consultant in framing the remuneration policy and determining the remuneration packages for Directors and key executives.

No Director is involved in determining his own remuneration.

For the year under review, the RC held one (1) meeting.

Level and Mix of Remuneration

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

(B) REMUNERATION MATTERS - continued

Level and Mix of Remuneration - continued

In setting remuneration packages, the RC takes into consideration the prevailing economic situation, the pay and employment conditions within the industry and in comparable companies. As part of its review, the RC ensures that the performance related elements of remuneration form a significant part of the total remuneration package of Executive Directors and is designed to align the Directors' interests with those of shareholders and link rewards to corporate and individual performance. The RC also reviews all matters concerning the remuneration of Independent Directors to ensure that the remuneration commensurate with the contribution and responsibilities of the Directors. The Company submits the quantum of Directors' fees of each year to the shareholders for approval at each Annual General Meeting ("**AGM**").

Independent Directors have no service agreements. The Executive Directors namely, Messrs Yang Qingjin, Chen Yongfu, Yang Junqing and Qiu Wei Cai have service agreements which continue from year to year, unless otherwise terminated by either party giving not less than three months' notice to the other.

Long term incentive schemes

The ESOS was implemented on 24 September 2007 as a long-term incentive plan for more senior level staff based on individual performance. It is administered by the RC.

Under the ESOS, the aggregate number of shares which the RC may grant options on any date, when added to the nominal amount of shares issued and issuable in respect of all the option granted under the ESOS shall not exceed 15% of the issued share capital of the Company on the day immediately preceding the date of the relevant period.

The options granted under the ESOS may have exercise prices that are, at the discretion of the RC, set at:-

(a) a price ("**Market Price**") equal to the average of the last dealt prices for the shares on the Singapore Exchange Securities Trading Limited ("**SGX-ST**") for the five (5) consecutive market days immediately preceding the relevant date of grant of the relevant option of a share; or

(b) a discount to the Market Price subject to a maximum discount of 20%.

No options have to-date been granted under the ESOS.

Disclosure on Remuneration

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

The annual reviews of the compensation are carried out by the RC to ensure that the remuneration of the Executive Directors and key executives commensurate with their performance and that of the Company, giving regard to the financial and commercial health and business needs of the Group.

(B) REMUNERATION MATTERS - continued

Disclosure on Remuneration - continued

The Independent Directors receive Directors' fees in accordance with their level of contributions, taking into account factors such as effort and time spent as well as the responsibilities and obligations of the Directors. The Company recognises the need to pay competitive fees to attract, motivate and retain Directors without being excessive and thereby maximise shareholders' value. Directors' fees are recommended by the Board for approval at the Company's AGM.

Executive Directors do not receive Directors' fees from the Company but are remunerated as members of the Management.

A breakdown of the remuneration of the Directors and the top two (2) key executives (who are not also Directors) for the financial year ended 31 December 2016 are set out below:-

Remuneration of the Directors and the top two (2) key executives (who are also not Directors)

Name	Based/fixed salary [1]	Variable or performance related income/bonus [1]	Director's fee [2]	Other benefits	Total
	%	%	%	%	%
Executive Directors					
Below S$250,000					
Yang Qingjin	99	-	-	1	100
Chen Yongfu	98	-	-	2	100
Yang Junqing	98	-	-	2	100
Qiu Wei Cai	97	-	-	3	100
Independent Directors					
Below S$250,000					
Chan Yin David	-	-	100	-	100
Tan Siok Sing	-	-	100	-	100
Liao Quanwen	-	-	100	-	100
Key Executives					
Below S$250,000					
Zhang Anmin	92	-	-	8	100
Chan Pak Kin Ken	100	-	-	-	100

(1) These are under the service agreements.
(2) The Directors' fees had been approved at the Company's AGM held in year 2016.

The aggregate of total remuneration paid to or accrued to the top two (2) key executives (who are also not Directors) was RMB1,008,279 for the financial year ended 31 December 2016.

(B) REMUNERATION MATTERS - continued

Disclosure on Remuneration - continued

The Company has disclosed the remuneration of its top two (2) key executives as the Group only has two (2) key executives (who are also not Directors) during the financial year ended 31 December 2016.

There are no employees of the Group who are immediate family members of a Director and whose remuneration exceeds S$50,000 during the financial year ended 31 December 2016.

To preserve the confidentiality on the remuneration policies and due to competitive pressures resulting from such disclosures, the Board is of the view that it is in the best interest of the Company not to fully disclose the exact remuneration of each Director and the top two (2) key executives in the Annual Report.

(C) ACCOUNTABILITY AND AUDIT

Accountability

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

The Board endeavours to ensure that the annual audited financial statements and quarterly announcements of the Group's results present a balanced and understandable assessment of the Group's position and prospects. The Board embraces openness and transparency in the conduct of the Company's affairs, whilst preserving the commercial interests of the Company. Financial and other price sensitive information are disseminated to shareholders through announcements via SGXNET.

The Management provides the Board with appropriate management accounts of the Group's performance, position and prospect on a regular basis.

Risk Management and Internal Controls

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

Risk Management

Management 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 within the Group's policies and strategies. In addition, the external auditors had obtained an understanding of internal controls relevant to the audit in the course of their audit of the financial statements. Material internal control weaknesses noted during their audit are reported to the AC together with their recommendations. Management will follow up on the auditors' recommendations so as to strengthen the Group's internal control system.

(C) ACCOUNTABILITY AND AUDIT - continued

Risk Management and Internal Controls - continued

Risk Management - continued

As part of the Group's effort to strengthen its risk management processes, the Board has approved an Enterprise Risk Management Framework to assist the Management and operational units in identifying, assessing, monitoring and reporting of significant risks within the Group.

Risks arising from the Group's financial operation are separately discussed under Note 26 to the Financial Statements of this Annual Report.

Internal Controls

The Board is responsible for ensuring that Management maintains a sound system of internal controls to safeguard shareholders' investment and the assets of the Group. The Board and the AC, with the assistance of the internal auditors have reviewed the adequacy of the Group's internal controls, including financial, operational and compliance risks. The Company's external auditors during their audit will obtain an understanding of internal controls relevant to the audit of financial statements and internal control weaknesses noted during their audit are reported to the AC. The Board and the AC also work with the external auditors on their recommendations and institute and execute relevant controls with a view to managing business risks.

The Company's internal auditors conduct an annual review of the effectiveness of the Company's material internal controls, including financial, operational and compliance controls, and risk assessment at least annually to ensure the adequacy thereof. This review will be conducted by the Company's internal auditors which will then present their findings to the AC. Any material non-compliance or failures in internal controls and recommendations for improvements are reported to the AC. The AC also reviews the effectiveness of the actions taken by the Management on the recommendations made by the internal auditors in this respect.

Having considered the financial statements audit carried out by the external auditors, the internal controls in place in the Company and the reviews carried out by the internal auditors, the Board with the concurrence of the AC, is of the opinion that the Company's system of internal controls is adequate to provide reasonable assurance on the integrity and effectiveness of the Company in safeguarding its assets and shareholders' interest, in against material misstatement, misrepresentations or loss, and in addressing financial, operational and compliance risks.

For the financial year under review, the Chairman and the Financial Controller have provided assurance to the Board that the financial records have been properly maintained, the integrity of the financial statements of the Group which give a true and fair view of the Company's operations and finances and the effectiveness of the Group's risk management and internal control system.

Audit Committee

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

(C) ACCOUNTABILITY AND AUDIT - continued

Audit Committee - continued

The AC comprises entirely Independent Directors:-

Tan Siok Sing	(Chairman)
Chan Yin David	(Lead Independent Director)
Liao Quanwen	(Independent Director)

It, *inter alia*, oversees the quality and integrity of the accounting, auditing, internal controls and financial practices of the Group.

All members of the AC have many years of experience in senior management positions in both financial and industrial sectors. The Board is of the view that the AC members, having accounting and related financial management expertise or experience, are appropriately qualified to discharge their responsibilities.

During the past financial year, the AC held four (4) meetings with the Management and the external and internal auditors of the Company to discuss and review the following matters:-

- the scope and the results of internal audit procedures with the internal auditors;
- the audit plan of the Company's independent joint auditors and any recommendation on internal accounting controls arising from the audit;
- the assistance given by the Company's Management to the independent auditors;
- the periodic results announcements prior to their submission to the Board for approval;
- the balance sheet of the Company and the consolidated financial statements of the Group for the financial year ended 31 December 2016 prior to their submission to the Board for approval, as well as the independent auditors' report on the balance sheet of the Company and the consolidated financial statements of the Group;
- interested person transactions (as defined in Chapter 9 of the Listing Manual);
- the audit plans of the external and internal auditors of the Company, and their reports arising from the audit and its cost-effectiveness;
- the adequacy of the assistance and cooperation given by the Company's Management to the external and internal auditors;
- the adequacy of the Group's internal controls in respect of the management, business and service systems and practices;
- legal and regulatory matters that may have a material impact on the financial statements, compliance policies and programmes and any reports received from regulators;
- the independence and objectivity of the external auditors;

(C) ACCOUNTABILITY AND AUDIT - continued

Audit Committee - continued

- the approval of remuneration to the external auditors;

- the nature and extent of non-audit services provided by the external auditors;

- the recommendation to the Board for the appointment or re-appointment of the internal and external auditors of the Company;

- to report actions and minutes of the AC to the Board with such recommendations as the AC considers appropriate; and

- interested person transactions to ensure that the current procedures for monitoring of interested party transactions have been complied with.

In performing its functions, the AC:-

- met once with the external auditors and internal auditors, without the presence of the Company's Management and reviewed the overall scope of the external audit, internal audit and the assistance given by the Management to the auditors;

- has explicit authority to investigate any matter relating to the Group's accounting, auditing, internal controls and financial practices brought to its attention with full access to records, resources and personnel to enable it to discharge its function properly;

- has full access to and cooperation of the Management and full discretion to invite any Director or executive officer to attend its meetings; and

- is kept abreast by the Management and the external auditors of changes to accounting standards, Listing Rules of the SGX-ST (the "**Listing Rules**") and other regulations which could have an impact on the Group's business and financial statements.

The external and internal auditors have unrestricted access to the AC.

The AC has undertaken a review of the services, scope, independence and objectivity of the external auditors through discussions with external auditors as well as reviewing the non-audit services provided by them. During the current financial year, there were no non-audit services provided by the external auditors. The AC is satisfied with the independence of the external auditors.

Having assessed the external auditors based on the performance and quality of their audit partners and auditing team, the AC is satisfied that Rule 712 of the Listing Manual has been complied with and has recommend to the Board the re-appointment of BDO Limited, Certified Public Accountants, Hong Kong and BDO LLP, Public Accountants and Chartered Accountants, Singapore as joint auditors of the Company at the forthcoming AGM. Pursuant to Rule 1207(6)(c) of the Listing Manual, the Company confirms that it has complied with Rules 712 and 715 in relation to its auditors.

The Company has put in place a whistle blowing policy endorsed by the AC by which employees may in confidence raise concerns about possible improprieties conduct within the Group.

(C) ACCOUNTABILITY AND AUDIT - continued

Internal Audit

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

Ascenda Cachet Risk Consulting Limited ("**Ascenda Cachet**"), a professional risk consulting firm has been appointed to carry out the internal audit functions together with the Company's in-house internal audit department. Ascenda Cachet and the Company's in-house internal audit department will carry out major internal control checks and compliance tests as instructed by the AC. The AC will review the internal auditors' reports and ensure that there are adequate internal controls in the Group.

Ascenda Cachet reports to the AC on internal control matters and reports administratively to the Management. The AC also reviews and approves the annual internal audit plans and resources to ensure that Ascenda Cachet has the necessary resources to adequately perform its functions.

Procedures have been put in place to ensure that all transactions entered into with interested persons are dealt with on an arm's length basis. All such transactions are subject to a review by the Company's internal auditors to ensure that the procedures adopted are complied with.

(D) SHAREHOLDER RIGHTS AND RESPONSIBILITIES

Shareholder Rights

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

The Company recognises the importance of maintaining transparency and accountability to its shareholders. The Board ensures that all the Company's shareholders are treated equitably and the rights of all investors, including non-controlling shareholders are protected.

The Company is committed to providing shareholders with adequate, timely and sufficient information pertaining to changes in the Group's business which could have a material impact on the Company's share price.

The Company encourages shareholders' participation during the AGM which will be held in a convenient location in Singapore. Shareholders are able to proactively engage the Board and the Management on the Group's business activities, financial performance and other business related matters.

(E) COMMUNICATION WITH SHAREHOLDERS

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.

(E) COMMUNICATION WITH SHAREHOLDERS - continued

Conduct of Shareholder Meetings

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

The Company believes that a high standard of disclosure is key to raising the level of corporate governance. Quarterly results are published through the SGXNET and news releases. All information of the Company's new initiatives are disseminated via SGXNET.

The Company does not practise selective disclosure. Price sensitive information is publicly released and results and annual reports are announced or issued within the mandatory period. All shareholders of the Company receive the annual report and notice of AGM. The notice of AGM is also advertised in the newspapers.

The Company welcomes the views of the shareholders on matters concerning the Company and encourages shareholders' participation at the AGM. The chairmen of the AC, NC and RC of the Company are present at the general meetings to answer questions from the shareholders. The external auditors are also present to assist the Directors in addressing any relevant queries by shareholders.

Each item of special business included in the notice of the meeting is accompanied, where appropriate, by an explanation for the proposed resolution. Separate resolutions are proposed for substantially separate issues at the meeting.

The Representative of Rajah & Tann Singapore LLP prepares minutes of shareholders' meetings, which incorporates substantial comments or queries from shareholders and responses from the Board and Management. These minutes are available to shareholders upon request.

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.

Interaction with shareholders

The Group has a dedicated Investor Relations ("**IR**") team to attend to queries and concerns from shareholders and when necessary or appropriate, the IR (together with senior management) will meet with investors and analysts.

(F) DEALINGS IN SECURITIES

The Company has issued guidelines on share dealings to all Directors and employees of the Group which sets out the code of conduct on transactions in the Company's shares by these persons, the implications of insider trading and general guidance on the prohibition against such dealings.

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

(F) DEALINGS IN SECURITIES - continued

The Board confirms that for the financial year ended 31 December 2016, the Company has complied with Rule 1207(19) of the Listing Manual.

(G) INTERESTED PERSON TRANSACTION

As a listed company on the SGX-ST, the Company is required to comply with Chapter 9 of the Listing Manual on interested person transactions. To ensure compliance with Chapter 9, the Company has taken the following steps:-

- The Board meets to review if the Company will be entering into any interested person transaction. If the Company intends to enter into an interested person transaction, the Board will ensure that the Company complies with the requisite rules under Chapter 9.

- The AC has met and will meet regularly to review if the Company will be entering into an interested person transaction, and if so, the AC ensures that the relevant rules under Chapter 9 are complied with.

The aggregate value of the interested person transaction carried out during the financial year ended 31 December 2016 is as follows:-

Name of Interested Person	Aggregate value of all interested person transactions during the financial year under review (excluding transactions less than $100,000 and transactions conducted under shareholder's mandate pursuant to Rule 920) RMB'000	Aggregate value of all interested person transaction conducted under shareholder's mandate pursuant to Rule 920 (excluding transactions less than $100,000) RMB'000
Rental expenses to:-		N/A
Xiamen Changtian Plastic & Chemical Co., Ltd. [1]	1,150	
Jinyoung (Xiamen) Advanced Materials Co., Ltd. [2]	1,150	
	2,300	

[1] Xiamen Changtian & Chemical Co., Ltd. renamed as Jinyoung (Xiamen) Industry Co., Ltd. ("Jinyoung Industry") in January 2016.

[2] Jinyoung Industry transferred the ownership of land and the entitlement to the lease entered into prior years to Jinyoung (Xiamen) Advanced Materials Co., Ltd. ("Xiamen Jinyoung") due to group restructuring in July 2016.

For more information relating to interested/related person transactions, please refer to Note 25 to the Financial Statements of this Annual Report.

(H) MATERIAL CONTRACTS

Apart from the service agreements made with the Executive Directors, there are no material contracts entered by the Company or its subsidiaries with or for the benefit of the Directors or controlling shareholders during the financial year ended 31 December 2016.

Financial Contents

The Directors present their report to the members together with the audited financial statements of Changtian Plastic & Chemical Limited (the "**Company**") and its subsidiaries (the "**Group**") for the financial year ended 31 December 2016 and the statement of financial position of the Company as at 31 December 2016.

Directors

The Directors of the Company in office during the financial year ended 31 December 2016 and up to the date of this report are:-

Executive Directors
Mr Yang Qingjin
Mr Chen Yongfu
Mr Yang Junqing
Mr Qiu Wei Cai

Independent Directors
Mr Chan Yin David *(Lead Independent Director)*
Mr Tan Siok Sing
Ms Liao Quanwen

In accordance with the Company's Bye-Law 104, Mr Qiu Wei Cai, Ms Liao Quanwen and Mr Tan Siok Sing shall retire and being eligible, offer themselves for re-election at the forthcoming Annual General Meeting.

Arrangements to Enable Directors to Acquire Shares or Debentures

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

Directors' Interests in Shares or Debentures

According to the register of Directors' shareholdings, the interest in the share capital or debentures of the Company held by the Directors holding office at the end of the financial year are as follows:-

	Number of ordinary share of S$0.50 each of the Company			
	Direct Interest		***Deemed Interest***	
Name of Director	As at 01.01.2016	As at 31.12.2016	As at 01.01.2016	As at 31.12.2016
Mr Yang Qingjin (2)	-	-	16,980,000	16,980,000
Mr Chen Yongfu (3)	-	-	19,855,000	19,855,000
Mr Yang Junqing	-	-	-	-
Mr Qiu Wei Cai	-	-	-	-
Mr Chan Yin David	-	-	-	-
Mr Tan Siok Sing	-	-	-	-
Ms Liao Quanwen	-	-	-	-

Directors' Interests in Shares or Debentures - continued

Notes:-

[1] The Directors' interests as at 21 January 2017 were the same as those at the end of the financial year.

[2] Eastline Investments Holding Limited is a company incorporated in British Virgin Islands and is wholly-owned by Mr Yang Qingjin, the Company's Chairman and Executive Director. Mr Yang Qingjin is deemed to have an interest in all the shares held by Eastline Investments Holding Limited.

[3] Goodwise Investments Limited is a company incorporated in British Virgin Islands and is wholly-owned by Mr Chen Yongfu, the Company's Deputy Chairman and Executive Director. Mr Chen Yongfu is deemed to have an interest in all the shares held by Goodwise Investments Limited.

Directors' Service Contracts

The Company entered into service agreements with the Executive Directors.

Apart from the foregoing, no Director proposed for re-election at the forthcoming Annual General Meeting has a service contract with the Company which is not determinable by the Company within one year without payment other than statutory compensation.

Changtian Employee Share Option Scheme

The Changtian Employee Share Option Scheme (the "**Scheme**") was approved and adopted on 24 September 2007. The Scheme was administrated by the Remuneration Committee of the Company. As at the date of this report, no option to take up unissued shares of the Company was granted under the Scheme.

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

There were no unissued shares of the Company under option at the end of the financial year.

Directors' Contractual Interests

Except for the transactions disclosed in Note 25 to the financial statements, related party transactions, and the interested party transaction disclosed in page 70 of this Annual Report, during the year under review, no Director received or became entitled to receive a benefit by reason of a contract made by the Company or a related corporation with the Director or with a firm of which he is a member or with a company in which he has a substantial financial interest.

Audit Committee

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

Tan Siok Sing (Chairman)
Chan Yin David
Liao Quanwen

Audit Committee - continued

The Audit Committee carried out its functions in accordance with the Listing Manual of the Singapore Exchange Securities Trading Limited and the Code of Corporate Governance. In performing those functions, the Audit Committee reviewed:-

- the scope and the results of internal audit procedures with the internal auditors;
- the audit plan of the Company's independent joint auditors and any recommendation on internal accounting controls arising from the statutory audit;
- the assistance given by the Company's Management to the independent auditors;
- the periodic results announcements prior to their submission to the Board for approval;
- the balance sheet of the Company and the consolidated financial statements of the Group for the financial year ended 31 December 2016 prior to their submission to the Board for approval, as well as the independent auditors' report on the balance sheet of the Company and the consolidated financial statements of the Group; and
- interested person transactions (as defined in Chapter 9 of the Listing Manual of the Singapore Exchange Securities Trading Limited).

The Audit Committee has recommended to the Board of Directors that the independent joint auditors, BDO Limited, Certified Public Accountants, Hong Kong ("**BDO Hong Kong**") and BDO LLP, Public Accountants and Chartered Accountants, Singapore ("**BDO Singapore**"), be nominated for re-appointment at the forthcoming Annual General Meeting of the Company. The Audit Committee has conducted an annual review of non-audit services provided by the auditors to satisfy itself that the nature and extent of such services will not affect the independence and objectivity of the joint auditors before confirming their re-nomination.

Further details regarding the Audit Committee are disclosed in the Corporate Governance Report.

Auditors

BDO Hong Kong and BDO Singapore have expressed their willingness to accept re-appointment as Joint Auditors of the Company.

ON BEHALF OF THE BOARD

Yang Qingjin Chairman	Qiu Wei Cai Director

30 March 2017

Statement by Directors

In the opinion of the Directors,

(i) the accompanying consolidated statement of financial position, the consolidated statement of comprehensive income, the consolidated and Company statements of changes in equity and the consolidated statement of cash flows together with the notes thereto as set out on pages 40 to 75, are drawn up so as to give a true and fair view of the state of affairs of the Group and of the Company as at 31 December 2016 and of the results of the business of the Group and changes in equity of the Group and of the Company and cash flows of the Group for the financial year then ended; 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.

ON BEHALF OF THE BOARD

Yang Qingjin Chairman	Qiu Wei Cai Director

30 March 2017

Independent Joint Auditors' Report

To the Shareholders of Changtian Plastic & Chemical Limited

(Incorporated in Bermuda with limited liability)

Opinion

We have audited the financial statements of Changtian Plastic & Chemical Limited (the Company) and its subsidiaries (the Group) set out on pages 40 to 75, which comprise:

- the consolidated statement of financial position of the Group and the statement of financial position of the Company as at 31 December 2016;
- the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows of the Group;
- the statement of changes in equity of the Company for the year then ended; and
- notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company give a true and fair view of the consolidated financial position of the Group and of the financial position of the Company as at 31 December 2016 and of the consolidated financial performance and consolidated cash flows of the Group for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Group in accordance with the Accounting and Corporate Regulatory Authority (ACRA) Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities (ACRA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Singapore and the Hong Kong Institute of Certified Public Accountants (HKICPA) Code of Ethics for Professional Accountants (HKICPA Code), and we have fulfilled our other ethical responsibilities in accordance with these requirements, the ACRA Code and the HKICPA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

1 Development of the Nylon-6 Chip Business

Key Audit Matter

Following the Group's decision to suspend and dispose the 2-A2MPS production line and all related intellectual property rights in February 2015, the Group had reinvested the proceeds received from the disposal into the business of manufacturing and selling Nylon-6 chips in the People's Republic of China (the "Nylon-6 business").

Given the capital intensive nature of the Nylon-6 business, since 2015, the Group has made substantial capital expenditure to develop the production facilities of Nylon-6 chips. As at 31 December 2016, the Group has recognised property, plant and equipment (including construction-in-progress) relating to the Nylon-6 business of RMB942.5 million.

Key Audit Matters - continued

1 **Development of the Nylon-6 Chip Business** - continued

Key Audit Matter - continued

In addition, the Group has payables to suppliers, contracted capital commitments and planned expenditures (but not yet contracted for) amounting to RMB148.6 million in aggregate for the Nylon-6 business whilst cash and bank balances amounted to RMB65.1 million as at 31 December 2016. The Group’s cash and bank balances have decreased significantly from the last financial year as a result of internal financing of the Nylon-6 capital expenditure.

Consequently, coupled with the decreased sales from the Group’s other core business segments of adhesive tapes, release papers and UV cured release films, the successful development of the Nylon-6 business as well as the availability of funds are critical to the Group.

We determined this to be a key audit matter because the viability of the Nylon-6 business will impact the future profitability and cash flow levels of the Group, the recoverability of the capital expenditure invested as well as the ability of the Group to continue as a going concern. The availability of funds is also important to enable the Group to meet its debt obligations as and when they fall due for at least the next twelve months from 31 December 2016. In addition, the Group’s assessment of the cash flow forecast of the Nylon-6 business as a cash generating unit involves the use of significant judgements about key assumptions.

Related Disclosures

Refer to note 2(b), note 19 and note 24 of the accompanying financial statements.

Audit Response

Our audit procedures included the following:

- Evaluating the following key assumptions adopted by the management in the future cash flow forecast of the Nylon-6 business:
  - (a) revenue projection, by checking against market price of Nylon-6 chips and operational information;
  - (b) margin trends, by benchmarking against market data; and
  - (c) discount rate, by checking that it was reflective of the specific risks associated with the Nylon-6 business.
- Performing sensitivity analysis on the management’s cash flow forecast, including applying downside scenarios taking into consideration that commercial production and sales of Nylon-6 chips can only commence upon satisfactory results arising from the trial production, which is expected to be completed by mid-FY2017.
- Obtaining written confirmation from the Group’s principal bank (PRC) on the availability of a credit line up to RMB300 million.
- Assessing the adequacy of disclosures relating to going concern in the financial statements.

Other Information

The directors are responsible for the other information. The other information comprises all the information included in the Company's 2016 annual report, but does not include the financial statements and our joint auditors' report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Directors for the Financial Statements

The directors are responsible for the preparation of financial statements that give a true and fair view in accordance with IFRSs, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. In preparing the financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue a joint auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

Auditors' Responsibilities for the Audit of the Financial Statements - continued

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our joint auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our joint auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partners on the audit resulting in this independent joint auditors' report are Khoo Gaik Suan and Au Yiu Kwan.

BDO LLP
Public Accountants and Chartered Accountants
Singapore
30 March 2017

BDO Limited
Certified Public Accountants
Hong Kong
30 March 2017

Consolidated Statement of Comprehensive Income

for the year ended 31 December 2016

	Notes	2016 RMB'000	2015 RMB'000
Continuing operations			
Revenue	7	39,365	50,790
Cost of sales		(26,457)	(41,821)
Gross profit		12,908	8,969
Other income	7	3,222	12,696
Impairment of property, plant and equipment	8	-	(15,055)
Selling and distribution costs		(2,925)	(2,672)
Administrative expenses		(26,902)	(19,388)
Loss before income tax	8	(13,697)	(15,450)
Income tax expense	9	(3,083)	(3,862)
Loss for the year and attributable to owners of the Company		(16,780)	(19,312)
Discontinued operations			
Profit for the year and attributable to owners of the Company	10	-	12,225
Loss for the year and attributable to owners of the Company		(16,780)	(7,087)
Other comprehensive income for the year		-	-
Total comprehensive income for the year and attributable to owners of the Company		(16,780)	(7,087)
		RMB cents	**RMB cents**
(Loss)/ Earnings per share	11		
From continuing operations			
- Basic and diluted		(25.4)	(29.3)
From discontinued operations			
- Basic and diluted		-	18.5
From continuing and discontinued operations			
- Basic and diluted		(25.4)	(10.8)

Statements of Financial Position

as at 31 December 2016

	Notes	Group 2016 RMB'000	Group 2015 RMB'000	Company 2016 RMB'000	Company 2015 RMB'000
ASSETS AND LIABILITIES					
Non-current assets					
Interests in subsidiaries	12	-	-	488,615	125,175
Prepaid premium for leasehold land under operating leases	13	19,391	19,803	-	-
Property, plant and equipment	14	948,385	459,193	-	-
Deposits	17	27,900	2,924	-	-
		995,676	481,920	488,615	125,175
Current assets					
Inventories	15	1,917	2,608	-	-
Trade receivables	16	11,583	12,206	-	-
Prepayments, deposits and other receivables	17	92,926	17,446	27	175
Current tax assets		12	1,337	-	-
Amount due from a subsidiary	12	-	-	-	369,998
Cash and cash equivalents	18	65,098	776,431	-	-
		171,536	810,028	27	370,173
Current liabilities					
Trade payables		2,662	3,018	-	-
Accruals and other payables	19	118,038	225,638	2,476	2,567
Current tax liabilities		2,350	2,350	-	-
		123,050	231,006	2,476	2,567
Net current assets/ (liabilities)		48,486	579,022	(2,449)	367,606
Non-current liabilities					
Deferred tax liabilities	20	4,650	4,650	-	-
Net assets		1,039,512	1,056,292	486,166	492,781
EQUITY					
Equity attributable to owners of the Company					
Share capital	21	166,295	166,295	166,295	166,295
Reserves		873,217	889,997	319,871	326,486
Total equity		1,039,512	1,056,292	486,166	492,781

ON BEHALF OF THE BOARD

Yang Qingjin
Chairman

Qiu Wei Cai
Director

Statements of Changes in Equity

for the year ended 31 December 2016

Group

	Attributable to owners of the Company					
	Share capital RMB'000 (note 21)	Share premium* RMB'000 (note 22(a))	Merger reserve* RMB'000 (note 22(b))	Statutory and other reserves* RMB'000 (note 22(c))	Retained profits* RMB'000	Total equity RMB'000
At 1 January 2015	166,295	329,523	32,298	102,545	432,718	1,063,379
Loss for the year	-	-	-	-	(7,087)	(7,087)
Other comprehensive income	-	-	-	-	-	-
Total comprehensive income for the year	-	-	-	-	(7,087)	(7,087)
At 31 December 2015 and 1 January 2016	166,295	329,523	32,298	102,545	425,631	1,056,292
Loss for the year	-	-	-	-	(16,780)	(16,780)
Other comprehensive income	-	-	-	-	-	-
Total comprehensive income for the year	-	-	-	-	(16,780)	(16,780)
Appropriation to statutory and other reserves	-	-	-	325	(325)	-
At 31 December 2016	166,295	329,523	32,298	102,870	408,526	1,039,512

* Total of these reserve accounts at 31 December 2016 comprise the consolidated reserves of approximately RMB873,217,000 (2015: RMB889,997,000) in the consolidated statement of financial position.

Company

	Share capital RMB'000 (note 21)	Share premium** RMB'000 (note 22(a))	Retained profits/ (Accumulated losses)** RMB'000	Total equity RMB'000
At 1 January 2015	166,295	329,523	3,442	499,260
Loss for the year	-	-	(6,479)	(6,479)
Other comprehensive income for the year	-	-	-	-
Total comprehensive income for the year	-	-	(6,479)	(6,479)
At 31 December 2015 and 1 January 2016	166,295	329,523	(3,037)	492,781
Loss for the year	-	-	(6,615)	(6,615)
Other comprehensive income for the year	-	-	-	-
Total comprehensive income for the year	-	-	(6,615)	(6,615)
At 31 December 2016	166,295	329,523	(9,652)	486,166

** Total of these reserve accounts at 31 December 2016 comprise the Company's reserves of approximately RMB319,871,000 (2015: RMB326,486,000) in the Company's statement of financial position.

Consolidated Statement of Cash Flows

for the year ended 31 December 2016

	Notes	2016 RMB'000	2015 RMB'000
Cash flows from operating activities			
(Loss)/ Profit before income tax			
- from continuing operations		(13,697)	(15,450)
- from discontinued operations		-	12,225
- from continuing and discontinued operations		(13,697)	(3,225)
Adjustments for:			
Amortisation of prepaid premium for leasehold land under operating leases	8	412	413
Depreciation of property, plant and equipment	8	816	2,215
Impairment loss on property, plant and equipment	8	-	15,055
Interest income	7	(3,222)	(12,696)
Net gains on disposals of property, plant and equipment from discontinued operations	10	-	(12,225)
Net losses on disposals of property, plant and equipment from continuing operations	8	-	7
Operating loss before working capital changes		(15,691)	(10,456)
Decrease in inventories		691	1,619
Decrease in trade receivables		623	21,751
Increase in prepayments, deposits and other receivables		(76,280)	(16,449)
Decrease in trade payables		(356)	(8,530)
(Decrease)/ Increase in accruals and other payables	23	(399)	2,657
Cash used in operations		(91,412)	(9,408)
Income tax paid		(1,758)	(4,412)
Interest received		4,022	13,896
Net cash (used in)/ from operating activities		(89,148)	76
Cash flows from investing activities			
(Increase)/ Decrease in deposits		(24,976)	37,982
Decrease in time deposit with initial maturity of not less than three months		-	500,000
Net proceeds on disposals of property, plant and equipment	10	-	12,225
Payments for purchases of property, plant and equipment	23	(597,209)	(234,980)
Net cash (used in)/ from investing activities		(622,185)	315,227
Net (decrease)/ increase in cash and cash equivalents		(711,333)	315,303
Cash and cash equivalents at 1 January		776,431	461,128
Cash and cash equivalents at 31 December		65,098	776,431

1. GENERAL INFORMATION

Changtian Plastic & Chemical Limited (the "Company") was incorporated in Bermuda as an exempted company with limited liability under the Bermuda Companies Act 1981 on 29 March 2007. The Company's shares are listed on the Singapore Exchange Securities Trading Limited ("SGX-ST") since 9 November 2007.

The principal activities of the Company and its subsidiaries (collectively referred to as the "Group" hereinafter) include the manufacture and sale of adhesive tapes, release papers, ultraviolet cured release film ("UV cured release film") and Nylon-6 chips (which was under development). The operations of the Group are principally conducted in the People's Republic of China, excluding Hong Kong and Macau (the "PRC").

The consolidated financial statements have been presented in Renminbi ("RMB"), being the functional and presentation currency of the Company. All financial information presented in RMB has been rounded to the nearest thousand, unless otherwise stated.

The consolidated 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 2016 were approved and authorised for issue with a resolution of the directors on 30 March 2017.

2. BASIS OF PREPARATION

(a) Statement of compliance

The financial statements on pages 40 to 75 have been prepared in accordance with International Financial Reporting Standards ("IFRSs") which collective terms includes all applicable individual International Financial Reporting Standards and Interpretations issued by the International Accounting Standards Board ("IASB"), and all applicable individual International Accounting Standards ("IASs") and Interpretations as originated by the Board of the International Accounting Standards Committee and adopted by the IASB.

(b) Basis of measurement

The significant accounting policies that have been used in the preparation of these financial statements are summarised in note 4. These policies have been consistently applied to all the years presented unless otherwise stated. The adoption of new or amended IFRSs and the impacts on the Group's financial statements, if any, are disclosed in note 3.

The financial statements have been prepared under historical cost convention except as disclosed in the accounting policies. The measurement bases are fully described in the accounting policies in note 4.

It should be noted that accounting estimates and assumptions are used in preparation of the financial statements. Although these estimates are based on management's best knowledge and judgement of current events and actions, actual results may ultimately differ from those estimates. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 5.

2. BASIS OF PREPARATION - continued

(b) Basis of measurement - continued

With the decreased sales from the Group's other core business segments of adhesive tapes, release papers and UV cured release films in prior years, the Group has been diversifying its core business to include business relating to the manufacture and sale of Nylon-6 chips in the PRC ("Nylon-6 chips business") since 2014. Given the capital intensive nature of the Nylon-6 chips business, since 2015, the Group had made substantial capital expenditure to develop the production facilities of Nylon-6 chips, including the proceeds received from the disposal of production line of 2-Acrylamido-2-methyl propane sulfonic acid ("2-A2MPS") and all related intellectual property rights in February 2015. As at 31 December 2016, the Group has recognised property, plant and equipment (including construction-in-progress) relating to the Nylon-6 chips business of approximately RMB942.5 million (2015: RMB456.8 million). In addition, the Group has payables to suppliers of its construction in progress and production facilities, contracted capital commitments and planned expenditures (but not yet contracted for) which amounted to approximately RMB148.6 million (2015: RMB824.1 million) in aggregate whilst cash and cash bank balances amounted to RMB65.1 million (2015: RMB776.4 million). The Group's cash and bank balances have decreased significantly from the last financial year as a result of internal financing of the capital expenditure of Nylon-6 chips business.

Notwithstanding the existence of the above conditions, the directors have assessed that there are no material uncertainties related to these conditions that may cast significant doubt upon the Group's ability to continue as a going concern. In view of the shortfall of cash and bank balances against the unpaid capital expenditure, the Group had obtained written confirmations from its principal banker in the PRC, which confirmed the availability of a credit line up to RMB300 million, the terms and conditions of which have not been finalised but include a pledge of the Group's plant and equipment. In addition, based on the future cash forecast of the Nylon-6 chips business prepared by management, the Group will be able to generate positive future cash flows and recover the capital expenditure that has been invested. Accordingly, the directors of the Company believe that the Group is well funded for its next phase of growth, liquidity risk is low and the Group will continue as a going concern for the foreseeable future. The financial statements were therefore prepared based on the assumption that the Group can be operated as a going concern and the directors of the Company are of the view that the Group will have sufficient working capital to finance its operations for at least the next twelve months from 31 December 2016.

3. ADOPTION OF NEW OR AMENDED IFRSs

3.1 New or amended IFRSs effective for annual period beginning on or after 1 January 2016

In the current year, the Group has applied for the first time the new standards, amendments and interpretations issued by the IASB, which are effective for the Group's financial statements for the annual period beginning on 1 January 2016. The adoption of the new or amended IFRSs has no material impact on the Group's financial statements.

3.2 New or amended IFRSs that have been issued but are not yet effective

At the date of authorisation of these financial statements, certain new or amended IFRSs have been issued but are not yet effective. The directors of the Company anticipate that these pronouncements will be adopted in the Group's accounting policies for the first period beginning after the effective date of the pronouncement. Information on new or amended IFRSs that are expected to have impact on the Group's accounting policies is provided below. Certain other new or amended IFRSs have been issued but are not expected to have a material impact on the Group's consolidated financial statements.

3. ADOPTION OF NEW OR AMENDED IFRSs - continued

3.2 New or amended IFRSs that have been issued but are not yet effective - continued

Amendments to IAS 7, Disclosure Initiative

The amendments require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. The amendments apply prospectively for annual periods beginning on or after 1 January 2017 with earlier application permitted. Other than the disclosure of additional information, the directors of the Company do not anticipate the application of these amendments will have a material impact on the Group's consolidated financial statements.

IFRS 9, Financial Instruments

IFRS 9 issued in November 2009 introduced new requirements for the classification and measurement of financial assets. IFRS 9 was subsequently amended in October 2010 to introduce requirements for the classification and measurement of financial liabilities and for derecognition, and in November 2013 to include the new requirements for general hedge accounting. Another revised version of IFRS 9 was issued in July 2014 mainly to include (a) impairment requirements for financial assets and (b) limited amendments to the classification and measurement requirements by introducing a "fair value through other comprehensive income" ("FVTOCI") measurement category for certain simple debt instruments.

Under IFRS 9, all recognised financial assets that are within the scope of IAS 39, Financial Instruments: Recognition and Measurement are subsequently measured at amortised cost or fair value. Specifically, debt instruments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of the subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are generally measured at FVTOCI. All other debt investments and equity investments are measured at their fair value at the end of the subsequent accounting periods. In addition, under IFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

With regard to the measurement of financial liabilities designated as at fair value through profit or loss, IFRS 9 requires that the amount of change in the fair value of financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of such changes in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Under IAS 39, the entire amount of the change in the fair value of the financial liability designated as at fair value through profit or loss is presented in profit or loss.

In relation to the impairment of financial assets, IFRS 9 requires an expected credit loss models, as opposed to an incurred credit loss model under IAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

3. ADOPTION OF NEW OR AMENDED IFRSs - continued

3.2 New or amended IFRSs that have been issued but are not yet effective - continued

IFRS 9, Financial Instruments - continued

The new general hedge accounting requirements retain the three types of hedge accounting mechanisms currently available in IAS 39. Under IFRS 9, greater flexibility has been introduced to the types of transaction eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principal of an "economic relationship". Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

IFRS 9 will be effective for accounting period beginning on or after 1 January 2018. Based on an analysis of the Group's financial assets and financial liabilities as at 31 December 2016 on the basis of the facts and circumstances that exist at that date, the directors of the Company had performed a preliminary assessment of the impact of IFRS 9 to the Group's consolidated financial statements. Based on the preliminary assessment, the Group does not believe that the new classification requirement would have had a material impact on its accounting for loans and receivables and financial liabilities measured at amortised cost as disclosed in note 26(f) and expects to apply the simplified approach to recognise lifetime expected credit losses for its trade receivables and anticipate that the application of the expected credit loss model of IFRS 9 will result in earlier recognition of credit losses and are currently assessing the potential impact. The Group also does not anticipate the application of the hedge accounting requirements will have a material impact on the Group's consolidated financial statements.

Changes in accounting policies resulting from the adoption of IFRS 9 will generally be applied retrospectively and the Group plans to take advantage of the exemption allowing it not to restate comparative information for prior periods with respect to classification and measurement (including impairment) changes. Differences in the carrying amounts of financial assets and financial liabilities resulting from adoption of IFRS 9 generally will be recognised in retained earnings and reserves as at 1 January 2018. Extensive new disclosures, in particular about credit risk and expected credit losses, required under IFRS 9 will be made in the financial statements.

IFRS 15, Revenue from Contracts with Customers

In May 2014, IFRS 15 was issued which established a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. IFRS 15 will supersede the current revenue recognition guidance including IAS 18, Revenue, IAS 11 Construction Contracts and the related interpretations when it becomes effective.

The core principle of IFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expected to be entitled in exchange for those goods or services. Specifically, IFRS 15 introduces a 5-step approach to revenue recognition.

Under IFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in IFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by IFRS 15.

In April 2016, the IASB issued amendments to IFRS 15, clarifying the identification of performance obligations, principal versus agent consideration, as well as licensing application guidance.

IFRS 15, including the amendments, will be effective for accounting period beginning on or after 1 January 2018. The Group had preliminary assessed that the timing of revenue recognition for sale of goods to be consistent with current practice. Since the Group is still in the process of assessing the full impact of the application of IFRS 15 on the Group's financial statements and intends to use the full retrospective method upon adoption with required disclosures to be included in the financial statements, the above preliminary assessment is subject to change.

3. ADOPTION OF NEW OR AMENDED IFRSs - continued

3.2 New or amended IFRSs that have been issued but are not yet effective - continued

IFRS 16, Leases

IFRS 16 introduces a comprehensive model for the identification of lease arrangements for the identification of lease arrangements and accounting treatments for both lessors and leases. IFRS will supersede the current lease guidance including IAS 17, Leases and the related interpretations when it becomes effective.

IFRS 16 distinguishes leases and service contracts on the basis of whether an identified asset is controlled by a customer. Distinctions of operating leases (off balance sheet) and finance leases (on balance sheet) are removed for lessee accounting and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees (i.e. all on balance sheet) except for short-term leases and leases of low value assets.

The right-of-use asset is initially measured at cost and subsequently measured at cost less accumulated depreciation and impairment losses. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments. In contracts to leasee accounting, IFRS 16 substantially carries forward the lessor accounting requirement in IAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease.

IFRS 16 will be effective for accounting period beginning on 1 January 2019. As at 31 December 2016, the Group has non-cancellable operating lease commitments of RMB23,000,000. IAS 17 does not require the recognition of any right-of-use asset or liability for future payments for these leases; instead, certain information is disclosed as operating lease commitments in note 24. The Group preliminary assessed that these arrangements will meet the definition of a lease under IFRS 16, and hence the Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases. The new requirement to recognise a right-of-use asset and a related lease liability is expected to have a significant impact on the amounts recognised in the Group's consolidated financial statements and the Group is currently assessing its potential impact. As a lessee, the Group can either apply the standard using a retrospective approach or modified retrospective approach with optional practical expedients. The Group had not yet determined which transition approach to apply, as a result, the Group had not yet quantified the impact on its reported assets and liabilities of adoption of IFRS 16. The quantitative effect will depend on, inter alia, the transition method chosen, the extent to which the Group uses the practical expedients and recognition exemptions, and any additional leases that the Group entered into. The Group expected to disclose its transitional approach and quantitative information before adoption.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

4.1 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries. An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases. Inter-company transactions and balances between group companies together with unrealised profits arising from inter-company transactions are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from inter-company transactions are also eliminated unless the transaction provides evidence of impairment on the asset transferred, in which case the loss is recognised in profit or loss. Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

4.2 Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it has power over the investee, exposure or rights, to variable returns from its involvement with the investee and the ability to affect those returns through its power over the investee. When assessing whether the Group has power, only substantive rights (held by the Group and other parties) are considered. Control is reassessed when facts and circumstances indicated that there are changes to one or more of the elements of control.

In the Company's statement of financial position, interests in subsidiaries together with advances from the Company which are neither planned nor likely to be settled in foreseeable future are carried at cost less any impairment loss. The results of the subsidiaries are accounted for by the Company on the basis of dividends received and receivable at the reporting date. All dividends whether received out of the investee's pre or post-acquisition profits are recognised in the Company's profit or loss.

4.3 Foreign currency translation

In the individual financial statements of the consolidated entities, foreign currency transactions are translated into RMB using the exchange rates prevailing at the dates of the transactions. At the reporting date, monetary assets and liabilities denominated in foreign currencies are retranslated at the foreign exchange rates ruling at that date. Foreign exchange gains and losses resulting from the settlement of and from the reporting date retranslation of monetary assets and liabilities are recognised in profit or loss. Non-monetary items that are measured at historical cost in a foreign currency are not retranslated.

4.4 Property, plant and equipment

Property, plant and equipment (other than construction in progress ("CIP")) are carried at cost less any accumulated depreciation and any impairment losses.

The cost of an acquired asset comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Depreciation is provided to write off the cost of assets (other than CIP) less their estimated residual value over their estimated useful lives, using straight-line method, as follows:

Buildings	20 years or over the lease term, if shorter
Plant and machinery	5 to 18 years
Furniture, fixtures and office equipment	3 to 12 years
Motor vehicles	4 to 12 years

The assets' estimated residual value, depreciation method and estimated useful lives are reviewed, and adjusted if appropriate, at each reporting date.

Gain or loss arising on retirement or disposal is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the asset and is recognised in profit or loss.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

4.4 Property, plant and equipment - continued

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other costs, such as repairs and maintenance, are charged to profit or loss of the financial period in which they are incurred.

CIP represents buildings under construction and plant and machinery under installation. These are carried at cost less any impairment losses. Cost comprises direct costs of construction as well as borrowing costs capitalised during the period of constructions and installation. CIP is reclassified to appropriate category of property, plant and equipment when substantially all the activities necessary to prepare the assets for their intended use are completed. No depreciation is provided for in respect of CIP until it is completed and ready for its intended use.

4.5 Financial assets

All financial assets are recognised when, and only when, the Group becomes a party to the contractual provisions of the instrument. Derecognition of financial assets occurs when, and only when, the contractual rights to receive cash flows from the financial assets expire or are transferred and substantially all of the risks and rewards of ownership have been transferred.

The Group's financial assets are classified into loans and receivables. Management determines the classification of its financial assets at initial recognition depending on the purpose for which the financial assets were acquired and where allowed and appropriate, re-evaluates this designation at every reporting date.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. When financial assets are recognised initially, they are measured at fair value, plus directly attributable transaction costs. Subsequent to initial recognition, these are measured at amortised cost using effective interest method, less any impairment losses. Amortised cost is calculated taking into account any discount or premium on acquisition and includes fees that are an integral part of the effective interest rate and transaction cost.

At each reporting date, financial assets are reviewed to determine whether there is any objective evidence of impairment. Objective evidence of impairment of individual financial assets includes observable data that comes to the attention of the Group about one or more of the following loss events:

- significant financial difficulty of the debtor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- it becoming probable that the debtor will enter bankruptcy or other financial reorganisation; or
- granting concession to a debtor because of the debtor's financial difficulty.

Loss events in respect of a group of financial assets include observable data indicating that there is a measurable decrease in the estimated future cash flows from the group of financial assets. Such observable data includes but not limited to adverse changes in the payment status of debtors in the group and, national or local economic conditions that correlate with defaults on the assets in the group.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

4.5 Financial assets - continued

If there is objective evidence that an impairment loss on loans and receivables has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The amount of the loss is recognised in profit or loss in the period in which the impairment occurs.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed to the extent that it does not result in a carrying amount of the financial asset exceeding what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of reversal is recognised in profit or loss in the period in which the reversal occurs.

4.6 Inventories

Inventories are carried at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated cost necessary to make the sale. Cost is calculated using weighted average cost formula and comprise all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value, is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

4.7 Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits and short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

4.8 Financial liabilities

The Group's financial liabilities include trade and other payables. Trade and other payables are recognised initially at their fair value and subsequently measured at amortised cost, using effective interest method.

Financial liabilities are recognised when, and only when, the Group becomes a party to the contractual provisions of the instrument. All interest related charges are expensed in profit or loss when incurred.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

4.8 Financial liabilities - continued

A financial liability is derecognised when, and only when, the obligation under the financial liability is discharged or cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Where an existing financial liability is replaced by another from the same lender with substantially different terms, or the terms of an existing financial liability are substantially modified, such an exchange or modification is treated as a derecognition of the original financial liability and the recognition of a new financial liability, and the difference in the respective carrying amount is recognised in profit or loss.

4.9 Leases

An arrangement, comprising a transaction or a series of related transactions, is or contains a lease if the Group determines that the arrangement conveys a right to use a specific asset or assets for an agreed period of time in return for a payment or series of payments. Such a determination is made based on the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease.

Classification of assets leased to the Group

Assets that are held by the Group under leases which transfer to the Group substantially all the risks and rewards of ownership are classified as being held under finance leases. Leases which do not transfer substantially all the risks and rewards of ownership to the Group are classified as operating leases.

Operating lease charges as lessee

Where the Group has the right to use of assets held under operating leases, payments made under the leases are charged to profit or loss on straight-line method over the lease term unless another systematic basis is more representative of the time pattern of benefits to be derived from the leased assets. Lease incentives received are recognised in profit or loss as an integral part of the aggregate net lease payments made.

Prepaid premium for leasehold land under operating leases

Prepaid premium for leasehold land under operating leases represent up-front payments made to acquire long term interest in the usage of land. The payments are stated at cost less accumulated amortisation and impairment losses. Amortisation is calculated on straight-line method over the lease terms of 50 years except where an alternative basis is more representative of the time pattern of benefits to be derived by the Group from the use of the land.

4.10 Provisions and contingent liabilities

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made. Where the time value of money is material, provisions are stated at the present value of the expenditures expected to be required to settle the obligation.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

4.10 Provisions and contingent liabilities - continued

All provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the present obligation is disclosed as a contingent liability, unless the possibility of outflow of economic benefits is remote. Possible obligations that arise from past events, whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group, are also disclosed as contingent liabilities unless the possibility of an outflow of economic benefits is remote.

4.11 Share capital and share premium

Ordinary shares are classified as equity. Share capital is determined using the nominal value of shares that have been issued. Share premium includes any premiums received on the issue of share capital.

4.12 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and the use by others of the Group's assets yielding interest, net of value-added taxes ("VAT"), allowances for returns and discounts. Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised as follows:

(a) Sales of goods are recognised upon transfer of the significant risks and rewards of ownership to the customer. This is usually taken as the time when the goods are delivered and the customer has accepted the goods; and

(b) Interest income is recognised on time-proportion basis using effective interest method.

4.13 Impairment of non-financial assets

Property, plant and equipment, prepaid premium for leasehold land under operating leases and the Company's interests in subsidiaries are subject to impairment testing. These are tested for impairment whenever there are indications that asset's carrying amount may not be recoverable.

Recoverable amount of an asset is the higher of its fair value, reflecting market conditions less costs of disposal, and value-in-use. In assessing value-in-use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of time value of money and the risk specific to the asset for which the future cash flow estimates have not been adjusted.

For the purpose of assessing impairment, where an asset does not generate cash inflows largely independent from those from other assets or group of assets, the recoverable amount is determined for the smallest group of assets that generate cash inflows independently (i.e. cash generating unit "CGU"). As a result, some assets are tested individually for impairment and some are tested at CGU level. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual CGUs, or otherwise they are allocated to the smallest group of CGUs for which a reasonable and consistent allocation basis can be identified.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

4.13 Impairment of non-financial assets - continued

An impairment loss is recognised as an expense immediately for the amount by which the carrying amount of an asset, or the CGU to which it belongs, exceeds its recoverable amount. Impairment loss recognised for CGUs is charged pro-rata to the assets in the CGU, except that the carrying value of an asset will not be reduced below its individual fair value less costs of disposal, if measurable or value-in-use, if determinable.

An impairment loss is reversed if there is any indication that an impairment loss recognised in prior years may no longer exist or may have decreased, there has been a favourable change in the estimates used to determine the recoverable amount of the asset or the CGU and only to the extent that the carrying amount of the asset or the CGU does not exceed the carrying amount that would have been determined, net of depreciation, if no impairment loss had been recognised. Reversal of impairment loss is credited to profit or loss of the financial period in which the reversals occurs.

After the recognition of an impairment loss, depreciation or amortisation for the asset are adjusted to allocate the asset's revised carrying amount, less its residual value, if any.

4.14 Employee benefits

Retirement benefits to employees are provided through a defined contribution plan.

The employees of the Group's subsidiaries which operate in the PRC are required to participate in a central pension scheme operated by the local municipal government. These subsidiaries are required to contribute a certain percentage of its payroll costs to the central pension scheme.

Contributions are charged as an expense in profit or loss as employees render services during the year. The Group's obligations under these plans are limited to the fixed percentage contributions payable. The Group has no legal or constructive obligations to pay further contributions after payment of the fixed contribution.

The contributions recognised in respect of defined contribution plans are expensed as they fall due. Liabilities and assets may be recognised if underpayment or prepayment has occurred and are included in current liabilities or current assets as they are normally of a short term nature.

4.15 Accounting for income taxes

Income tax comprises current tax and deferred tax.

Current income tax assets and/or liabilities comprise those obligations to, or claims from, taxation authorities relating to the current or prior reporting period, that are unpaid at the reporting date. They are calculated according to the tax rates and tax laws applicable to the fiscal periods to which they relate, based on the taxable profit for the year.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

4.15 Accounting for income taxes - continued

Deferred tax is calculated using the liability method on temporary differences at the reporting date between the carrying amounts of assets and liabilities in the financial statements and their respective tax bases. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are recognised for all deductible temporary differences, tax losses available to be carried forward as well as other unused tax credits, to the extent that it is probable that taxable profit, including existing temporary differences, will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised.

Deferred tax assets and liabilities are not recognised if the temporary differences arise from initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither taxable nor accounting profit or loss.

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

Deferred tax is calculated, without discounting, at the tax rates that are expected to apply to the period when the liability is settled or the asset is realised, provided they are enacted or substantively enacted at the reporting date.

The carrying amount of a deferred tax asset is reviewed at the end of each reporting period and is reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow the benefit of part or all of that deferred tax asset to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profit will be available.

Current tax and changes in deferred tax assets or liabilities are recognised in profit or loss, or in other comprehensive income or directly in equity if they relate to items that are charged or credited to other comprehensive income or directly in equity.

Current tax assets and current tax liabilities are presented in net if, and only if:

(a) the Group has a legally enforceable right to set off the recognised amounts; and

(b) intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

The Group presents deferred tax assets and deferred tax liabilities in net if, and only if:

(a) the Group has a legally enforceable right to set off current tax assets against current tax liabilities; and

(b) the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either (i) the same taxable entity; or (ii) different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

4.16 Segment reporting

The Group identifies operating segments and prepares segment information based on the regular internal financial information reported to the executive directors for their decisions about resources allocation to the Group's business components and for their review of the performance of those components. The business components in the internal financial information reported to the executive directors are determined following the Group's major product lines.

The measurement policies the Group uses for reporting segment results under IFRS 8 are the same as those used in its IFRSs financial statements, except that interest income, income tax expense and corporate income and expenses which are not directly attributable to the business activities of any operating segment are not included in arriving at the operating results of the operating segment.

Segment assets exclude cash and cash equivalents, current tax assets and corporate assets which are not directly attributable to the business activities of any operating segment and are not allocated to a segment, which primarily applies to the Group's headquarter.

Segment liabilities exclude current and deferred tax liabilities and corporate liabilities which are not directly attributable to the business activities of any operating segment and are not allocated to a segment.

4.17 Related parties

(a) A person or a close member of that person's family is related to the Group if that person:

- (i) has control or joint control of the Group;
- (ii) has significant influence over the Group; or
- (iii) is a member of key management personnel of the Group or the Company's parent.

(b) An entity is related to the Group if any of the following conditions applies:

- (i) The entity and the Group are members of the same group.
- (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 Group or an entity related to the Group.
- (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 key management personnel of the entity (or of a parent of the entity).
- (viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the Group's parents.

Close members of a person's family are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity and include (a) that person's children and spouse or domestic partner; (b) children of that person's spouse or domestic partner; and (c) dependants of that person or that person's spouse or domestic partner.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

4.18 Discontinued operations

A discontinued operation is a component of the Group's business, the operations and cash flows of which can be clearly distinguished from the rest of the Group and which represents a separate major line of business or geographical area of operations, or is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations, or is a subsidiary acquired exclusively with a view to resale.

Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale, if earlier. It also occurs if the operation is abandoned. Where an operation is classified as discontinued, a single amount is presented on the face of the statement of profit or loss, which comprises (a) the post-tax profit or loss of the discontinued operation; and (b) the post-tax gain or loss recognised on the measurement to fair value less costs to disposal, or on the disposal, of the assets or disposal group(s) constituting the discontinued operation.

5. CRITICAL ACCOUNTING ESTIMATES

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

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. 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.

(a) Estimated useful lives of property, plant and equipment

In assessing the estimated useful lives of property, plant and equipment, the Group takes into account factors like the expected usage of the assets by the Group based on past experience, the expected physical wear and tear and technical obsolescence arising from changes or improvements in production or from a change in the market demand for the products. The estimation of useful lives is a matter of judgement based on the experience of the Group. The net carrying amount of property, plant and equipment at 31 December 2016 was RMB948,385,000 (2015: RMB459,193,000).

(b) Income taxes

The Group is subject to income taxes in the PRC. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated tax based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current tax and deferred tax provision in the period in which such determination is made. The amount of the income tax expense for the year was RMB3,083,000 (2015: RMB3,862,000). The carrying amount of current tax assets and liabilities and deferred tax liabilities at 31 December 2016 was RMB12,000 (2015: RMB1,337,000), RMB2,350,000 (2015: RMB2,350,000) and RMB4,650,000 (2015: RMB4,650,000) respectively.

5. CRITICAL ACCOUNTING ESTIMATES - continued

(c) Impairment of property, plant and equipment

Determining whether the property, plant and equipment are impaired and the amount of impairment losses require an estimation of the value-in-use or fair value less costs of disposal of the assets or CGUs to which the assets has been allocated. The value-in-use calculation requires management to estimate the future cash flows expected to arise from the assets or CGUs and a suitable discount rate in order to calculate the present value of those cash flows. Discount rate used in the value-in-use calculation and their carrying amounts are set out in note 14.

(d) Impairment of interests in and amounts due from subsidiaries

At each reporting date, both internal and external sources of information are considered to assess where there is any indication that interests in and amounts due from subsidiaries may be impaired. If such indication exists, impairment losses are recognised in the Company's profit or loss. The net carrying amount of the interests in and amounts due from subsidiaries at 31 December 2016 was RMB488,615,000 (2015: RMB495,173,000).

(e) Impairment of trade receivables

Management determines the provision for impairment of trade receivables. This estimate is based on the credit history of its customers and the current market condition. The carrying amount of trade receivables at 31 December 2016 was RMB11,583,000 (2015: RMB12,206,000).

6. SEGMENT INFORMATION

The Group determines its operating segments based on the reports reviewed by the executive directors that are used to make strategic decisions. The Group has identified the following reportable segments and no operating segments have been aggregated to form the following reportable segments.

Adhesive tapes - manufacture and sales of adhesive tapes such as biaxially-oriented polypropylene tapes, stationary tapes, masking tapes, double-sided tapes and kraft paper tapes for industrial, commercial and customer uses.

Release papers - manufacture and sales of release papers such as glassine silicon coated papers and clay coat kraft release papers for use as a protective backing on adhesive papers.

UV cured release films - manufacture and sales of release films for personal hygiene products.

6. **SEGMENT INFORMATION** - continued

Nylon-6 chips (under development during the year) – manufacture and sales of Nylon-6 chips, a type of polyamide fibre or resin used as a raw material in the manufacture of automotive, electrical and domestic appliances, and construction. Construction works for Nylon-6 chips business were mostly completed as at 31 December 2016. The Group commenced the fine-tuning of machinery and trial production of Nylon-6 chips in early 2017. Commercial production and sales of Nylon-6 chips products will commence when the Group is satisfied with the results of trial production.

Each of these operating segments is managed separately as each of the product lines requires different resources as well as marketing approaches. The executive directors regularly review revenue, gross profit margin and operating results of each operating segment. Common expenditures such as certain selling and distribution costs and administrative expenses are allocated between these operating segments based on proportion of segment revenue.

Information regarding the Group's revenue and results; assets and liabilities by reportable segments as provided to the Group's executive directors is set out below:

	Adhesive tapes RMB'000	Release papers RMB'000	UV cured release films RMB'000	Nylon-6 chips RMB'000	Total RMB'000
2016					
Reportable segment revenue	19,099	2,757	17,509	-	39,365
Reportable segment results	(495)	(211)	6,001	(14,423)	(9,128)
Reportable segment depreciation and amortisation	173	-	308	696	1,177
Reportable segment assets	12,074	681	6,092	1,082,714	1,101,561
Reportable segment liabilities	2,076	518	988	114,335	117,917
Additions to non-current assets	3,641	-	287	486,001	489,929
2015					
Reportable segment revenue	24,850	7,580	18,360	-	50,790
Reportable segment results	(946)	(356)	(10,867)	(6,279)	(18,448)
Reportable segment depreciation and amortisation	-	-	1,856	529	2,385
Reportable segment assets	6,540	1,364	8,810	496,005	512,719
Reportable segment liabilities	2,042	531	1,600	221,629	225,802
Additions to non-current assets	-	-	-	396,857	396,857

Segment revenue above represents revenue from external customers. There are no inter-segment sales between the respective segments (2015: Nil).

6. SEGMENT INFORMATION - continued

The totals presented for the Group's operating segments are reconciled to the Group's key financial figures as presented in the financial statements as follows:

	2016 RMB'000	2015 RMB'000
Reportable segment results	(9,128)	(18,448)
Interest income	3,222	12,696
Auditors' remuneration	(1,075)	(963)
Directors' emoluments (note 8)	(3,834)	(3,764)
Impairment losses on property, plant and equipment (note 14)	-	(2,029)
Other professional fees	(961)	(1,038)
Unallocated corporate expenses	(1,921)	(1,904)
Consolidated loss before income tax	(13,697)	(15,450)
Reportable segment assets	1,101,561	512,719
Cash and cash equivalents	65,098	776,431
Current tax assets	12	1,337
Unallocated corporate assets	541	1,461
Consolidated total assets	1,167,212	1,291,948
Reportable segment liabilities	117,917	225,802
Current tax liabilities	2,350	2,350
Deferred tax liabilities	4,650	4,650
Unallocated corporate liabilities	2,783	2,854
Consolidated total liabilities	127,700	235,656
Reportable segment depreciation and amortisation	1,177	2,385
Unallocated	51	243
Consolidated total depreciation and amortisation	1,228	2,628

Geographical location of customers is based on the location at which the products are shipped. Geographical location of non-current assets is based on their physical location. During the year, there was no revenue from customers attributed to and no non-current assets were located in Bermuda, the country where the Company was incorporated. All revenue from external customers is generated from and all non-current assets are located in the PRC.

7. REVENUE AND OTHER INCOME

Revenue and other income of the Group from continuing operations recognised during the year are as follows:

	2016 RMB'000	2015 RMB'000
Revenue		
Sales of goods	39,365	50,790
Other income		
Interest income on financial assets not at fair value through profit or loss	3,222	12,696

8. LOSS BEFORE INCOME TAX

	2016 RMB'000	2015 RMB'000
Loss before income tax from continuing operations is arrived at after charging:		
Amortisation of prepaid premium for leasehold land under operating leases	412	413
Auditors' remuneration		
- Audit services	1,075	963
- Non-audit services	-	-
	1,075	963
Cost of inventories recognised as expense	26,457	41,821
Depreciation of property, plant and equipment	816	2,215
Directors' emoluments		
- Fees	873	817
- Other emoluments	2,961	2,947
	3,834	3,764
Employee benefits expense (including directors' emoluments):		
- Salaries and allowances	23,832	17,012
- Contribution to defined contribution plans	2,341	1,730
	26,173	18,742
Exchange losses, net	16	6
Impairment loss on property, plant and equipment (note 14)	-	15,055
Net losses on disposals of property, plant and equipment	-	7
Operating lease charges on rented premises	2,186	2,300
Cost of inventories recognised as expense includes the following expenses which are also included in the respective total amounts separately disclosed above for each of these types of expenses		
- Depreciation of property, plant and equipment	482	1,856
- Employee benefits expense	5,132	4,055
- Operating lease charges on rented premises	1,099	1,099

9. INCOME TAX EXPENSE

	2016 RMB'000	2015 RMB'000
Current tax attributable to continuing operations - PRC corporate income tax	883	2,682
- Current year	2,200	-
- Under-provision in respect of prior year	3,083	2,682
Deferred tax attributable to continuing operations (note 20)		
- Write-down of deferred tax assets	-	3,530
- Reversal of temporary differences	-	(2,350)
	-	1,180
Income tax expense attributable to continuing operations	3,083	3,862

9. INCOME TAX EXPENSE - continued

PRC corporate income tax has been provided at the rate of 25% (2015: 25%) on the estimated assessable profits arising from Xiamen Changtian Enterprise Co., Ltd ("Changtian Enterprise"), a wholly-owned subsidiary of the Group, for the year.

Reconciliation between income tax expense attributable to continuing operations and loss before income tax from continuing operations at applicable tax rate:

	2016 RMB'000	2015 RMB'000
Loss before income tax from continuing operations	(13,697)	(15,450)
Notional tax calculated at tax rate of 25% (2015: 25%)	(3,424)	(3,863)
Tax effect of deductible temporary differences not recognised	2,372	2,163
Write-down of deferred tax assets	-	3,530
Tax effect of non-deductible expenses	1,935	2,032
Under-provision in respect of prior years	2,200	-
Income tax expense attributable to continuing operations	3,083	3,862

10. DISCONTINUED OPERATIONS

On 15 February 2015, Changtian Enterprise entered into a sale and purchase agreement with a third party (the "Purchaser"), pursuant to which Changtian Enterprise agreed to sell to the Purchaser the 2-A2MPS production facilities and any related intellectual property rights (collectively, the "2-A2MPS Assets") for a consideration of RMB12,500,000, which included VAT of RMB275,000.

The disposal was completed in February 2015 with the related proceeds received in 2015 and resulted in a gain of RMB12,225,000. Prior to 1 January 2015, all 2-A2MPS Assets were fully impaired and balances with customers and suppliers of 2-A2MPS business were fully settled. The 2-A2MPS business also did not generate any revenue nor incurred any expenses in 2015. Cash flows related to the 2-AMPS business during the current and previous year are as follows:

	2016 RMB'000	2015 RMB'000
Operating activities	-	-
Investing activities	-	12,225
Financing activities	-	-
Total cash inflows	-	12,225

11. (LOSS)/ EARNINGS PER SHARE

The calculation of basic loss per share from continuing operations, discontinued operations and continuing and discontinued operations for the year ended 31 December 2016 are based on the loss for the year attributable to owners of the Company from continuing operations, discontinued operations and continuing and discontinued operations of RMB16,780,000 (2015: loss of RMB19,312,000), nil (2015: profit of RMB12,225,000) and RMB16,780,000 (2015: loss of RMB7,087,000), respectively and 65,999,998 (2015: 65,999,998) ordinary shares in issue during the year.

Diluted (loss)/ earnings per share for the years ended 31 December 2016 and 2015 is the same as the basic (loss)/ earnings per share as there is no dilutive potential ordinary share in existence during both years.

12. INTERESTS IN SUBSIDIARIES AND AMOUNT DUE FROM A SUBSIDIARY – COMPANY

	2016 RMB'000	2015 RMB'000
Unlisted equity shares, at cost	125,175	125,175
Amount due from a subsidiary	363,440	369,998
	488,615	495,173

Particulars of the subsidiaries at 31 December 2016 are as follows:

Name	Country of incorporation and principal place of business	Effective interest held by the Company 2016	2015
Directly held			
Jumbo Glories Limited	British Virgin Islands ("BVI")	100%	100%
Indirectly held			
Dragon Asset Investments Limited	BVI	100%	100%
Changtian Enterprise	PRC	100%	100%
Zhong Lun Su Ye (Fujian) Co Ltd. ("Zhong Lun")	PRC	100%	100%

The financial statements of the above subsidiaries have been audited by BDO Limited, Certified Public Accountants, Hong Kong for the purpose of the Group's consolidation.

As at 31 December 2015, amount due from a subsidiary is non-trade in nature, unsecured and interest-free. The balance is repayable on demand and expected to be settled in cash. The balance is neither past due nor impaired at the reporting date.

As at 31 December 2016, management re-assessed that the settlement of the amount due from a subsidiary is neither planned nor likely to occur in the foreseeable future and the directors considered that the amount forms part of the net investment in the subsisdiary and accordingly, the amount was re-classified as non-current assets from current assets.

13. PREPAID PREMIUM FOR LEASEHOLD LAND UNDER OPERATING LEASES - GROUP

In August 2013, the Group's wholly-owned subsidiary, Zhong Lun, entered into a state-owned construction land use right transfer agreement with Huian County Land Resources Bureau (the "Transferor") to acquire the land use right of a plot of industrial land (the "Previous Site") for a term of 50 years. The consideration for the Previous Site is approximately RMB20 million and was paid in full in 2013 by the Group to the Transferor upon which the Group commenced construction of Nylon-6 plant (note 14).

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In early 2014, the local government in the PRC demanded the Group to withdraw from the Previous Site and a notice was subsequently issued pursuant to which an alternate site of same area and similar location (the "Alternate Site") was granted to the Group upon the fulfilment and completion of certain procedures and conditions. During the year, upon completion of all required procedures, the Transferor had entered into the state-owned construction land use right transfer agreement for the Alternate Site on 24 October 2016 with Zhong Lun. Zhong Lun obtained the relevant land use right certificate in respect of the Alternative Site on 16 November 2016 with a lease term of 50 years.

14. PROPERTY, PLANT AND EQUIPMENT - GROUP

	Buildings RMB'000	CIP RMB'000	Plant and machinery RMB'000	Furniture, fixtures and office equipment RMB'000	Motor vehicles RMB'000	Total RMB'000
At 1 January 2015						
Cost	11,080	59,848	140,662	2,201	2,222	216,013
Accumulated depreciation and impairment losses	(8,747)	-	(123,846)	(2,108)	(1,699)	(136,400)
Net carrying amount	2,333	59,848	16,816	93	523	79,613
Year ended 31 December 2015						
Opening net carrying amount	2,333	59,848	16,816	93	523	79,613
Additions	-	395,948	194	406	309	396,857
Disposals	-	-	-	-	(7)	(7)
Depreciation	(188)	-	(1,868)	(48)	(111)	(2,215)
Impairment losses	(1,725)	-	(13,054)	(34)	(242)	(15,055)
Closing net carrying amount	420	455,796	2,088	417	472	459,193
At 31 December 2015						
Cost	11,080	455,796	93,282	2,408	2,216	564,782
Accumulated depreciation and impairment losses	(10,660)	-	(91,194)	(1,991)	(1,744)	(105,589)
Net carrying amount	420	455,796	2,088	417	472	459,193
Year ended 31 December 2016						
Opening net carrying amount	420	455,796	2,088	417	472	459,193
Additions	-	485,456	3,974	118	460	490,008
Disposals	-	-	-	-	-	-
Depreciation	(38)	-	(505)	(135)	(138)	(816)
Closing net carrying amount	382	941,252	5,557	400	794	948,385
At 31 December 2016						
Cost	11,080	941,252	97,256	2,522	2,676	1,054,786
Accumulated depreciation and impairment losses	(10,698)	-	(91,699)	(2,122)	(1,882)	(106,401)
Net carrying amount	382	941,252	5,557	400	794	948,385

14. PROPERTY, PLANT AND EQUIPMENT - GROUP - continued

Buildings and CIP

The Group's buildings at 31 December 2016 and 2015 are situated on the land owned by a related party which was leased to the Group (notes 24 and 25(a)). The Group has not obtained the legal title of the buildings as at the reporting dates.

CIP represents the capital expenditure for construction of Nylon-6 plant and production facilities under installation since mid-2014 when the Group was granted approval by the local authority to commence construction. Upon the completion, the CIP will be transferred to buildings and plant and machinery when commercial production starts in 2017.

Impairment losses in 2015

In 2015, due to the unexpected downward trend in the PRC's economy, less customers' orders were received for UV cured release film products. Revenue and gross profit for the UV cured release film segment had decreased by 38.7% from approximately RMB30 million in 2014 to approximately RMB18 million in 2015 and by 43.4% from approximately RMB9 million in 2014 to approximately RMB5 million in 2015, respectively, and the Group does not expect an increase in the revenue and profit in this business segment in the foreseeable future. The Group considers that these factors indicate the economic performance of the property, plant and equipment attributable to the UV cured release film segment is worse than previously expected. Based on these indicators, in accordance with IAS36, the Group carried out a review of the recoverable amounts of these related property, plant and equipment at 31 December 2015. As a result, impairment losses of RMB15,055,000 was recognised to their recoverable amount of RMB2,379,000, of which RMB13,026,000 and RMB2,029,000 were attributable to UV cured release film segment and corporate assets, respectively.

The recoverable amounts of the above assets were determined on the basis of their value-in-use and the pre-tax discount rate used in measuring value-in-use was 28.3% per annum for the year ended 31 December 2015.

15. INVENTORIES – GROUP

	2016 RMB'000	2015 RMB'000
Raw materials	1,618	2,378
Work-in-progress	168	165
Finished goods	131	65
	1,917	2,608

16. TRADE RECEIVABLES – GROUP

Trade receivables generally have a credit term of 30 to 120 days (2015: 30 to 120 days) and no interest is being charged on overdue balance. At each reporting date, the Group reviewed trade receivables for evidence of impairment on both an individual and collective basis. At 31 December 2016, none of the trade receivables were determined to be impaired (2015: Nil).

16. TRADE RECEIVABLES – GROUP - continued

Ageing analysis of trade receivables that are not impaired, based on due date, is as follows:

	2016 RMB'000	2015 RMB'000
Not yet past due	11,574	12,194
Less than 3 months past due	9	12
	11,583	12,206

Trade receivables that were neither past due nor impaired relate to a large number of diversified customers for whom there was no recent history of default. Trade receivables that were past due but not impaired relate to a number of customers that had a good track record with the Group. Based on past experience, management believes that no impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group did not hold any collateral over these balances.

17. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	Group		Company	
	2016 RMB'000	2015 RMB'000	2016 RMB'000	2015 RMB'000
Prepayments	322	219	27	175
Deposits (note (a))	27,900	2,924	-	-
Other receivables	11	813	-	-
VAT (note (b))	92,593	16,414	-	-
Total	120,826	20,370	27	175
Less: non-current portion				
Deposits paid for property, plant and equipment	(27,900)	(2,924)	-	-
	(27,900)	(2,924)	-	-
Current portion	92,926	17,446	27	175

Notes:

(a) Deposits represents the balance paid to suppliers for certain production machinery on the Nylon-6 chips plant.

(b) VAT represents payments made to the Tax Bureau of the PRC regarding the acquisition of Nylon-6 chips production lines from overseas and local suppliers.

18. CASH AND CASH EQUIVALENTS – GROUP

	2016 RMB'000	2015 RMB'000
Demand deposits and cash on hand	65,098	276,431
Time deposit	-	500,000
Cash and bank balances	65,098	776,431

Demand deposits earn interest at floating rates based on daily bank deposit rates. Time deposit at 31 December 2015 earned interest at 1.35% per annum with an initial maturity of 3 months.

18. CASH AND CASH EQUIVALENTS – GROUP - continued

At 31 December 2016, the Group had RMB deposits of approximately RMB61,966,000 (2015: RMB774,945,000) placed with the PRC banks, of which RMB61,878,000 (2015: RMB772,396,000) is deposited with one of the banks. RMB is not a freely convertible currency. Under the PRC Foreign Exchange Control Regulations and Administration of Settlement, Sales and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for foreign currencies through the banks that are authorised to conduct foreign exchange business.

19. ACCRUALS AND OTHER PAYABLES

	Group		Company	
	2016 RMB'000	**2015 RMB'000**	**2016 RMB'000**	**2015 RMB'000**
Payables to suppliers of CIP	111,676	218,877	-	-
Accruals and sundry payables	6,362	6,761	2,476	2,567
	118,038	225,638	2,476	2,567

The balance of the Group and the Company's accruals and sundry payables at 31 December 2016 includes accrued salaries and allowances payable to certain directors of the Company amounting to RMB634,000 (2015: RMB920,000).

20. DEFERRED TAX – GROUP

Movement in deferred tax assets/ (liabilities) during the year is as follows:

	Impairment losses on property, plant and equipment RMB'000	Undistributed profits of subsidiaries RMB'000	Total RMB'000
At 1 January 2015	3,530	(7,000)	(3,470)
(Charged)/ Credited to profit or loss (note 9)	(3,530)	2,350	(1,180)
At 31 December 2015, 1 January 2016 and 31 December 2016	-	(4,650)	(4,650)

Deferred tax assets are recognised for deductible temporary differences in respect of impairment losses on property, plant and equipment and pre-operating expenses to the extent that realisation of the related tax benefits through future taxable profits is probable. At the reporting date, no deferred tax assets have been recognised in respect of such temporary differences (2015: Nil). The Group had unrecognised temporary differences of RMB59,375,000 (2015: RMB49,886,000) due to the uncertainty of future taxable profits against which these deductible temporary differences can be utilised.

20. DEFERRED TAX – GROUP - continued

Pursuant to the PRC Corporate Income Tax Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign-invested enterprises established in the PRC. The requirement applies to profits after 31 December 2007 pursuant to the Caishui 2008 No. 1 dated 22 February 2008 issued by the State Tax Bureau of the PRC. The Group is therefore liable to withholding taxes on dividends distributed by the PRC subsidiary in respect of profits generated after 1 January 2008. At 31 December 2016, temporary differences arising from the undistributed profits of a subsidiary amounted to RMB430,531,000 (2015: RMB425,159,000) and deferred tax liabilities had been recognised to the extent of RMB46,500,000 (2015: RMB46,500,000) under the liability method using the withholding tax rate of 10% (2015: 10%). Temporary differences associated with the investments in subsidiaries for which deferred tax liabilities have not been recognised amounted to RMB384,031,000 (2015: RMB378,659,000), as the Company controls the dividend policies of this subsidiary and it is probable that these unrecognised temporary differences will not reverse in the foreseeable future.

21. SHARE CAPITAL – GROUP AND COMPANY

	Number of ordinary shares of S$0.05 each '000	Number of ordinary shares of S$0.50 each '000	RMB'000
Authorised			
At 1 January 2015	1,500,000	-	375,525
Share-consolidation (note)	(1,500,000)	150,000	-
At 31 December 2015, 1 January 2016 and 31 December 2016	-	150,000	375,525
Issued and fully paid			
At 1 January 2015	660,000	-	166,295
Share-consolidation (note)	(660,000)	66,000	-
At 31 December 2015, 1 January 2016 and 31 December 2016	-	66,000	166,295

Pursuant to a special general meeting of the Company held on 28 April 2015, the Company has completed the consolidation of every ten existing issued ordinary shares in the capital of the Company held by shareholders of the Company into one ordinary share effective on 21 May 2015.

All the issued shares rank pari passu in all respects including all rights as to dividend, voting and return of capital.

22. RESERVES - GROUP

(a) *Share premium*

Under the Bermuda Companies Act 1981, the funds in the share premium account of the Company may be credited to a contributed surplus account of the Company. Such contributed surplus, may be distributed when the Company is able to settle its liabilities when they fall due after such payment.

(b) *Merger reserve*

This represents the difference between the nominal value of the shares of the subsidiaries acquired pursuant to the Group's reorganisation completed in September 2007 over the nominal value of the shares of the Company issued in exchange thereof.

(c) *Statutory and other reserves*

In accordance with the relevant laws and regulations of the PRC, Changtian Enterprise is required to appropriate not less than 10% of its profit after income tax prepared in accordance with the accounting regulations in the PRC to the statutory reserve until the reserve balance reaches 50% of its registered capital. Such a reserve can only be used to set off against accumulated losses or for capitalisation as paid-up capital, subject to approval from local authority.

23. NOTE TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

During the year ended 31 December 2016, additions of property, plant and equipment to the Group amounted to RMB490,008,000 (2015: RMB396,857,000), of which RMB111,676,000 (2015: RMB218,877,000) was outstanding and included under "Accruals and other payables" at 31 December 2016 (note 19).

24. COMMITMENTS

Capital commitments

At the reporting date, commitments in respect of capital expenditure are as follows:

	Group		Company	
	2016 RMB'000	**2015 RMB'000**	**2016 RMB'000**	**2015 RMB'000**
Property, plant and equipment	33,451	206,531	-	-

24. COMMITMENTS - continued

Operating lease commitments as lessee

At the reporting date, total future minimum lease payments under non-cancellable operating leases are as follows:

	Group		Company	
	2016 RMB'000	2015 RMB'000	2016 RMB'000	2015 RMB'000
Within one year	2,300	2,300	-	-
In the second to fifth years	9,200	9,200	-	-
After the fifth year	11,500	13,800	-	-
	23,000	25,300	-	-

The Group leases its factory and office premises under an operating lease. The lease runs for an initial period of twenty years from 1 January 2007, with an option to renew the lease and renegotiated the terms at the expiry date or at dates as mutually agreed between the Group and the landlord (note 25(a)). The lease does not include contingent rentals.

25. RELATED PARTY TRANSACTIONS

(a) Other than those disclosed elsewhere in these financial statements, the Group had the following material transactions with related parties during the year:

	2016 RMB'000	2015 RMB'000
Rental (VAT inclusive) paid to:		
Xiamen Changtian	1,150	2,300
Xiamen Jinyoung	1,150	-
	2,300	2,300

2015
Xiamen Changtian Plastic & Chemical Co., Ltd. ("Xiamen Changtian") is a company in which Mr. Chen Yongfu and Ms. Chen Baohua have beneficial interests. Mr. Chen Yongfu is a director of the Company and Ms. Chen Baohua is the sister of Mr. Chen Yongfu and the wife of Mr. Yang Qingjin, another director of the Company.

2016
Xiamen Changtian was renamed as Jinyoung (Xiamen) Industry Co., Ltd. ("Jinyoung Industry") in January 2016. Jinyoung Industry transferred the ownership of land and the entitlement to the lease entered into prior years (note 24) to Jinyoung (Xiamen) Advanced Materials Co., Ltd ("Xiamen Jinyoung") due to group restructuring in July 2016. Mr. Chen Yongfu and Mr. Yang Qingjin, directors of the Company, and Mr. Yang Jie, who is the son of Mr. Yang Qingjin, have beneficial interests of those companies.

The annual rent was determined with reference to the valuation report dated 5 March 2007 prepared by an independent valuer, LCH (Asia-Pacific) Surveyors Limited. The annual rental payable after the first three years of the lease is subject to review every three years and maybe adjusted based on independent valuers' valuation to ascertain prevailing market rent. Subsequent to the first three years, the board of directors reviews the market rent occasionally with no material difference with the annual rent. The annual rent of RMB2.3 million is considered to be at arm's length.

25. RELATED PARTY TRANSACTIONS - continued

(b) Included in employee benefits expense are remuneration of key management personnel of the Group which comprise the following categories:

	2016 RMB'000	2015 RMB'000
Short-term employee benefits	4,776	4,578
Post employment benefits	66	71
	4,842	4,649

26. FINANCIAL RISK MANAGEMENT

The Group does not have written risk management policies and guidelines. However, the Board meets periodically to analyse and formulate measures to manage the Group's exposure to market risk (including principally changes in interest rates and currency exchange rates), credit risk and liquidity risk. Generally, the Group employs conservative strategies regarding its risk management. As the Group's exposure to market risk is kept to a minimum level, the Group has not used any derivatives and other instruments for hedging purposes. The Group does not hold or issue derivative financial instruments for trading purposes.

(a) Interest rate risk

The Group's exposure to interest rate risk mainly arises on bank deposits (note 18). The Group has not used any derivative contracts to hedge its exposure to interest rate risk. The Group has not formulated a policy to manage the interest rate risk since prior years.

Interest rate sensitivity analysis

At 31 December 2016, if a general increase of 50 basis points (2015: 50 basis points) in interest rates is estimated, with all other variables held constant, loss for the year of the Group would decrease by approximately RMB0.2 million (2015: decrease by approximately RMB2.9 million) and there would be a corresponding change in retained profits. The assumed changes have no significant impact on the Group's other components of equity.

A general decrease of 50 basis points (2015: 50 basis points) in interest rate would have had the equal but opposite effect on the loss for the year and retained profits to the amounts shown above, on the basis that all other variables remain constant.

The sensitivity analysis above has been determined assuming that the changes in interest rates had occurred at the end of the year and had been applied to the abovementioned financial instruments at that date. The 50 basis point increase or decrease represents management's assessment of reasonably possible changes in interest rates over the year until the next annual reporting date. The sensitivity analysis included in the financial statements for the year ended 31 December 2015 has been prepared on the same basis. In the management's opinion, the sensitivity analysis is unrepresentative of the inherent interest rate risk as the exposure at the end of the reporting period does not reflect the exposure during the year.

As the Company has no significant interest-bearing financial assets and liabilities, the Company's results are substantially independent of changes in market interest rates.

26. FINANCIAL RISK MANAGEMENT - continued

(b) Currency exchange rate risk

The Group's transactions are mainly denominated in RMB. Certain bank deposits and accruals and other payables of the Group are denominated in Hong Kong dollar ("HK$"), United States dollar ("US$"), Singapore dollar ("S$") and New Taiwan dollar ("NT$") and the Group is therefore exposed to foreign currency risk. The Group currently does not have a currency hedging policy since prior years. However, management monitors currency exchange exposure and will consider hedging significant currency exchange exposure should the need arises.

Currency exchange rate sensitivity analysis

At the reporting date, the Group's foreign currency denominated financial assets and liabilities, translated into RMB at the respective rates at that date, are as follows:

	2016			2015		
	Financial assets RMB'000	Financial liabilities RMB'000	Net exposure RMB'000	Financial assets RMB'000	Financial liabilities RMB'000	Net exposure RMB'000
HK$	187	(1,594)	(1,407)	47	(1,068)	(1,021)
US$	2,715	-	2,715	1,105	-	1,105
S$	214	(484)	(270)	322	(657)	(335)
NT$	-	(164)	(164)	-	(164)	(164)

At 31 December 2016, if a general depreciation of 7% (2015: appreciation of 6%) in RMB against HK$ and US$ and depreciation of 4% (2015: depreciation of 1%) against S$ and depreciation of 9% (2015: depreciation of 3%) against NT$ is estimated, with all other variables held constant, loss for the year of the Group would decrease by approximately RMB66,000 (2015: decrease by approximately RMB4,000) and there would be a corresponding change in retained profits. The assumed changes have no significant impact on the Group's other components of equity.

A general appreciation of the same percentages in RMB against HK$, US$, S$ and NT$ would have had the equal but opposite effect on the loss for the year and retained profits to the amounts shown above, on the basis that all other variables remain constant.

At the reporting date, the Company's foreign currency denominated financial assets and liabilities, translated into RMB at the respective rates at that date, are as follows:

	2016			2015		
	Financial assets RMB'000	Financial liabilities RMB'000	Net exposure RMB'000	Financial assets RMB'000	Financial liabilities RMB'000	Net exposure RMB'000
HK$	-	(1,439)	(1,439)	-	(1,068)	(1,068)
S$	-	(484)	(484)	-	(657)	(657)
NT$	-	(164)	(164)	-	(164)	(164)

26. FINANCIAL RISK MANAGEMENT - continued

(b) Currency exchange rate risk - continued

Currency exchange rate sensitivity analysis - continued

At 31 December 2016, if a general depreciation of 7% (2015: appreciation of 6%) in RMB against HK$ and depreciation of 4% (2015: depreciation of 1%) against S$ and depreciation of 9% (2015: depreciation 3%) against NT$ is estimated, with all other variables held constant, loss for the year of the Company would decrease by approximately RMB135,000 (2015: decrease by approximately RMB62,000) and there would be a corresponding change in accumulated losses. The assumed changes have no significant impact on the Company's other components of equity.

A general appreciation of the same percentages in RMB against HK$, S$ and NT$ would have had the equal but opposite effect on the loss for the year and accumulated losses to the amounts shown above, on the basis that all other variables remain constant.

The sensitivity analysis above has been determined assuming that the changes in currency exchange rates had occurred at the end of the year and had been applied to the abovementioned financial instruments at that date. The percentage increase or decrease represents management's assessment of reasonably possible changes in currency exchange rates over the period until the next annual reporting date. The sensitivity analysis included in the financial statements for the year ended 31 December 2015 has been prepared on the same basis. In the management's opinion, the sensitivity analysis is unrepresentative of the inherent currency exchange rate risk as the exposure at the end of the reporting period does not reflect the exposure during the year.

(c) Credit risk

None of the financial assets of the Group or of the Company are secured by collateral or other credit enhancements.

The Group's bank balances are deposited with major and reputable banks located in Hong Kong and in the PRC with good external credit ratings.

The Group trades mainly with recognised, creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant. Major concentration of credit risk arises from the Group's exposure to a substantial number of trade receivables in one geographical region, i.e. the PRC. The debts due from the five largest debtors of the Group represent 37% (2015: 30%) of total trade receivables at 31 December 2016. The credit policies have been followed by the Group since prior years and are considered to be effective in limiting the Group's exposure to credit risk to a desirable level.

Further information about the Company's credit risk with respect to amount due from a subsidiary and the Group's trade receivables are stated in notes 12 and 16, respectively.

26. FINANCIAL RISK MANAGEMENT - continued

(d) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

Management monitors and maintains a level of cash and cash equivalents deemed adequate to finance the Group's operations and to mitigate the effects of fluctuations in cash flows. Typically, the Group ensures that it has sufficient cash on demand to meet expected operational expenses, which excludes the potential impact in extreme circumstances that cannot reasonably be predicted. Adequate lines of credit are maintained to ensure the necessary liquidity is available when required. During the year and subsequent to the year end, the Group had obtained written confirmations from its principal banker in the PRC, which confirmed the availability of a credit line up to RMB300 million, the terms and conditions of which have not been finalised but include a pledge of the Group's plant and equipment.

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

	Group		Company	
	On demand or within 1 year RMB'000	Total RMB'000	On demand or within 1 year RMB'000	Total RMB'000
At 31 December 2016				
Trade payables	2,662	2,662	-	-
Accruals and other payables	117,740	117,740	2,476	2,476
	120,402	120,402	2,476	2,476
At 31 December 2015				
Trade payables	3,018	3,018	-	-
Accruals and other payables	225,066	225,066	2,567	2,567
	228,084	228,084	2,567	2,567

(e) Fair value measurements

The fair value of the Group's financial assets and liabilities are not materially different from their carrying amounts because of the immediate or short term maturity of these financial instruments.

(f) Categories of financial assets and liabilities

The carrying amounts of the Group's and the Company's financial assets and liabilities as recognised at the reporting dates are analysed into the following categories. See notes 4.5 and 4.8 for explanations about how the category of financial instruments affects their subsequent measurement.

26. FINANCIAL RISK MANAGEMENT - continued

(f) Categories of financial assets and liabilities - continued

	Group		Company	
	2016 RMB'000	2015 RMB'000	2016 RMB'000	2015 RMB'000
Financial assets				
Loans and receivables:				
- Trade receivables	11,583	12,206	-	-
- Other receivables	11	813	-	-
- Amount due from a subsidiary	-	-	-	369,998
- Cash and cash equivalents	65,098	776,431	-	-
	76,692	789,450	-	369,998
Financial liabilities				
Financial liabilities measured at amortised cost:				
- Trade payables	2,662	3,018	-	-
- Accruals and other payables	117,740	225,066	2,476	2,567
	120,402	228,084	2,476	2,567

27. CAPITAL MANAGEMENT

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares.

The Group monitors capital using a gearing ratio, which is total debt divided by total capital. Total debt is calculated as bank loans while total capital is calculated as total equity. The Group aims to maintain the gearing ratio at a reasonable level. At 31 December 2016 and 2015, the Group does not have any debts and accordingly, the gearing ratio is not disclosed. Capital of the Group at 31 December 2016 was approximately RMB1,039,512,000 (2015: RMB1,056,292,000).

The Group is not subject to any externally imposed capital requirements for the current and previous years, except as disclosed in note 22(c). The externally imposed capital requirement has been complied with by the Group for the years ended 31 December 2016 and 2015. No significant changes were made in the Group's objectives, policies and procedures for managing capital during the years ended 31 December 2016 and 2015.

Statistics of Shareholdings

as at 16 March 2017

Shareholders' Information

Authorised Share Capital	:	S$75,000,000.00 divided into 150,000,000 ordinary shares of S$0.50 each
Issued and fully paid-up capital	:	S$33,000,000.00 divided into 65,999,998 ordinary shares of S$0.50 each
Class of shares	:	Ordinary shares of S$0.50 each with equal voting rights

DISTRIBUTION OF SHAREHOLDINGS

SIZE OF SHAREHOLDINGS	NO. OF SHAREHOLDERS	%	NO. OF SHARES	%
1 - 99	2	0.17	49	0.00
100 - 1,000	548	46.60	253,312	0.38
1,001 - 10,000	493	41.92	2,152,191	3.26
10,001 - 1,000,000	128	10.88	7,742,249	11.73
1,000,001 AND ABOVE	5	0.43	55,852,197	84.63
TOTAL	**1,176**	**100.00**	**65,999,998**	**100.00**

TWENTY LARGEST SHAREHOLDERS

	NAME	NO. OF SHARES	%
1	GOODWISE INVESTMENTS LIMITED	19,855,000	30.08
2	EASTLINE INVESTMENTS HOLDING LIMITED	16,980,000	25.73
3	UOB KAY HIAN PRIVATE LIMITED	12,798,297	19.39
4	CHEN CHUANZHONG	3,145,600	4.77
5	ZHU CHONG DONG	3,073,300	4.66
6	OCBC SECURITIES PRIVATE LIMITED	615,800	0.93
7	PHILLIP SECURITIES PTE LTD	394,300	0.60
8	KOH TONG HO	390,000	0.59
9	CITIBANK NOMINEES SINGAPORE PTE LTD	288,300	0.44
10	LIM MUI KEOW AGNES	270,000	0.41
11	PUI BOON KENG	256,100	0.39
12	MAYBANK KIM ENG SECURITIES PTE. LTD.	235,060	0.36
13	MRS CHAU-CHAN SUI YUNG	214,500	0.33
14	ONG AH KHIN	200,000	0.30
15	DBS NOMINEES (PRIVATE) LIMITED	191,300	0.29
16	RHB SECURITIES SINGAPORE PTE. LTD.	180,600	0.27
17	CHUA BOON LEONG	161,000	0.24
18	EST OF LIM AIK KHOON, DEC'D	158,800	0.24
19	MOHAMED SALLEH S/O KADIRMOHIDEEN SAIBU MARICAR	150,000	0.23
20	NG SUAT KIM	141,400	0.21
	TOTAL	**59,699,357**	**90.46**

Statistics of Shareholdings

as at 16 March 2017

Substantial Shareholders
(As recorded in the Register of Substantial Shareholders)

	Direct Interest		Deemed Interest	
	Number of Shares	%	Number of Shares	%
Eastline Investments Holding Limited [1]	16,980,000	25.73	-	-
Goodwise Investments Limited [2]	19,855,000	30.08	-	-
Yang Qingjin [1]	-	-	16,980,000	25.73
Chen Yongfu [2]	-	-	19,855,000	30.08

Notes:-

(1) Eastline Investments Holding Limited is a company incorporated in British Virgin Islands and is wholly-owned by Mr Yang Qingjin, the Company's Chairman and Executive Director. Mr Yang Qingjin is deemed to have an interest in all the shares held by Eastline Investments Holding Limited.

(2) Goodwise Investments Limited is a company incorporated in British Virgin Islands and is wholly-owned by Mr Chen Yongfu, the Company's Deputy Chairman and Executive Director. Mr Chen Yongfu is deemed to have an interest in all the shares held by Goodwise Investments Limited.

PERCENTAGE OF SHAREHOLDING IN PUBLIC'S HANDS

44.19% of the Company's shares are held in the hands of public. Accordingly, the Company has complied with Rule 723 of the Listing Manual of the SGX-ST.

Notice of Annual General Meeting

Changtian Plastic & Chemical Limited
(Incorporated in Bermuda)

NOTICE IS HEREBY GIVEN that the Annual General Meeting of Changtian Plastic & Chemical Limited (the "**Company**") will be held at Orchard Room, Level 4, Raffles City Convention Centre, No. 2 Stamford Road, Singapore 178882 on Thursday, 27 April 2017 at 10.00 a.m. for the following purposes:-

AS ORDINARY BUSINESS

1. To receive and adopt the Directors' Report and the Audited Financial Statements of the Company for the financial year ended 31 December 2016 together with the Auditors' Report thereon. **(Resolution 1)**

2. (a) To re-elect Mr Qiu Wei Cai, a Director retiring pursuant to Bye-Law 104 of the Company's Bye-Laws. [See Explanatory Note (i)] **(Resolution 2a)**

   (b) To re-elect Ms Liao Quanwen, a Director retiring pursuant to Bye-Law 104 of the Company's Bye-Laws. [See Explanatory Note (ii)] **(Resolution 2b)**

   (c) To re-elect Mr Tan Siok Sing, a Director retiring pursuant to Bye-Law 104 of the Company's Bye-Laws. [See Explanatory Note (iii)] **(Resolution 2c)**

3. To approve the payment of Directors' fees of S$180,000 for the financial year ending 31 December 2017, to be paid quarterly in arrears at S$45,000 per quarter. (FY2016: S$180,000/-). **(Resolution 3)**

4. To re-appoint Messrs BDO Limited, Certified Public Accountants, Hong Kong and Messrs BDO LLP, Public Accountants and Chartered Accountants, Singapore as the Company's joint auditors to act jointly and severally and to authorise the Directors to fix their remuneration. **(Resolution 4)**

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

AS SPECIAL BUSINESS

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

6. "That pursuant to Rule 806 of the Listing Rules of the Singapore Exchange Securities Trading Limited ("**SGX-ST**"), authority be and is hereby given to the Directors of the Company to:

   1. (i) issue shares in the capital of the Company (the "**Shares**") (whether by way of rights, bonus or otherwise); and/or

      (ii) make or grant offers, agreements or options that may or would require Shares to be issued, including but not limited to the creation and issue of (as well as adjustments to) warrants, debentures or other instruments convertible into Shares (collectively, the "**Instruments**");

   2. (notwithstanding that the authority conferred by paragraph 1 of this resolution may have ceased to be in force) issue Shares in pursuance of any Instrument made or granted by the Directors while this resolution was in force,

      at any time and from time to time upon such terms and conditions, whether for cash or otherwise, and for such purposes and to such persons as the Directors may think fit for the benefit of the Company, provided that:-

AS SPECIAL BUSINESS - continued

(a) the aggregate number of Shares to be issued pursuant to this resolution (including shares to be issued in pursuance of Instruments made or granted pursuant to this resolution) does not exceed fifty per cent. (50%) of the total number of issued Shares excluding treasury shares of the Company (as calculated in accordance with sub-paragraph (b) below), of which the aggregate number of Shares to be offered other than on a pro-rata basis to shareholders of the Company (including Shares to be issued in pursuance of Instruments made or granted pursuant to this resolution) does not exceed twenty per cent. (20%) of the total number of issued Shares excluding treasury shares of the Company (as calculated in accordance with sub-paragraph (b) below);

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

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

(ii) new Shares arising from exercise of share options or vesting of share awards outstanding or subsisting at the time of the passing of 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;

(c) in exercising the authority conferred by this resolution, the Company shall comply with the provisions of the Listing Manual of the SGX-ST for the time being in force (unless such compliance has been waived by the SGX-ST) and the memorandum of association and Bye-laws for the time being of the Company; and

(d) unless revoked or varied by the Company in general meeting, the authority conferred by this resolution shall continue in force until the conclusion of the next annual general meeting of the Company or the date by which the next annual general meeting of the Company is required to be held, whichever is the earlier, except that the Directors shall be authorised to allot and issue Shares pursuant to any Instrument made or granted by the Directors while this resolution was in force notwithstanding that such authority has ceased to be in force at the time of issue of such Shares." [See Explanatory Note (iv)]. **(Resolution 5)**

7. "That the Directors of the Company be and are hereby authorised to offer and grant options in accordance with the provisions of the Changtian Employee Share Option Scheme ("**Scheme**") and to allot and issue from time to time such number of shares in the capital of the Company as may be required to be issued pursuant to the exercise of the options under the Scheme provided always that the aggregate number of shares to be issued pursuant to the Scheme shall not exceed fifteen per cent. (15%) of the total issued share capital of the Company from time to time." [See Explanatory Note (v)]. **(Resolution 6)**

By Order of the Board

Chan Pak Kin Ken
Secretary

Singapore, 5 April 2017

Explanatory Notes:

(i) Mr Qiu Wei Cai will, upon re-election continue as the Finance Director and Executive Director of the Board.

(ii) Ms Liao Quanwen will, upon re-election continue as the Chairman of the Nominating Committee and a member of the Audit and Remuneration Committees. She will be considered Independent for the purpose of Rule 704(8) of the Listing Manual of the SGX-ST.

(iii) Mr Tan Siok Sing will, upon re-election continue as the Chairman of the Audit Committee and a member of the Nominating and Remuneration Committees. He will be considered Independent for the purpose of Rule 704(8) of the Listing Manual of the SGX-ST.

(iv) The Ordinary Resolution 5 proposed in item 6. above, if passed, is to empower the Directors to issue shares in the capital of the Company and/or instruments (as defined above). The aggregate number of shares to be issued pursuant to Resolution 5 (including shares to be issued in pursuance of instruments made or granted) shall not exceed fifty per cent. (50%) of the total number of issued shares excluding treasury shares of the Company, with a sub-limit of twenty per cent. (20%) for shares issued other than on a pro-rata basis (including shares to be issued in pursuance of instruments made or granted pursuant to this Resolution) to shareholders with registered addresses in Singapore. For the purpose of determining the aggregate number of shares that may be issued, the percentage of the total number of issued shares excluding treasury shares of the Company will be calculated based on the total number of issued shares excluding treasury shares of the Company at the time of the passing of Resolution 5, after adjusting for (i) new shares arising from the conversion or exercise of any convertible securities; (ii) new shares arising from exercise of share options or vesting of share awards outstanding or subsisting at the time of the passing of Resolution 5, 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.

(v) The Ordinary Resolution 6 proposed in item 7. above, if passed, is to authorise the Directors to offer and grant options in accordance with the provisions of the Changtian Employee Share Option ("Scheme") and to allot and issue shares under the Scheme up to an amount not exceeding fifteen per cent. (15%) of the total issued share capital of the Company from time to time.

Notes:

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

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

3. Depositors whose names are shown in the records of CDP as at a time not earlier than forty-eight (48) hours prior to the time of the Annual General Meeting, may attend as CDP's proxies. Depositors who are individuals and who wish to attend the Annual General Meeting in person need not take any further action and can attend and vote at the Annual General Meeting without the lodgment of any proxy form. A Depositor who is (i) an individual but is unable to attend the Annual General Meeting personally and wish to appoint a nominee(s) to attend and vote, or (ii) is a corporation, should complete and sign the Depositor Proxy Form and deposit the duly completed Depositor Proxy Form at the office of the Company's Singapore Share Transfer Agent, Boardroom Corporate & Advisory Services Pte Ltd, at 50 Raffles Place, Singapore Land Tower #32-01, Singapore 408623, not less than forty-eight (48) hours before the time appointed for the Annual General Meeting.

Strategising for the Future

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